

How States Can Make Health Care More Affordable By Lowering Hospital Prices: Summary

DECEMBER 18, 2025 — JOSHUA VARCIE, EMMA FORD, AND JEANNE LAMBREW

In 2026, states will be asked to do more with less to make health care affordable. States can lower the cost of private coverage while gaining savings or revenue by lowering excessive hospital prices. Here's how.

1. Follow the Money

Prices for hospital services are growing faster than other health care services.

Hospital spending is high:

- Highest share of national health spending
- Highest health care price increases, far outpacing inflation

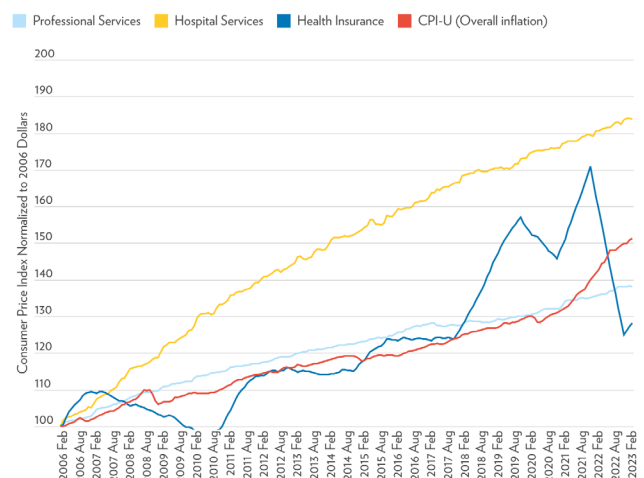
Employers and privately insured people pay the highest hospital prices:

- Two times higher than Medicare rates
- At least two times higher than Medicaid rates

Some hospitals charge more than others:

- For-profit hospitals: 5 to 7 percent higher prices than nonprofit hospitals
- Large, consolidated hospitals: 12 percent higher than hospitals with competition

HOSPITALS' COMMERCIAL PRICES HAVE INCREASED RAPIDLY



2. Adopt Proven Policies

Thirty-eight states have taken some action to:

- **Cap hospital prices:** Limit prices and/or growth by capping hospital payments to an upper-limit benchmark, typically Medicare rates.
- **Limit facility fees and promote site neutrality:** Align payment rates for the same health services regardless of ownership of the site of care.
- **Limit consolidation:** Address the rising integration between hospitals, physician practices, and other services. Reduce excessive commercial hospital prices.

3. Calculate State Savings and/or Revenue

State fiscal notes can include:

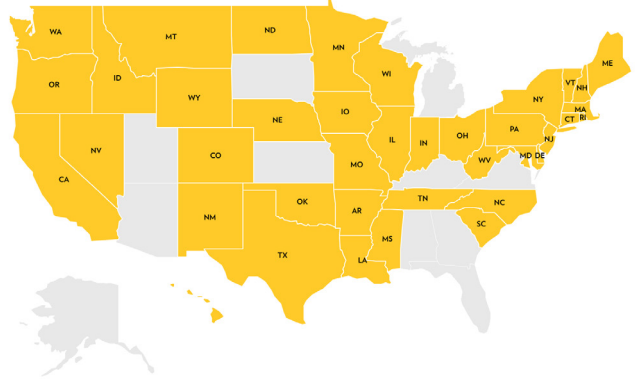
- **Lower state health expenditures** for state employee health plans and other state-sponsored health coverage, the state correctional system, and uncompensated care costs.
- **Higher revenue** as lower commercial insurance costs result in:
 - Higher worker income and more jobs and thus income tax revenue
 - Higher worker spending and thus sales tax revenue

4. Reinvest in Health Care

At a time when health care affordability is at risk, states can put people first by holding health care corporations such as hospitals accountable for fair pricing.

MOST STATES HAVE POLICIES TO IMPROVE THE AFFORDABILITY OF HOSPITALS' COMMERCIAL PRICES

States With Policies Lowering Hospitals' Commercial Prices

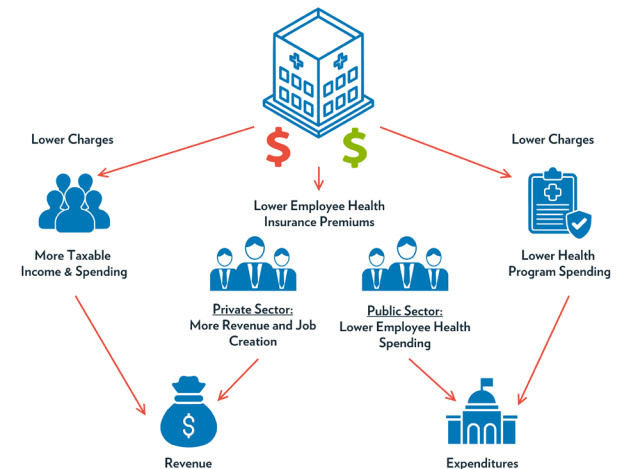


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Note: State policies included in figure totals fall into three categories: (1) commercial price caps; (2) transaction oversight; and (3) facility fee prohibitions. Specifically, commercial price cap policies included policies that benchmarked commercial prices to other payment rates such as Medicare. This includes the state's employee health plans. Transaction oversight policies included policies in which legislation, at a minimum, granted approval authority over some or all hospital transactions to a state entity, such as the state's attorney general, courts, or an oversight agency. Facility fee prohibitions policies included policies that prohibited outpatient facility fee billing in the commercial health insurance market for either evaluation and management, outpatient services, preventive care services, and/or telehealth services.

Sources: Data for commercial price caps and transaction oversight policies are from Karen Davenport, Julia Burleson, Abigail Knapp, and Kennah Watts, "States' Oversight Approaches to Hospitals' Market Behavior: A Set of 50-State Maps," Georgetown Center on Health Insurance Reform, November 17, 2025, <https://chir.georgetown.edu/states-oversight-approaches-to-hospitals-market-behavior-a-set-of-50-state-maps/>. Data for facility fee prohibitions policies are from Karen Davenport, Julia Burleson, Abigail Knapp, and Kennah Watts, "Prohibitions on Outpatient Facility Fee Billing in the Commercial Health Insurance Market," Center for Health Insurance Reform, September 5, 2025, <https://facilityfeereform.chir.georgetown.edu/facility-fee-prohibitions/>.

HOW STATES CAN BENEFIT FROM LOWERING HOSPITALS' COMMERCIAL PRICES



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This report can be found online at:

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