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Information Alert

The Misconceptions Behind the Rising Cost of Health Care

A recent TAHP newsletter circulating the Capitol blames hospital pricing as the primary reason insurers are raising their premiums. For example, the newsletter attributes 80% of the gap between what the U.S. spends on health care compared with other wealthy countries to hospital prices alone. However, the newsletter failed to cite the full context of their source material - that 80% includes clinics, physicians and additional health care services. Additionally, the source article further notes that administrative spending, **including insurance operations and billing and claims services**, also drove the growth of health care spending.

Unsurprisingly, many "facts" in the newsletter lack context or are just plain wrong. Here are five key takeaways:

1. The newsletter indicates that hospital spending accounted for 40% of health care spending growth from 2022 to 2024, but it fails to mention that this reflects the severity of illness hospitals treat, the wide scope of services they provide and the cutting-edge, necessary technology they utilize.

The referenced article specifically states this growth is not due to hospitals' pricing decisions: "The growth in hospital spending in 2023 and 2024 was primarily due to a 'rebound in nonprice factors, such as the use and intensity of services, that were somewhat depressed during the [COVID-19] public health emergency.'" Hospital prices grew by 2.7% in 2023 and 3.4% in 2024 – **yet both increases were lower than the average increase in marketplace premiums** during those years.

2. The newsletter then blames hospital market concentration for high costs, claiming that over 60% of Texans live in "highly concentrated" hospital markets. Yet the U.S. Government Accountability Office reported that 97% of large-group markets and 90% of small-group **markets in Texas were dominated by the top three insurers** in their respective classes.

What's more, "studies have found strong evidence that **concentration in health insurance markets is associated with higher consumer premiums**," specifies the report. "Higher premiums may result in decreased consumer access to affordable health insurance."

3. The newsletter claims that hospitals are buying up doctors' practices and then increasing prices. But what's really happening in the market? **United Health Group is now the single largest employer of physicians in the U.S.**, and physician groups are being gobbled up by United, other health insurers, PBMs and even pharmaceutical manufacturers more than they are hospitals.

4. Next, the newsletter alleges that hospitals are marking up 340B drugs when they bill insurers. However, the purpose of the federal 340B program is to allow hospitals to acquire discounted drugs from manufacturers and use the savings to help provide **Texans with over $9 billion in uninsured charity care**, while also providing essential services each year, including free and reduced-cost drugs to low-income patients. Hospitals are the only entity providing billions of dollars in uncompensated care in an effort to keep the safety-net afloat.

5. Finally, the newsletter claims some hospitals fail to share or accept cash prices from insured patients. Hospitals don't hide cash prices. Price transparency laws require that they be posted on our websites. In fact, in 2025, HHSC only cited one small, rural hospital for noncompliance with state price transparency laws – compared to more than 650 general and specialty hospitals licensed in Texas, **indicating a compliance rate over 99.8%**. In addition, some health plan contracts have provisions that function to forbid hospitals from offering and accepting cash prices from insured patients.

Hospital pricing is an easy target to blame for rising premiums because it is highly visible. But a productive conversation about affordability must be grounded in a full, transparent context – not selective data points used to shift responsibility. We want real solutions for the systems that serve the most vulnerable and welcome a discussion on tangible policy solutions.