

Information Alert

The Truth Behind Growing Hospital Costs

THA has launched an information alert series on hospitals and health care costs to help policymakers and the public combat misinformation, better understand the health care system and accurately learn what's harming affordability. THA's [first alert](#) addressed misconceptions about the drivers of health care cost growth. This edition further explores the facts and truth behind rising health care costs, including hospital expenses.

A More Complete Picture

Nearly half ([44% of American adults say](#)) it is difficult for them to afford health care costs. With average marketplace insurance premiums [spiking 35% for Texans in 2026](#) and the expiration of the COVID-era Expanded Premium Tax Credits causing greater individual expenses on health care, it is no wonder there's a major push to reexamine why health care is so expensive. As with everything else, hospital prices have increased, but the rate of growth is lower than in comparable sectors. In 2023, [hospital prices increased by just 2.7% and by 3.4% in 2024](#). And yet, CMS' national health expenditure data show that [hospitals account for the same proportion of health care spending as they did 10 years ago](#). So, what's going on?

Hospital spending is up because [more patients need more intensive hospital services](#) after years of [reduced use during the COVID-19 public health emergency](#).

Though that explains spending in hospitals, it's not the whole story. Consider spending by hospitals: **Hospital costs have increased significantly over the past several years – far faster than health prices.**

Paying People

Most hospital expenses – [roughly 60%](#) – are on the workforce. From nurses to janitors, billing and claims staff to care coordinators, hospitals are often one of the biggest employers in their communities. In Texas, hospitals directly employ over 472,000 people and since COVID, the cost of doing so has increased. The average pay of Texas RNs rose from [\\$74,540 in 2019](#) to [\\$91,690 in 2024](#) – a 23% growth in the past five years. Data from the Department of State Health Services indicates that hospitals spent 43.8% more on salary and 42.1% more on employee benefits in 2024 than they did in 2019.

Pharmaceuticals

[Nearly 10% of hospital expenses are on pharmaceuticals](#). Hospitals have recently seen double-digit annual growth in drug costs ([11.8%](#)), [with greater growth among academic medical centers \(21.6%\)](#), [safety-net hospitals \(14.6%\)](#) and [hospitals seeing higher acuity patients \(16.6%\)](#). Together, high drug prices, frequent price changes by drug manufacturers and supply chain inefficiencies create one of the most volatile components of hospital budgets. While it cannot be overstated how clinically transformative many of these medicines provided in hospital settings are for patients, the cost increasingly threatens patients' access to them.

Supplies

Just like other businesses, hospitals rely on extremely complex supply chains, many of which are still recovering after the pandemic. As an example of supply chain fragility, the recent Iranian blockade of the Strait of Hormuz blocked Qatari helium from reaching the global market, [spiking helium prices by a reported 50-70%](#).

Overall, [18% of hospital spending is on supplies](#), and supply costs have continued to grow at a rate exceeding consumer inflation – [4% in the last year and 12% in the past three years](#), after controlling for utilization. Considering the cost of items hospitals use every day – a single ICU-capable bed can cost \$25,000–\$30,000, and a neonatal incubator costs \$35,000 – any increase affects a hospital's bottom line. For example, [in 2024, hospitals nationwide spent over \\$10 billion on surgical and medical instruments](#) (up 7% from 2023), nearly \$4.5 billion on computing infrastructure and data processing (up 15% from 2023) and nearly \$1.4 billion on diagnostic imaging equipment (up 8% from 2023).

Hospital care in Texas is expensive because hospitals provide high-quality care to the sickest patients using the most talented workforce and cutting-edge medicine and technology. On top of that, hospitals are providing increasing amounts of uninsured charity costs – a growth of over 26% from \$7.3 billion in 2022 to \$9.3 billion in 2025. Hospitals will continue to provide the highest quality care for Texans; the reality is that the cost of care has risen exponentially.