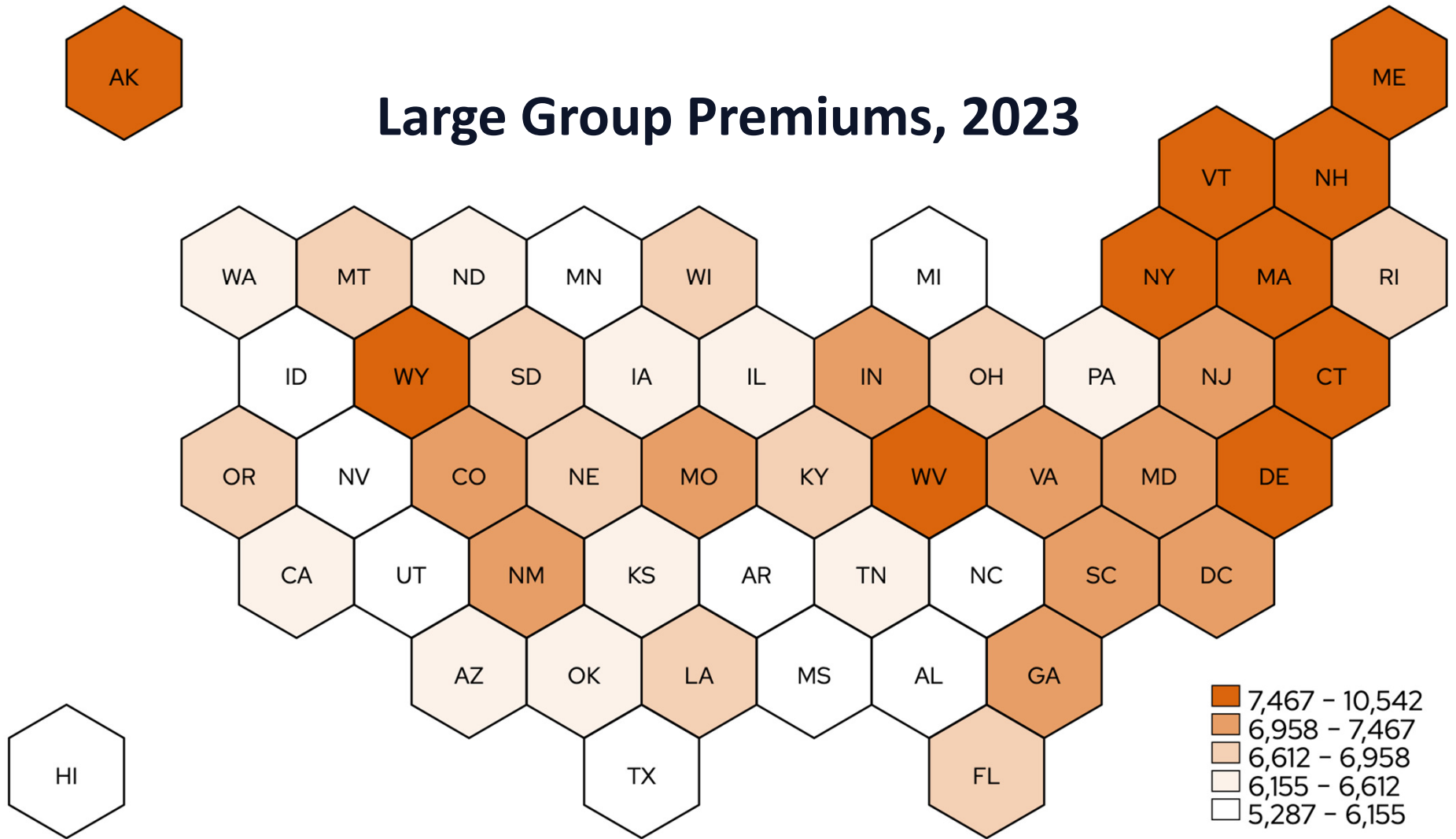


Who Pays for Rising Health Care Prices in the US?

Zack Cooper

Yale University

Large Group Premiums, 2023



Source: Cooper and Craig, Forthcoming. The data underlying the figure are from the Centers for Medicare and Medicaid Services and capture the large group fully-insured market



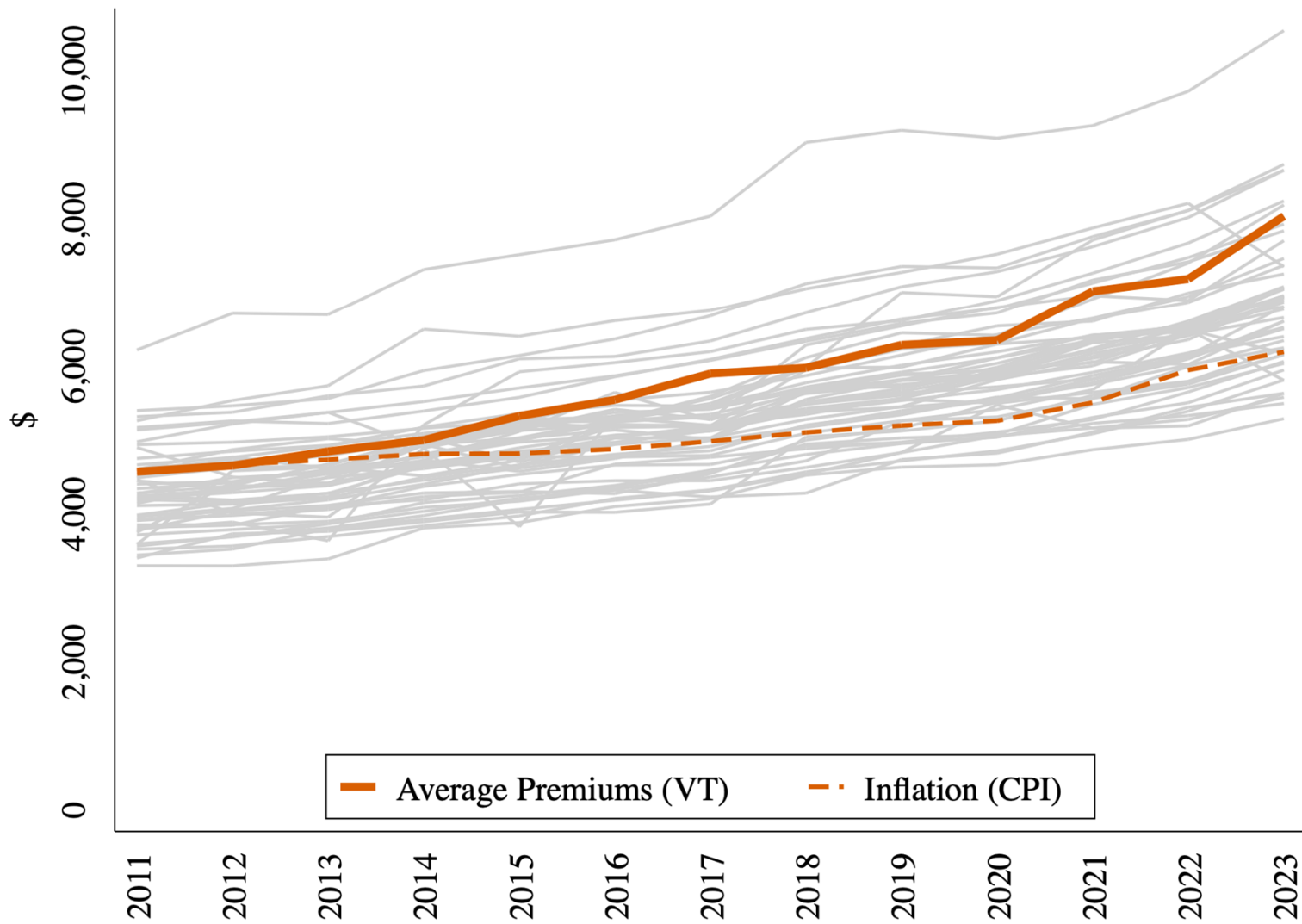
2024 Corolla

Starting MSRP \$22,050*

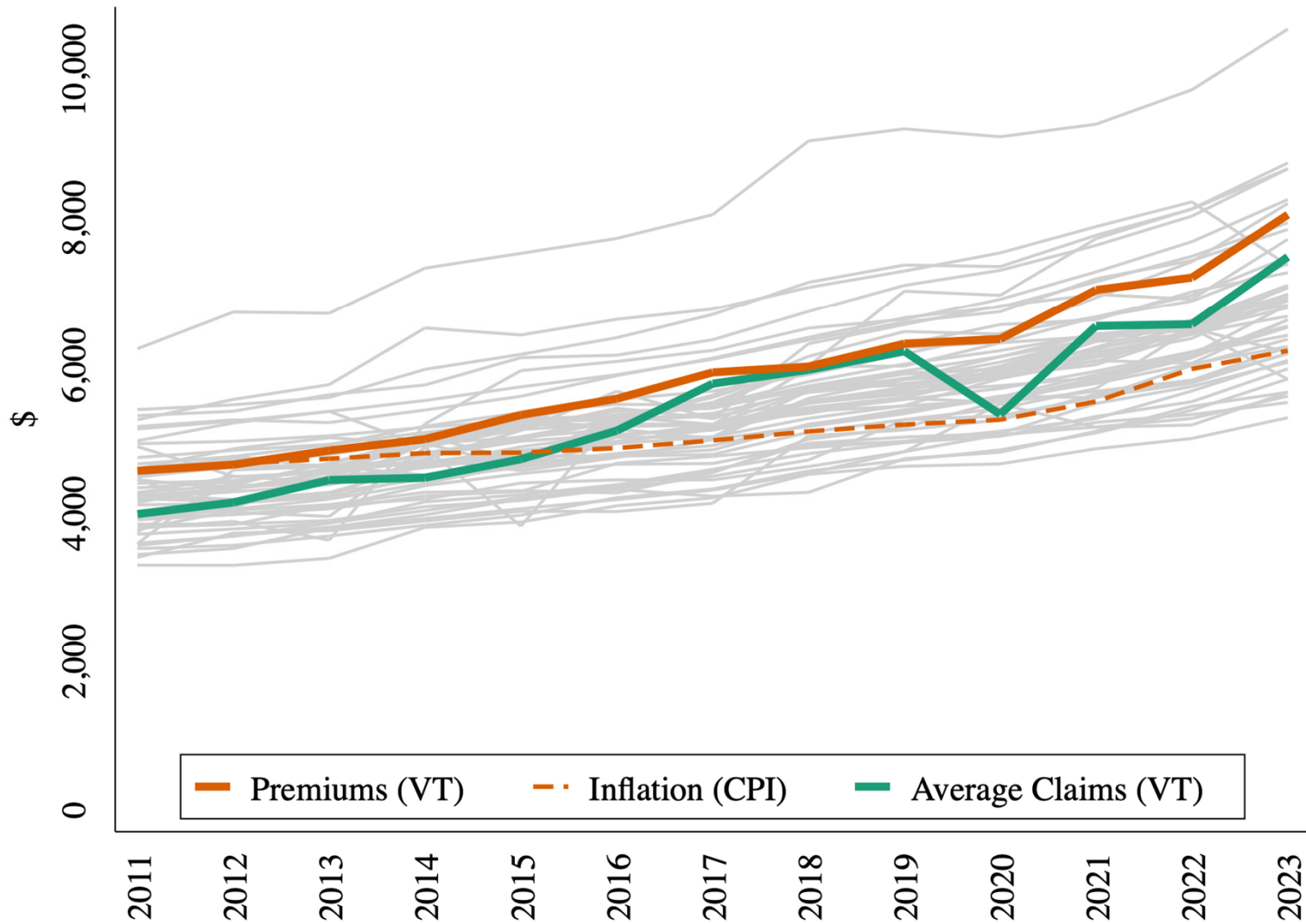
2012-2023 Premium Growth



Source: Cooper and Craig, Forthcoming. The data underlying the figure are from the Centers for Medicare and Medicaid Services and capture the large group fully-insured market

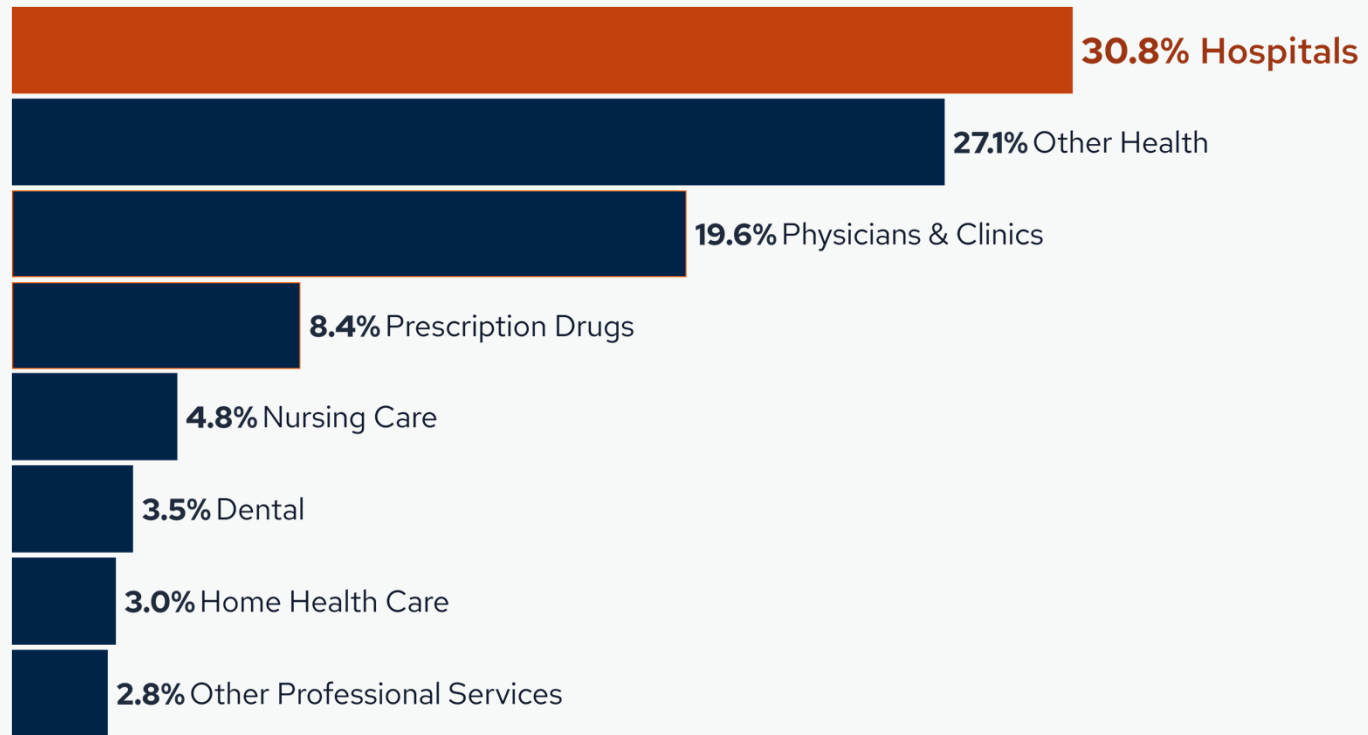


Source: Cooper and Craig, Forthcoming. The data underlying the figure are from the Centers for Medicare and Medicaid Services and capture the large group fully-insured market



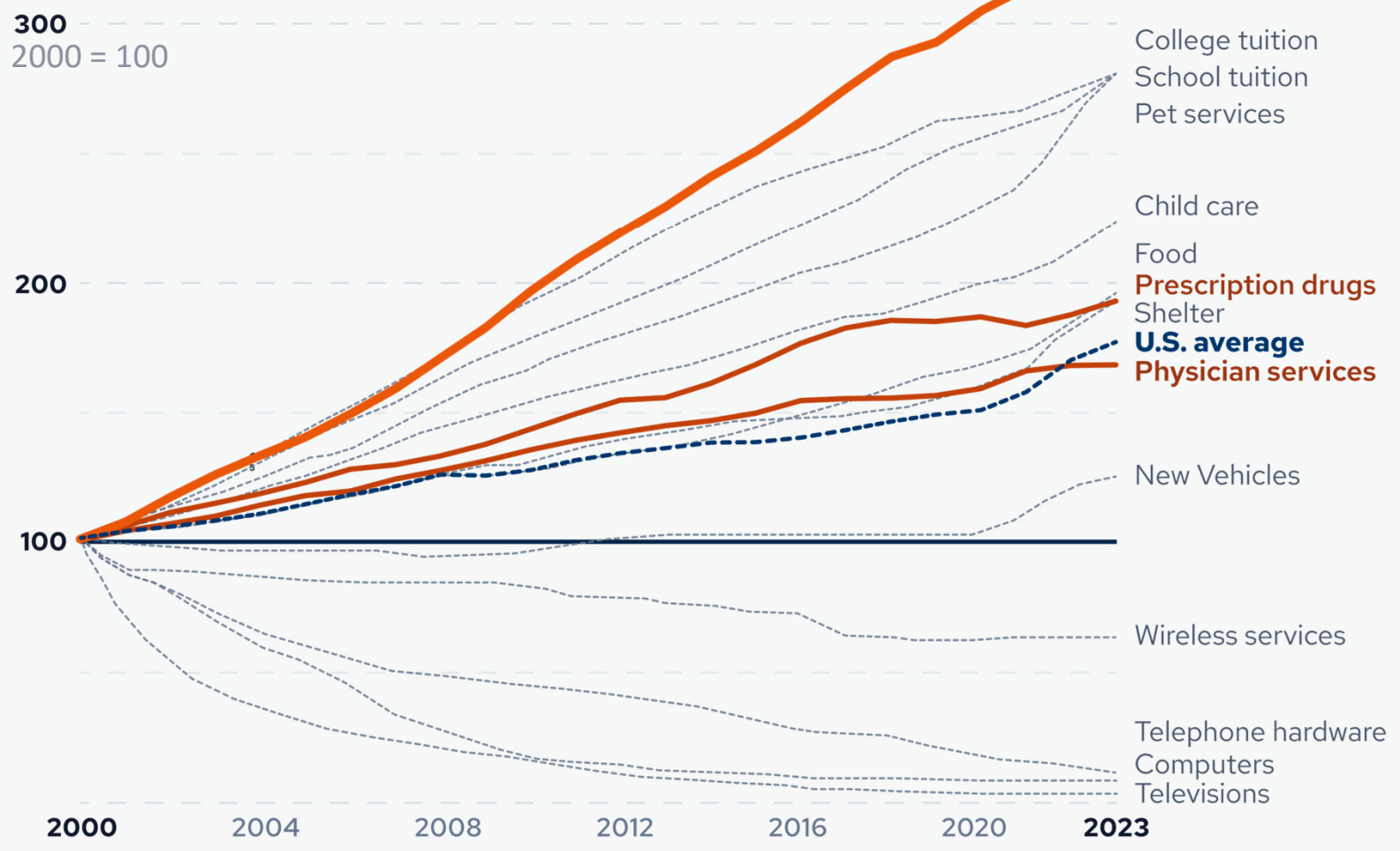
Source: Cooper and Craig, Forthcoming. The data underlying the figure are from the Centers for Medicare and Medicaid Services and capture the large group fully-insured market

Percent of health care spending by category



Data from the Kaiser Family Foundation.

Consumer Price Index, 2000 to 2023



Source: Bureau of Labour Statistics

Median liquid assets of households and maximum out-of-pocket limit allowed in private plans for in-network services, by household size, 2019

Median liquid assets, 2019



Maximum out-of-pocket limit in private plans (for in-network services), 2019

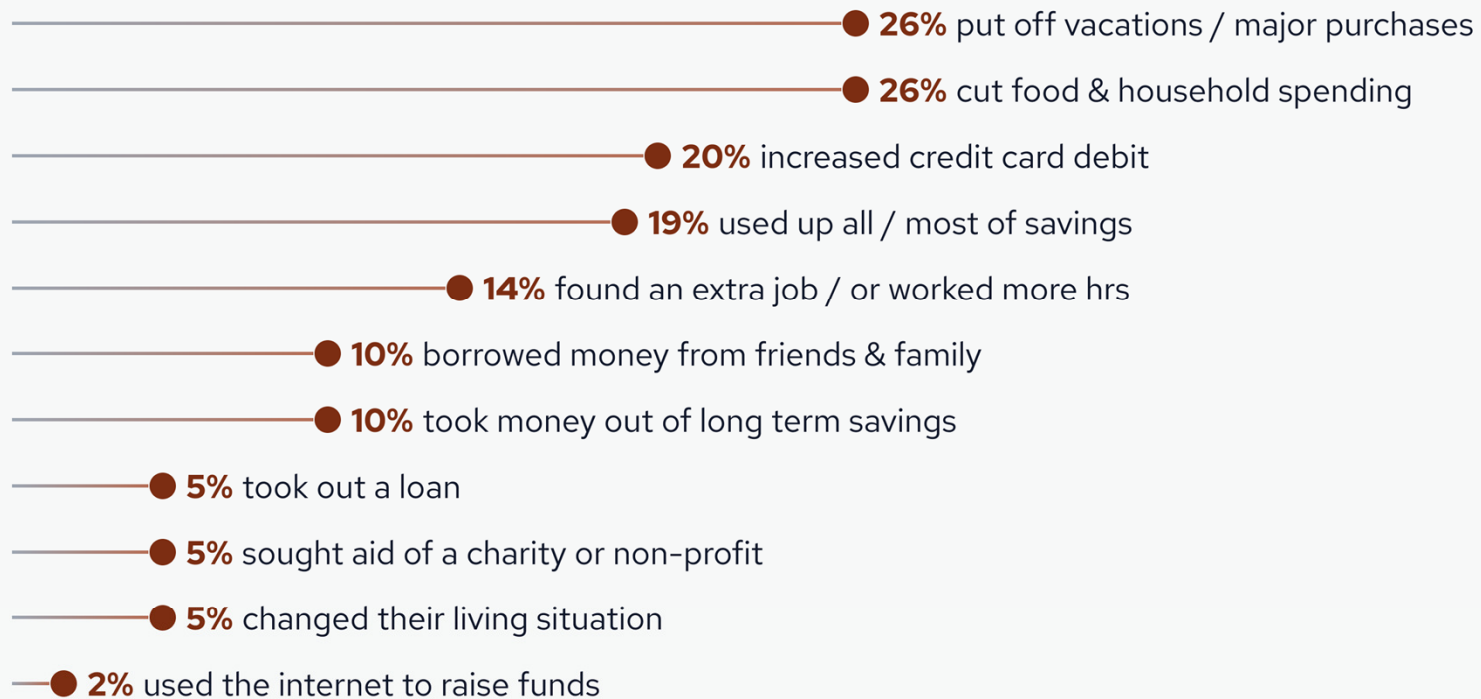


Liquid assets include the sum of checking and saving accounts, money market accounts, certificates of deposit, savings bonds, non-retirement mutual funds, stocks and bonds. Among non-elderly households, those in which the head of house and his/her spouse are less than 65

Source: KFF analysis of the Survey of Consumer Finance, 2019

Decisions made to pay for health care or insurance costs

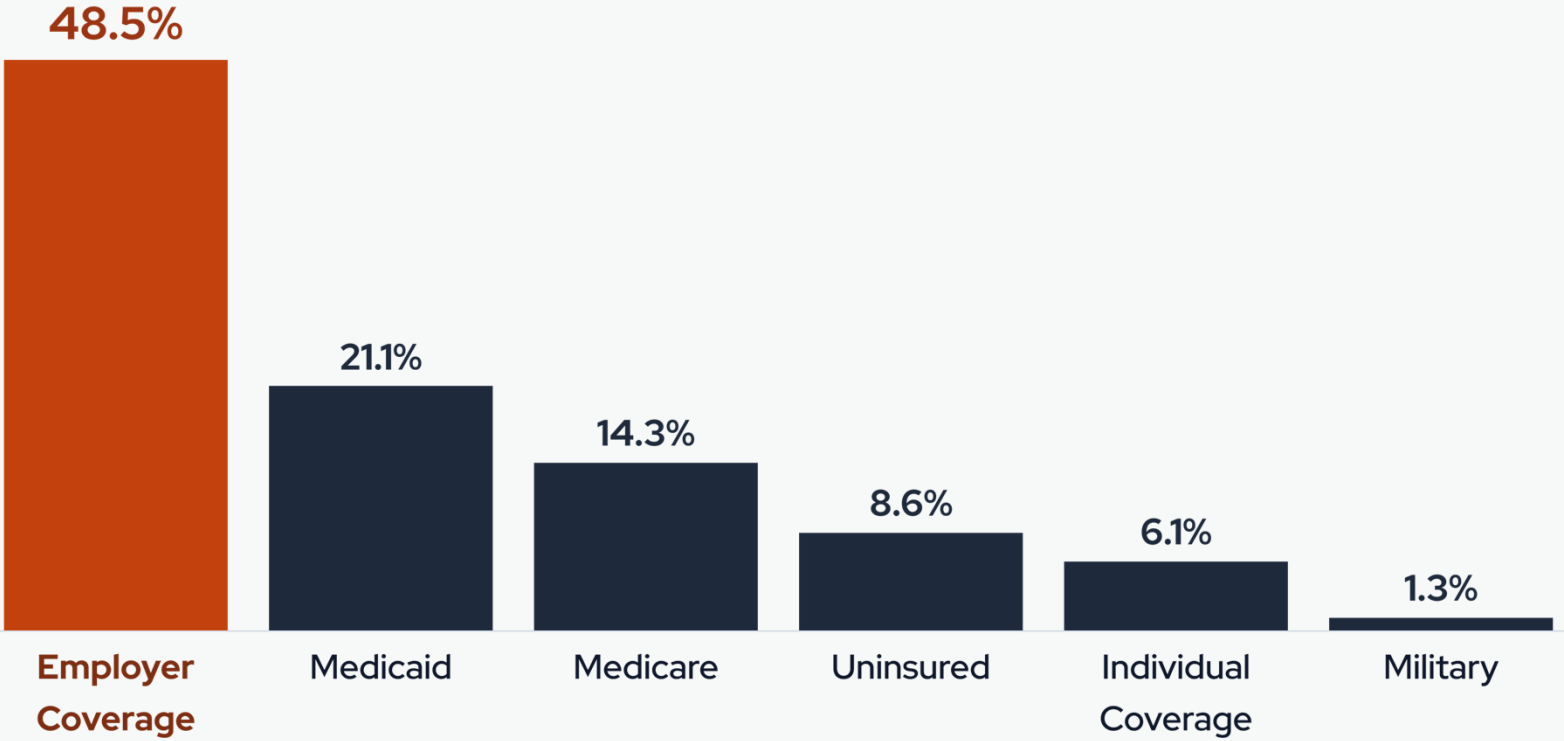
% of all adults with ESI who, in the past 12 months,



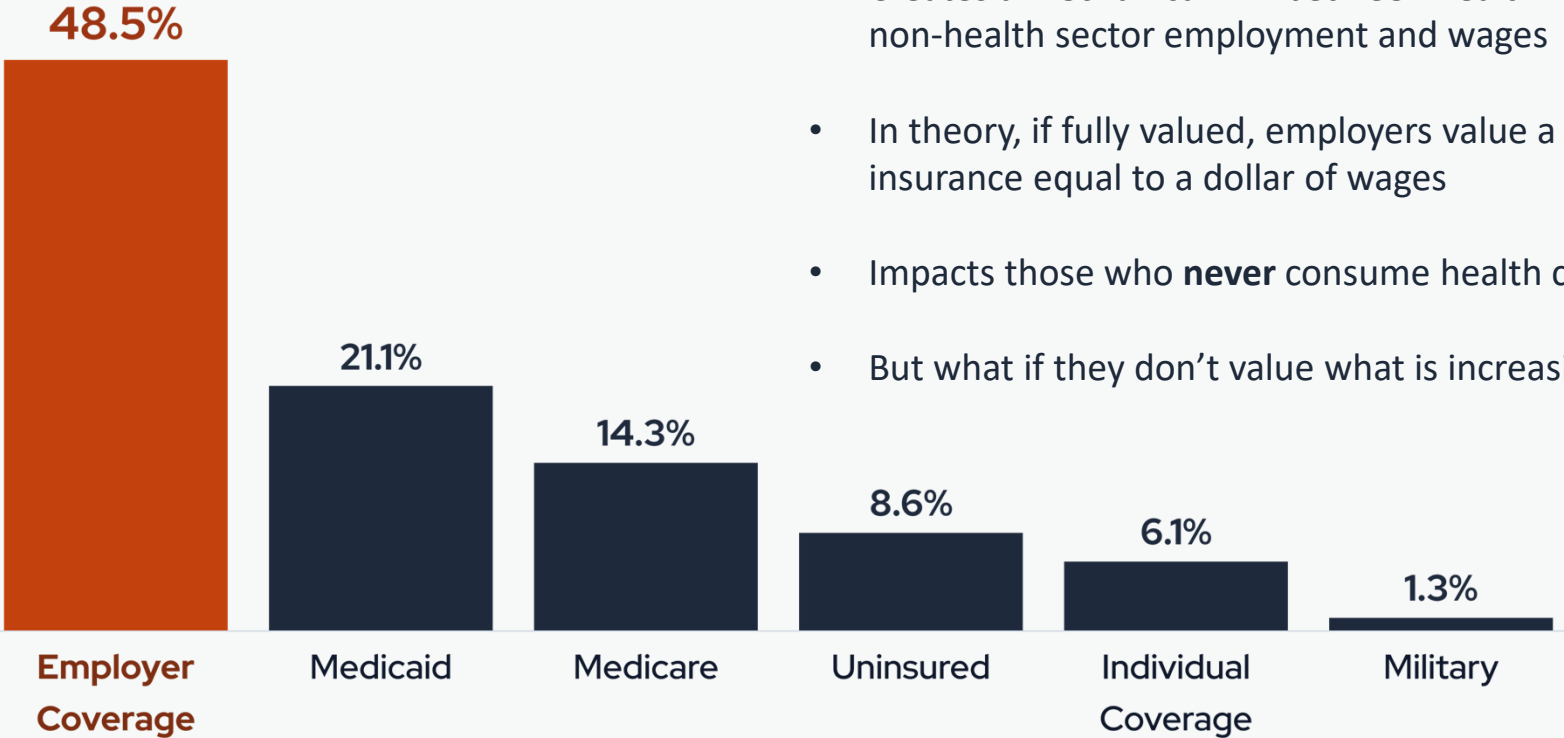
Source: KFF/LA Times Survey of Adults with Employer-Sponsored Health Insurance (Sept 25 - Oct 9 2017)

Peterson-KFF

Health System Tracker



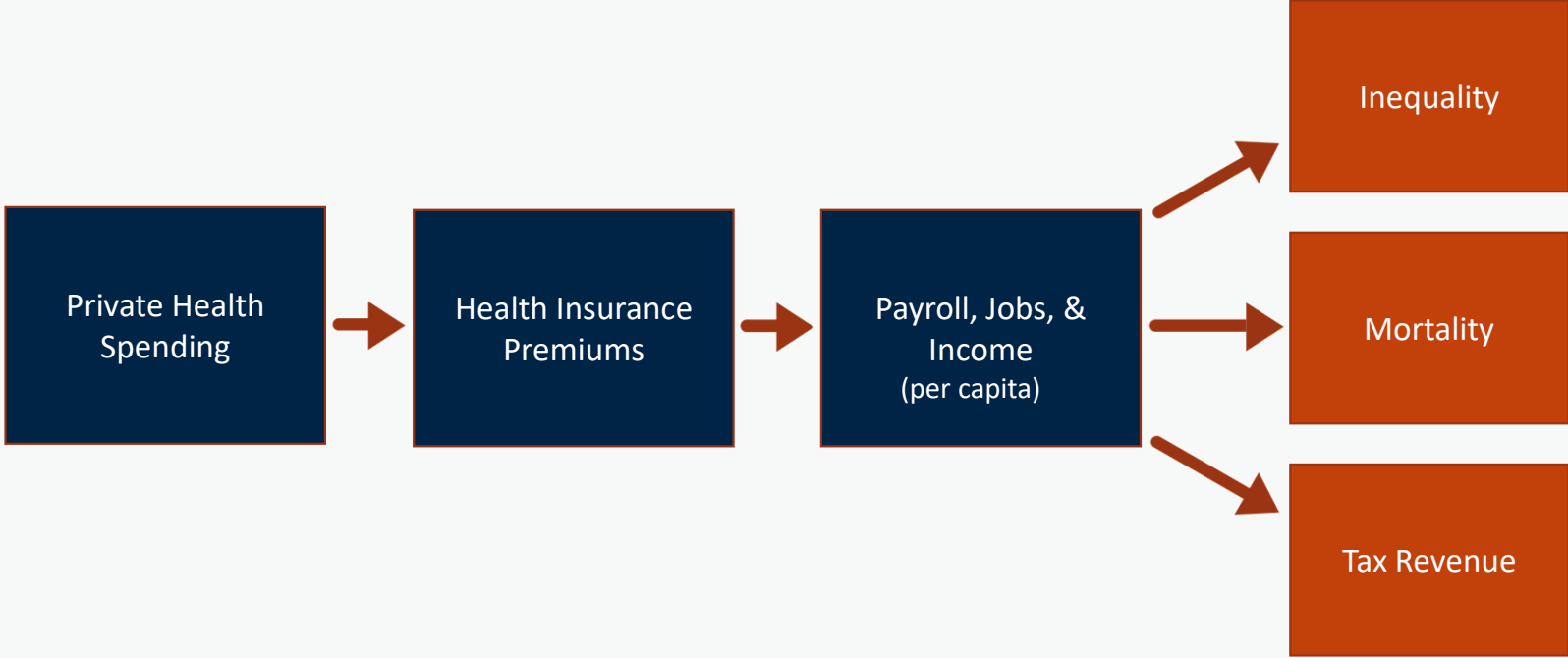
Data from the Kaiser Family Foundation.

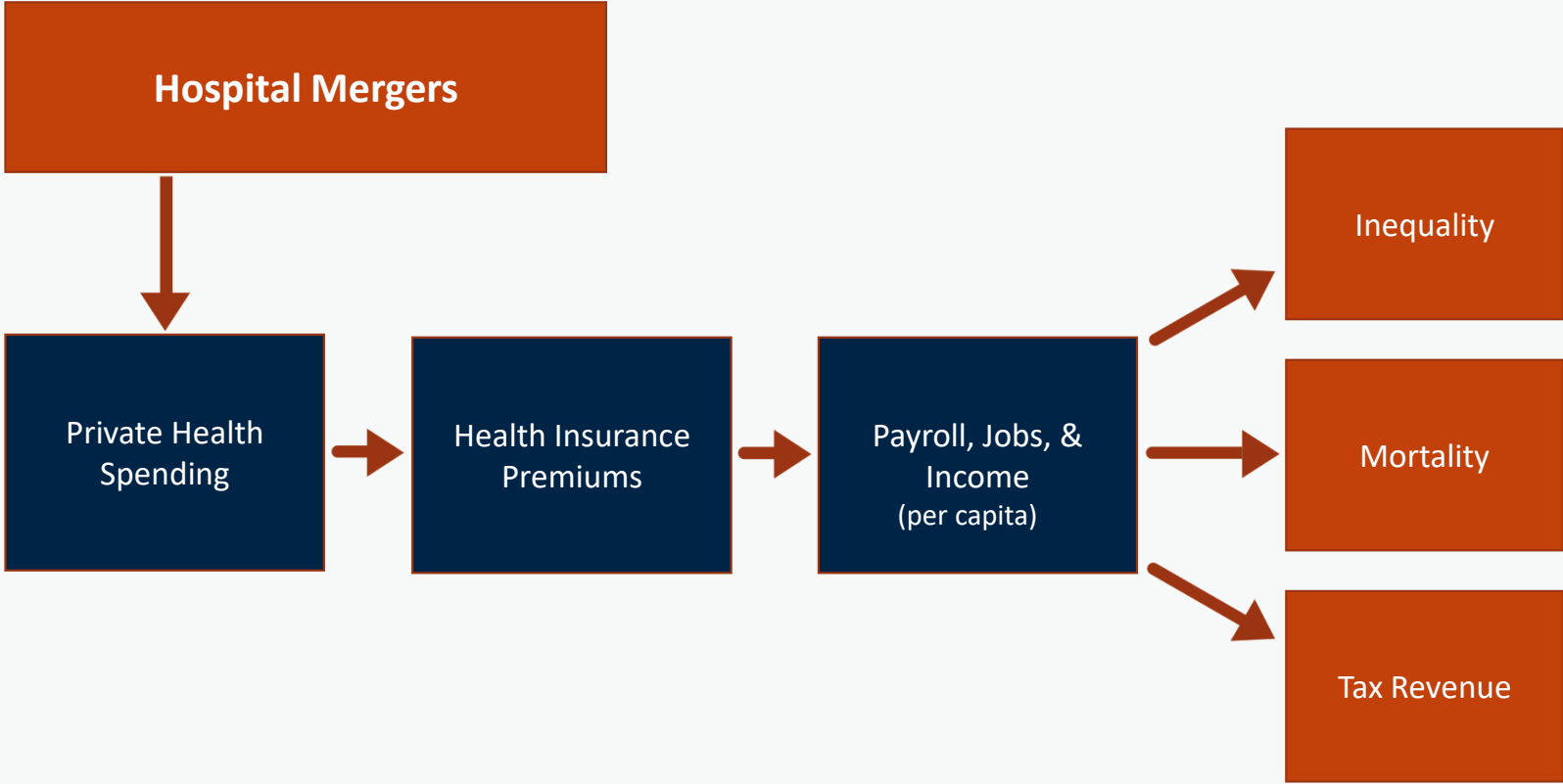


Employer-Sponsored Health Insurance

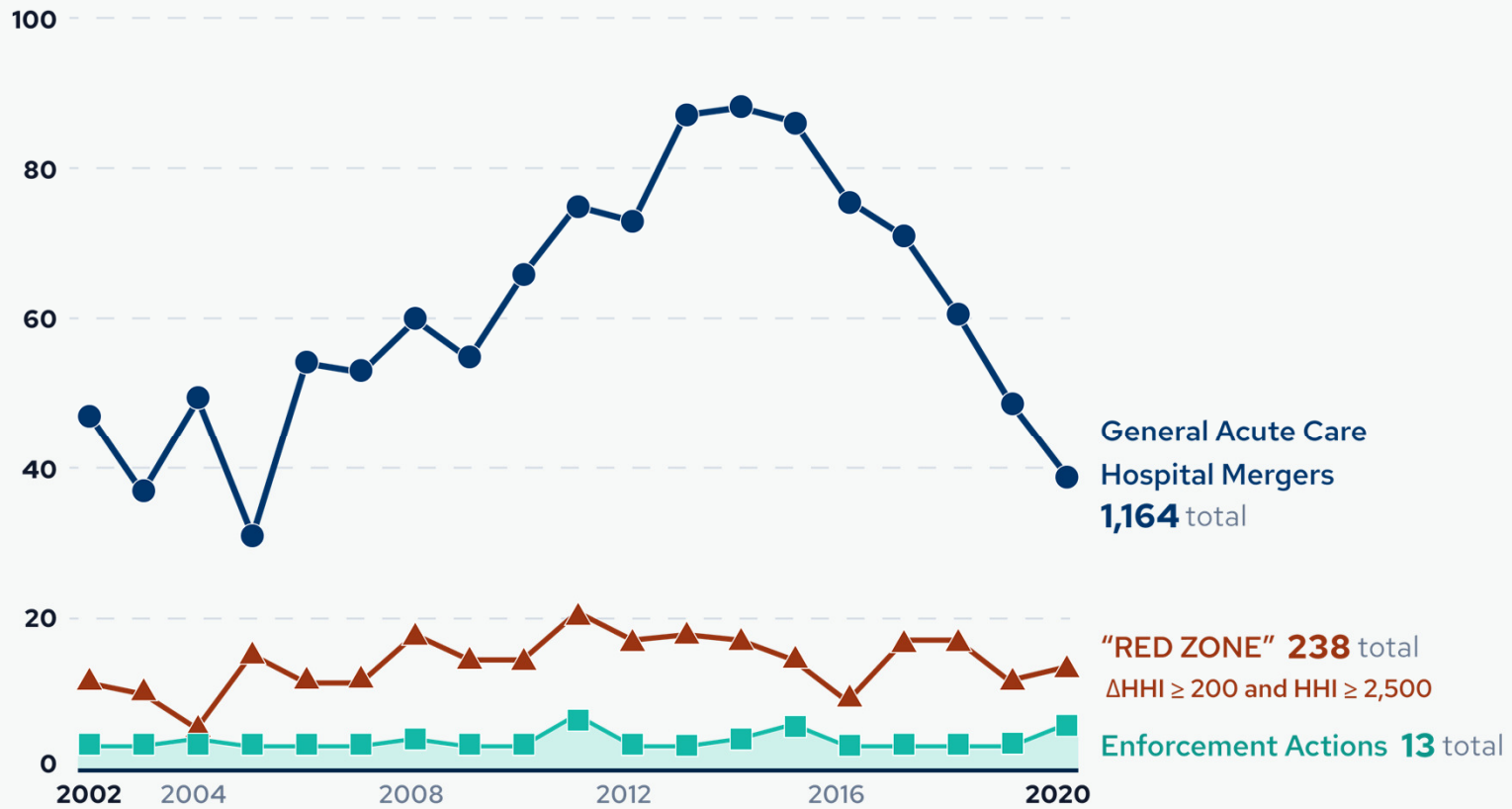
- Creates a mechanical link between health insurance and non-health sector employment and wages
- In theory, if fully valued, employers value a dollar of health insurance equal to a dollar of wages
- Impacts those who **never** consume health care
- But what if they don't value what is increasing spending?

Data from the Kaiser Family Foundation.





Annual Mergers, 2002 - 2020



Source: Brot-Goldberg, Cooper, Craig, and Klarinet, 2024

Mergers that lessen competition raise prices

Panel 1:

$\Delta\text{HHI} \geq 200$ and **Post-Merger HHI $\geq 2,500$**

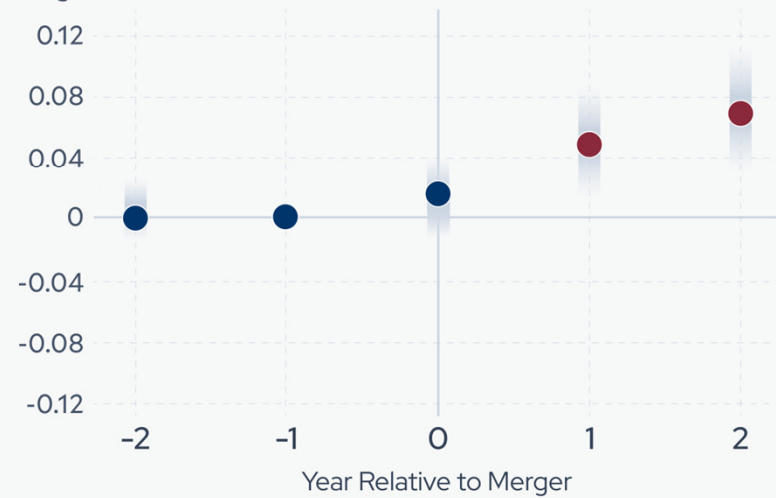
Merger Price Effect



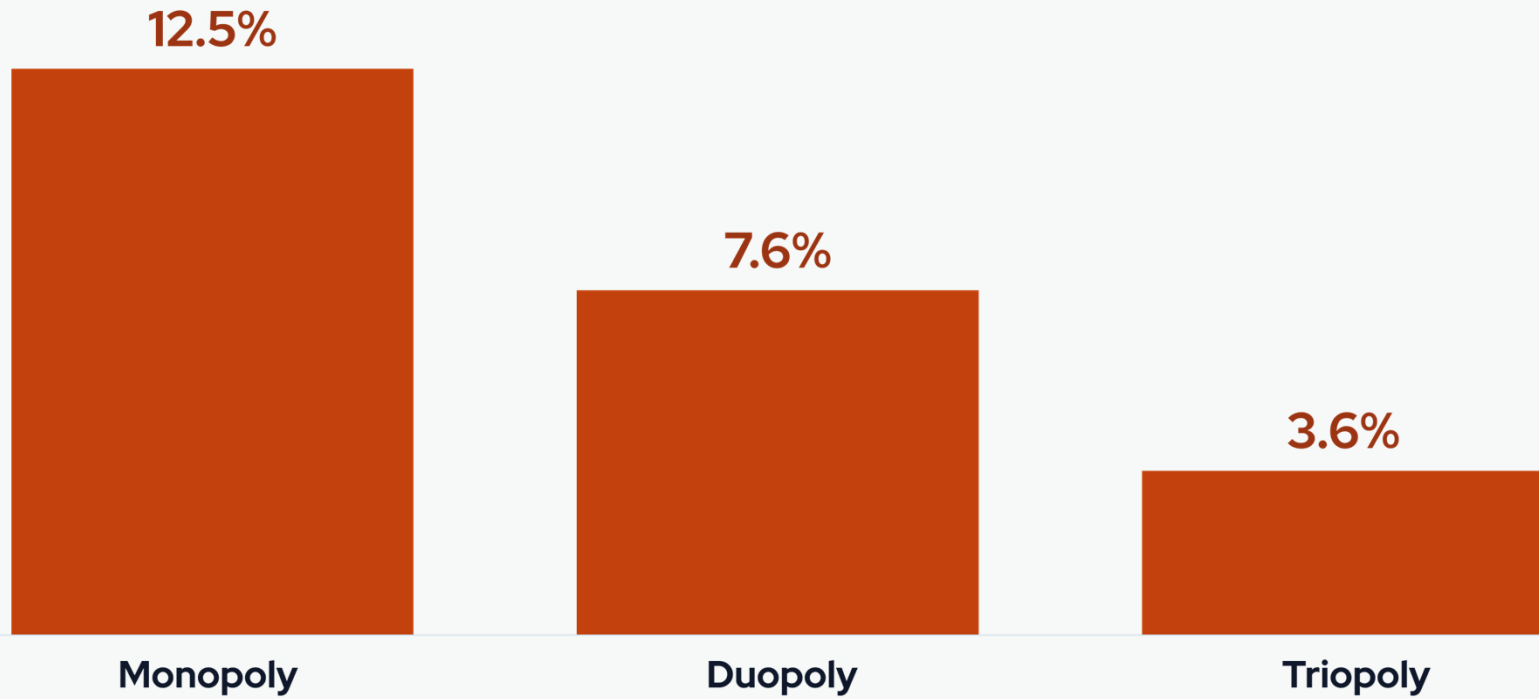
Panel 2:

$\Delta\text{HHI} \geq 200$ and **Post-Merger HHI $\geq 2,500$**

Merger Price Effect



Hospital Concentration & Prices



Source: Cooper, Craig, Gaynor, and Van Reenen, 2019. The price increases are relative to quadropoly markets

Hospital Mergers



AHA Survey, Irving
Levin, FactSet



Health Care
Prices



Private Health
Spending



Health Insurance
Premiums



Payroll, Jobs, &
Income
(per capita)



Universe of Tax
Returns from the IRS



Claims data from HCCI
(~28% of ESI)



Department of
Labor's Form 5500



Tax Revenue

Hospital Mergers

“20% of hospital mergers lessen competition and raise prices by an average of 5%”

Health Care
Prices

Private Health
Spending

Health Insurance
Premiums

Payroll, Jobs, &
Income
(per capita)

Tax Revenue

Hospital Mergers

All of the price increase pass through “dollar-for-dollar” into higher health care spending and insurance premiums

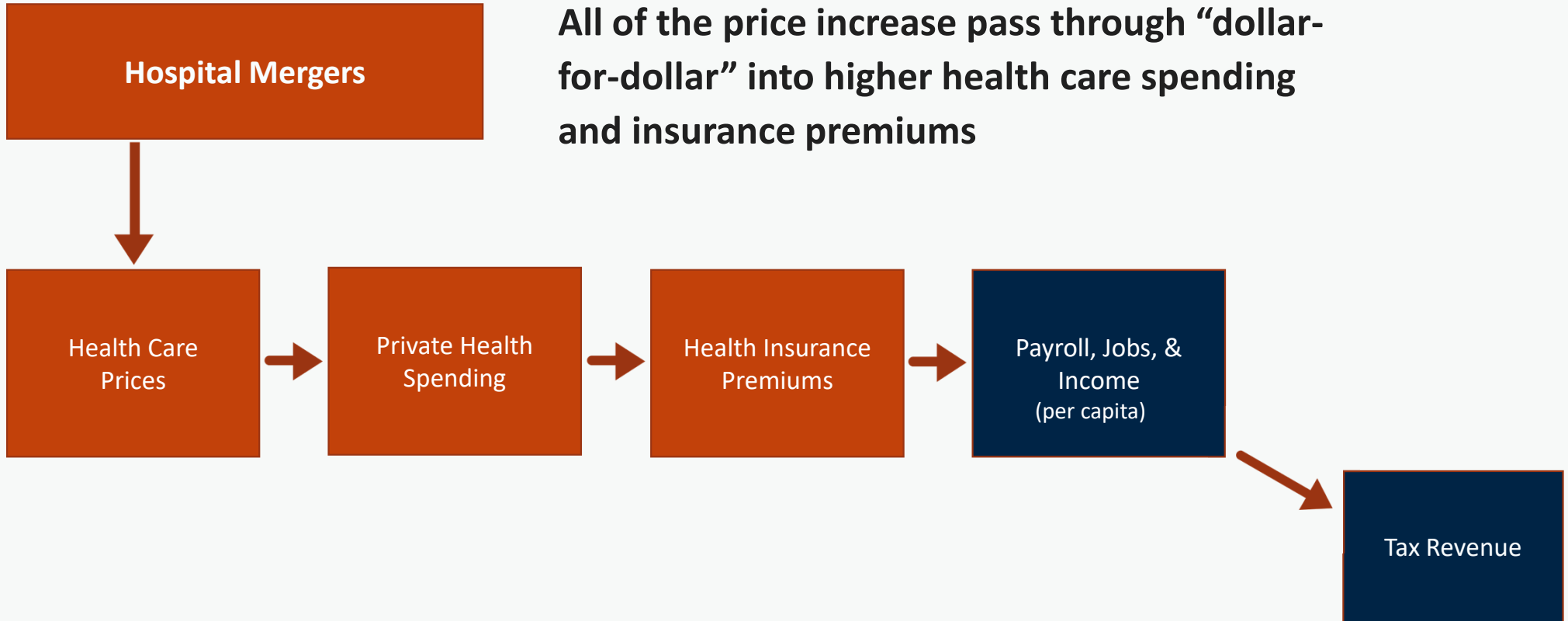
Health Care
Prices

Private Health
Spending

Health Insurance
Premiums

Payroll, Jobs, &
Income
(per capita)

Tax Revenue



Hospital Mergers



Health Care
Prices



Private Health
Spending



Health Insurance
Premiums



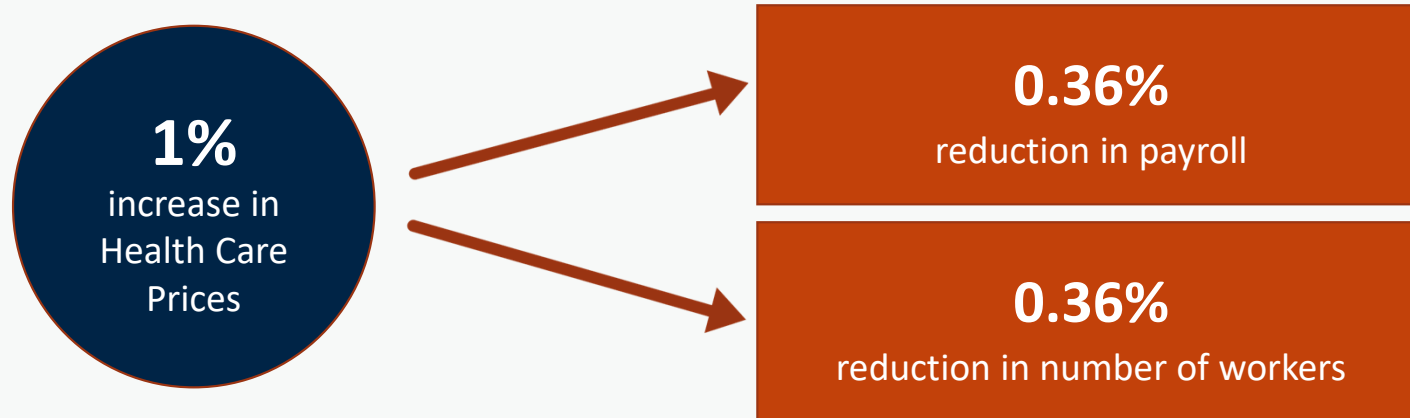
Payroll, Jobs, &
Income
(per capita)



Tax Revenue

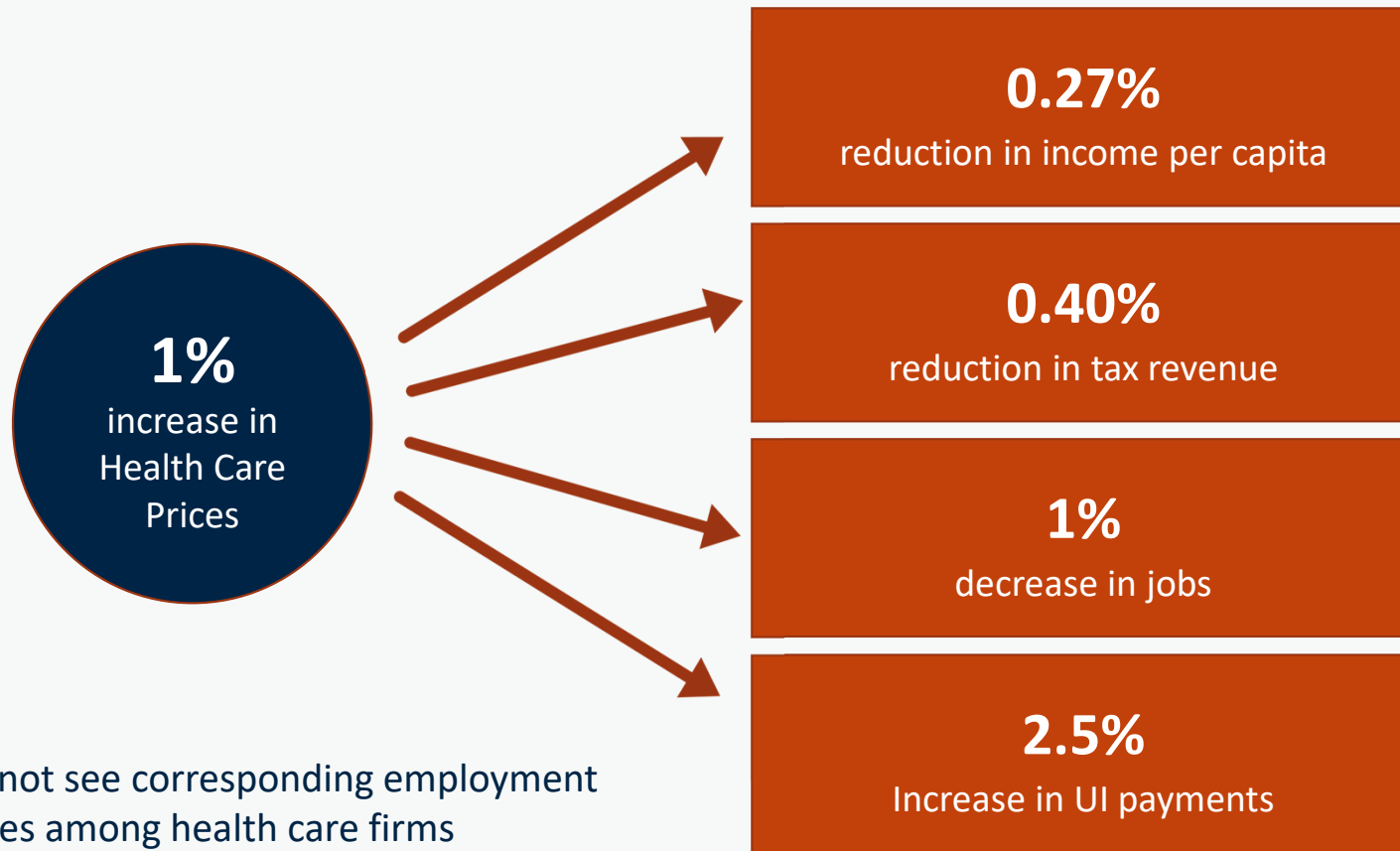
**Higher prices translate into lower payroll,
employment, and tax revenue**

Employer Level Outcomes

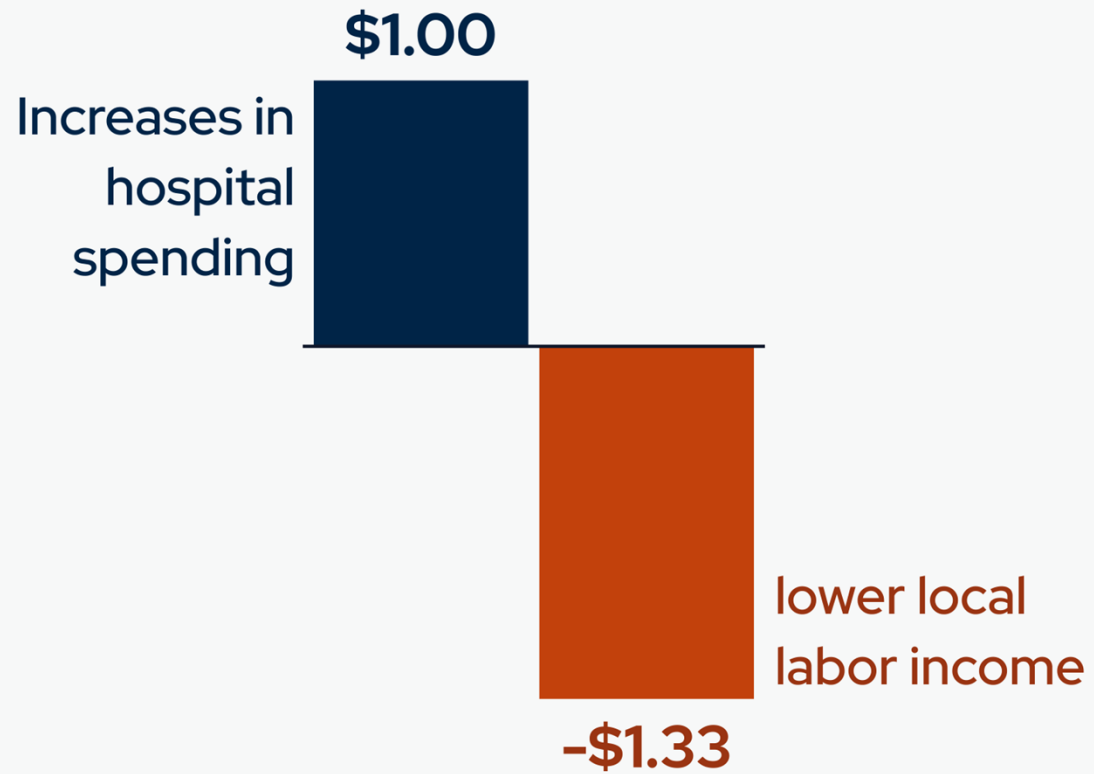


We do not see corresponding employment increases among health care firms

County Level Outcomes

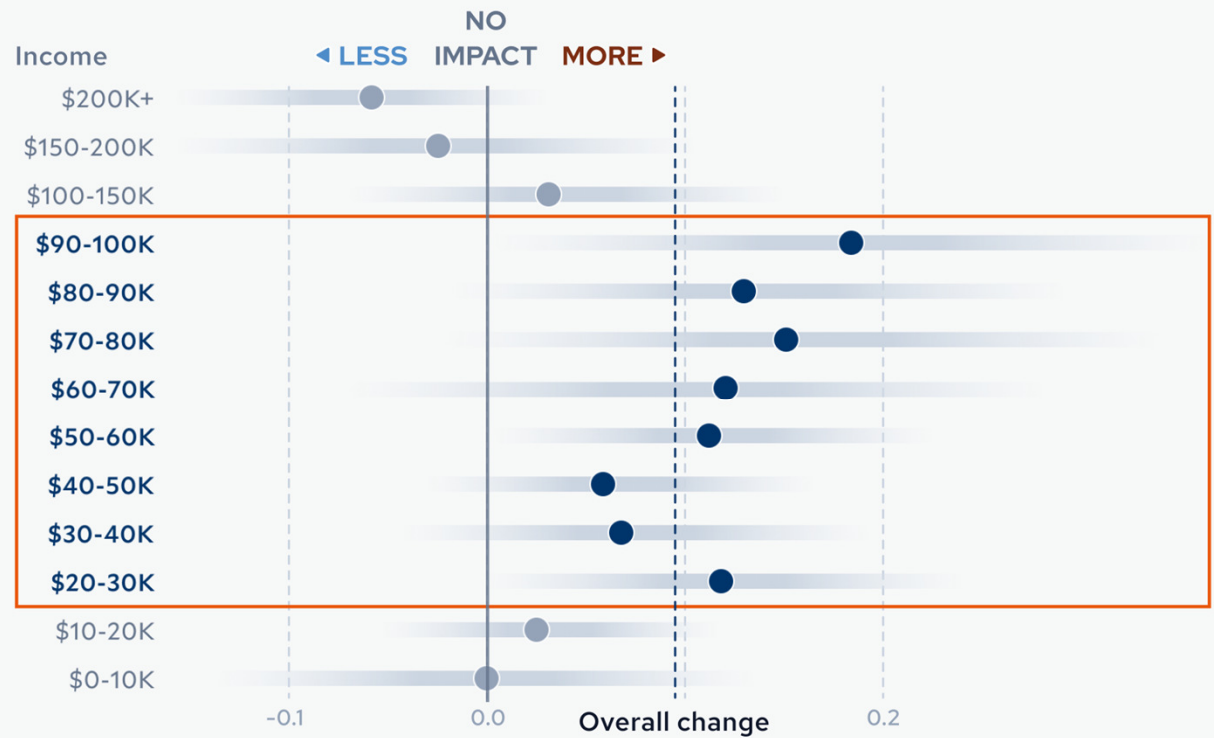


We do not see corresponding employment increases among health care firms



Employment effects of rising health spending are **concentrated** on workers earning

\$20k to \$100k/yr



Range is approximately -0.1 to 0.3, including 95% confidence intervals

Hospital Mergers



Health Care
Prices



Private Health
Spending



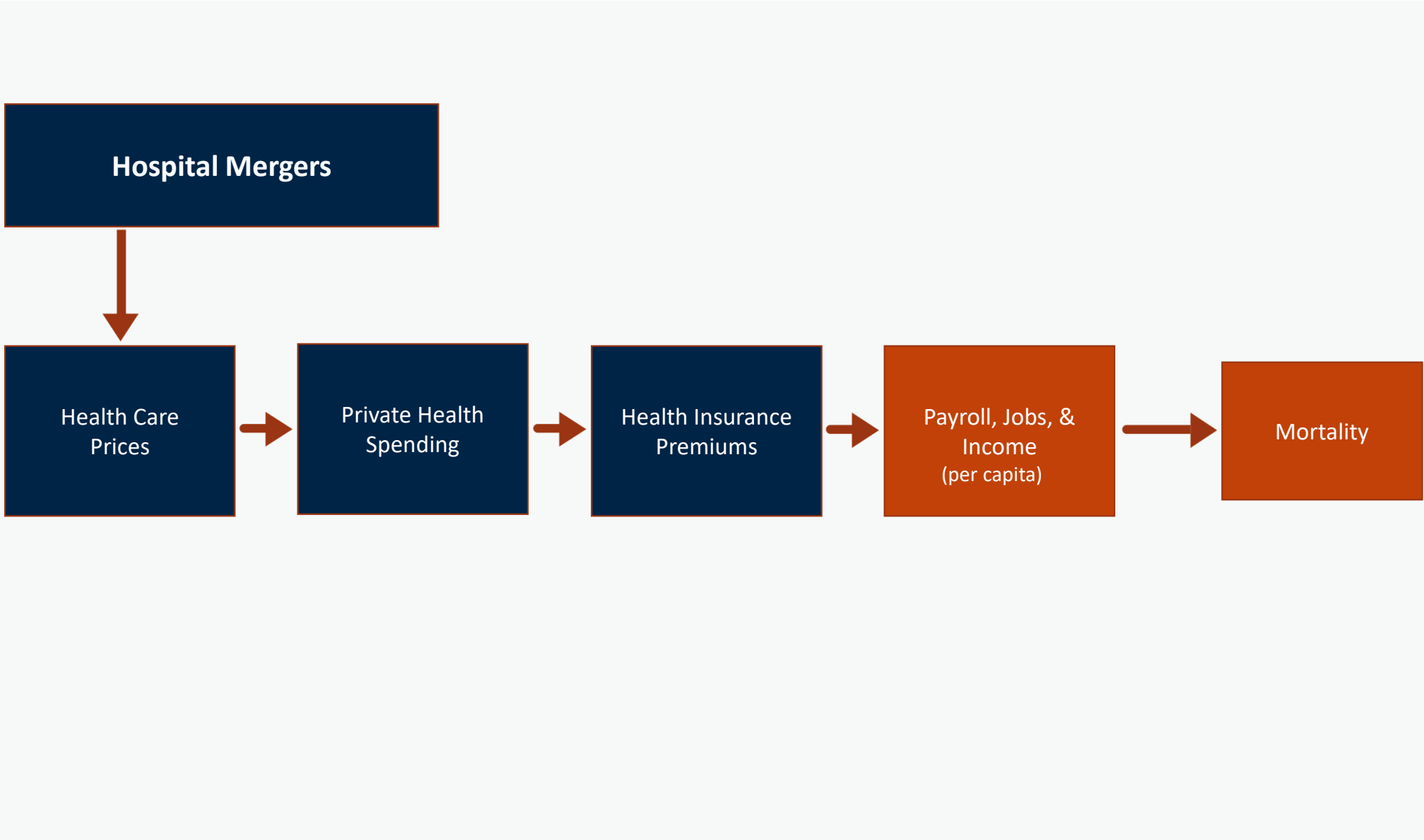
Health Insurance
Premiums



Payroll, Jobs, &
Income
(per capita)



Mortality



Job Loss & Mortality

Job loss, particularly for men, can lead to substantial increases in mortality

Study	Setting	Mortality Rate
Sullivan and Von Wachter (2009)	Pennsylvania, 1970s-1980s	1:546
Eliason and Storrie (2009)	Sweden, 1980s	1:587
Pierce and Schott (2020)	US, 2000s	1:400
Venkataramani et al. (2020)	US, 2000s	1:300

Job Loss & Mortality

Job loss, particularly for men, can lead to substantial increases in mortality

Study	Setting	Mortality Rate
Sullivan and Von Wachter (2009)	Pennsylvania, 1970s-1980s	1:546
Eliason and Storrie (2009)	Sweden, 1980s	1:587
Pierce and Schott (2020)	US, 2000s	1:400
Venkataramani et al. (2020)	US, 2000s	1:300

Possible Mechanism

Eliason and Storrie (2009) show that job losses from establishment closers in the 1980s led to substantial increases in hospitalizations from alcohol-related conditions, traffic accidents, overdoses, and self-harm

1% increase in health care prices cause

Suicides & Overdoses – Working Age

**~1 additional death per
100K people**

Suicides & Overdoses - >65yrs of age

Near zero estimate
No statistically significant change

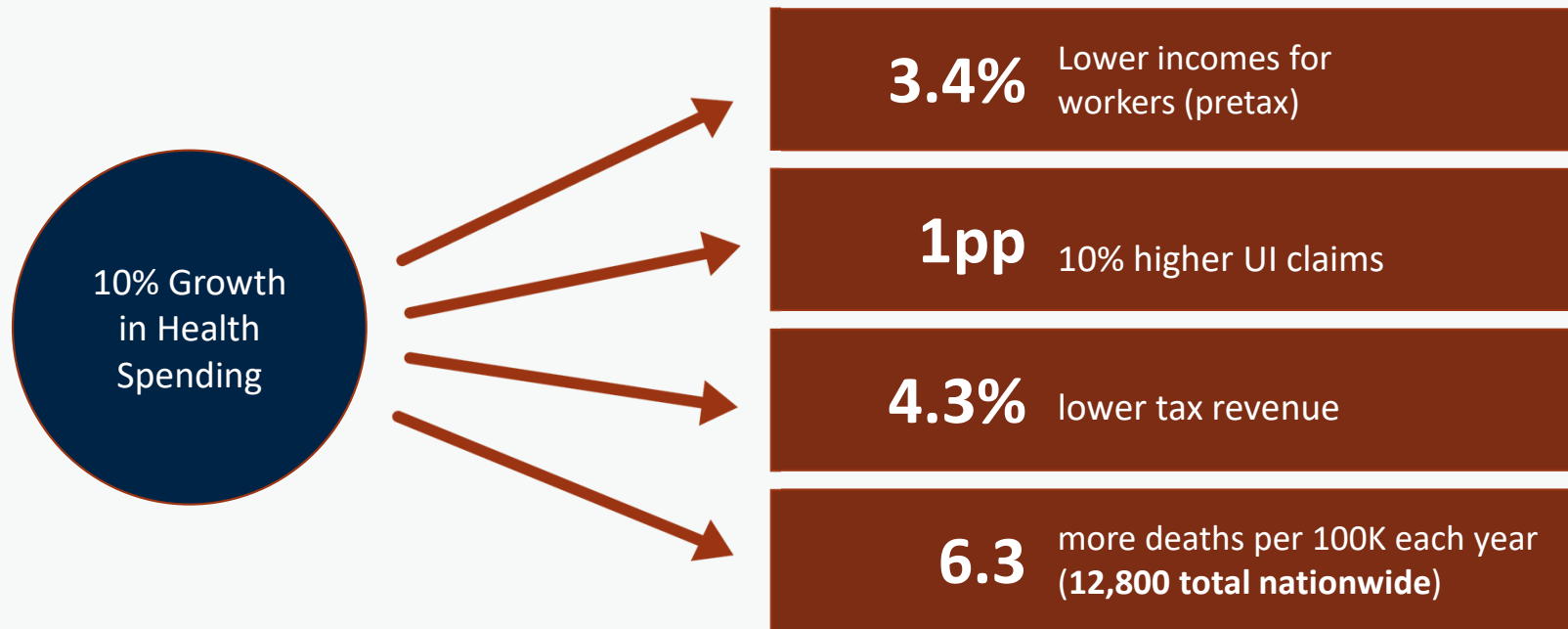
All Deaths
(exclusive of suicides and overdoses)

Near zero estimate
No statistically significant change

Cancer Deaths

Near zero estimate
No statistically significant change

The Long Run Impact of a 10% Increase in Health Care Spending Over a Decade



Some price growth is driven by quality improvements, but those would need to be **large** to offset these harms

The Consequences of Rising Hospital Prices in the US

The link between health insurance and the labor market, rising prices (from mergers) is leading to lower employment and tax revenue

Who pays for merger-driven price increases?

Workers earning less than \$100,000 annually

Ultimately price increases are borne by those who do and ***do not*** consume care in a given year

The labor market effects play out unevenly between poor and wealth workers, ***increasing inequality***

What Does This Mean for Public Policy

Health care spending on the privately insured is really a function of provider prices

Are the prices in the Vermont competitively determined?

My sense is that concentrated provider markets in VT are leading to high prices

One way to make markets more competitive is to facilitate travel

Affords access to high quality care **BUT** travel is easier for more affluent populations

The alternative is price regulation – this could take the form of binding budgets for hospitals

Is the state there yet? Pushing forward with regulation requires significant internal capacity