

# It's Time to Address Our Nation's Health Care Price Crisis

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**T**he narrative that health care prices are unsustainable has been the theme of many stump speeches, articles, and studies for decades, yet meaningful action has remained elusive. Meanwhile, families suffer from reduced access and rising medical debt, and businesses are forced to choose between paying for health care and investing in their workforce. When health care is too expensive, we all pay the price.

At Catalyst for Payment Reform (CPR), we believe that our nation is in a health care price crisis and that the time for action is long overdue. Slowing the negative effects of decades of rapid health care price growth will require a concerted effort from all stakeholders to implement a range of market and policy interventions. We, along with the Employers' Forum of Indiana (EFI), are launching a new initiative, Price Crisis, to educate and connect stakeholders to catalyze a response to this issue. We recognize that there is already tremendous energy around the issue of health care prices. Our goal is for Price Crisis to act as a lens to capture and focus that energy on meaningful interventions to lower prices.

In this 6-part series, we will address the many ways high health care prices cause harm to us all and detail actions that key stakeholders can take. This first article summarizes the status and impact of high health care prices in America and provides an overview of solutions that have the potential to rebalance the health care marketplace for individuals and employers. In future articles, we will dig deeper into the everyday effects of the price crisis and offer more detailed prescriptions for a cure.

## Even Individuals With Insurance Can't Afford Health Care

For individuals with employer-sponsored health insurance, the average yearly premium for a household is \$22,463,<sup>1</sup> which is more than 30% of the national median income.<sup>2</sup> High insurance premiums result from high underlying prices for health care services. For example, the average cost of a 3-day hospital stay is \$30,000,<sup>3</sup> and even with insurance, individuals and families will typically have to pay a portion of that to meet their deductible and out-of-pocket maximum. Given that American households have a

## ABSTRACT

High health care prices cause significant harm to individuals, businesses, communities, and society at large. These harms include reduced access to care, rising medical debt, lower wages, more inequity, and a growing burden on businesses and governments. Despite widespread recognition of the issue, there has been insufficient action to address it effectively. Catalyst for Payment Reform and the Employers' Forum of Indiana's new campaign, Price Crisis, will mobilize individuals, employers, and policy makers with evidence, guidance, and resources to take meaningful actions through marketplace initiatives, policy advocacy, and antitrust enforcement. The following article is written from the perspective of Catalyst for Payment Reform.

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## TAKEAWAY POINTS

- ▶ Health care prices have risen more rapidly than overall consumer prices, significantly outpacing overall economic development.
- ▶ Rising health care prices create significant financial challenges for individuals and employers, leading to wage stagnation, rising debt, more inequity, and strained government budgets.
- ▶ Market-based strategies have failed to control rising health care prices due to the significant consolidation and market power of health systems and health plans.
- ▶ Bold state and federal regulations and policy interventions are necessary to complement market-based solutions.
- ▶ Addressing high health care prices requires political will and committed effort from various stakeholders, including employers, policy makers, and patient advocates.

median savings of \$8000,<sup>4</sup> it's no wonder that 47% of Americans with insurance report difficulty with affording health care.<sup>5</sup> Why the high price tag? Some argue that the rise of health care costs is due to higher utilization, but the Health Care Cost Institute found that from 2017 to 2021, only one-third of health care cost increases were attributable to higher utilization and two-thirds were due to increased health care prices.<sup>6</sup> Moreover, health care prices have been rising at a much higher rate than prices generally. According to the US Bureau of Labor Statistics, between 2000 and 2024, the Consumer Price Index (CPI) for medical care increased by 118%.<sup>7</sup> For that same time period, the CPI for all goods increased by 83%.<sup>7</sup>

### Who Pays the Price?

All of American society is affected by high health care prices, but employers and individuals bear the greatest and most direct burden. In 2023, approximately 165 million individuals, or nearly two-thirds of Americans younger than 65 years, had health care coverage through an employer.<sup>8</sup> In 2022, employers paid \$787.3 billion toward private employee health care,<sup>9</sup> an increase of 41% in 10 years. This is money that businesses cannot otherwise invest in their workforce, which has ripple effects throughout the economy. A recent study found that increases in health care prices reduce per capita labor income, increase flows into unemployment, lower federal income tax receipts, and raise unemployment insurance payments.<sup>10</sup>

Individuals, households, and communities also bear the burden of high prices. Nationally, medical debt exceeds \$220 billion,<sup>11</sup> with 20% of all households having medical collections on their credit report.<sup>12</sup> Thirty percent of individuals with employer-sponsored health insurance have medical debt.<sup>13</sup> According to The Commonwealth Fund, 39% of individuals with health care debt cut back on necessities such as food or heat, 37% deplete their savings, and 25% are forced to take on more hours at work or second jobs.<sup>13</sup> In subsequent articles in this series, we'll further explore how rising premiums reduce workers' income,<sup>14</sup> how American companies are increasing benefits-ineligible positions,<sup>15</sup> and how high prices worsen health inequity.<sup>16</sup> Who pays the price? The simple answer is, when health care costs too much, we all do.

### How Did We Get Here?

Health care cost containment, and specifically hospital cost control, has been at the center of American discourse since the 1970s. Costs, driven by rapidly rising prices, seemingly have been unsustainable for quite some time, yet little has been done to address the problem on a widespread or effective scale.<sup>17</sup> Attempted solutions have generally been ineffective, especially in the commercial sector, which still relies on private-sector price negotiations. Provider consolidation has led to a market imbalance that drives prices up,<sup>18</sup> despite employer-purchasers'

efforts to control costs. Hospitals and health systems have increased their market and pricing power through mergers and megamergers.<sup>19</sup> However, when employers have attempted to exercise their market power and exclude high-cost hospitals from their network, the hospitals have reacted by threatening lawsuits and exorbitant fees.<sup>20</sup>

In the absence of effective market mechanisms to control price, policy and regulatory efforts are needed. However, pushback against meaningful regulation is often well organized and effective<sup>21</sup> because health care is a large industry with entrenched and politically powerful interests.<sup>22</sup> When federal and state governments police antitrust behaviors, health systems have the deep pockets necessary to fight in court for years.<sup>23</sup> Some progress has been made to address the price issue at the state level,<sup>24</sup> but most of these efforts are too new to evaluate.

### A Path Forward

Solving the price crisis will not be easy or quick. As stated earlier, rising health costs have been a concern for decades, and yet we have done nothing effective to stem the tide. It is clear, after much experience, that market solutions alone are not sufficient to solve the price issue. But policy changes are difficult to enact and implement, especially in the face of staunch opposition from entrenched economic interests.

Despite these headwinds, we have no other choice but to act. Our economy's ability to absorb additional medical cost burden is finite, and the societal cracks associated with rapidly rising health care prices are starting to show. Consider the growth of medical debt. In a system that could adequately finance and afford health care, medical debt would be rare. Yet one recent survey found that 57% of American adults have experienced medical debt at some point in the past 5 years.<sup>25</sup> Like a homeowner who can't keep up with their mortgage payments, we are simply spending more on health care than we can afford and we are falling behind. The Biden administration's recent proposal to exclude medical debt from credit reports is a signal that policy action is possible. But that proposal merely treats one symptom of high health care costs, not the underlying disease or its causes. We need to do more.

CPR and EFI's initiative, Price Crisis, centered around the [pricecrisis.org](http://pricecrisis.org) website, will capture and focus the energy needed

for meaningful marketplace and policy solutions to high health prices. Price Crisis will:

- Document the everyday harm the high prices cause to individuals, families, and communities. We will do this by collecting and sharing stories of the hardships that high health prices create as well as spotlighting relevant research and studies.
- Provide specific calls to action (and supporting resources) for health care stakeholders. These will be simple and direct acts that people can take to create momentum to lower prices.
- Connect people and coalitions to create the critical mass and political will necessary for progress. CPR's goal is to grow Price Crisis into a coalition of patient advocacy organizations, purchaser organizations, state and federal policy think tanks, and others to collaborate on a multipronged initiative, combining marketplace solutions, state and federal policy advocacy, and antitrust enforcement.

In future articles in this series, we will dive deeper into both the effects of and potential solutions to the price crisis. In the meantime, we urge you to visit [pricerisis.org](https://www.pricerisis.org) or reach out to us at [hello@pricerisis.org](mailto:hello@pricerisis.org). We hope that you will be our partner in this important journey. ■

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