

Michigan employers call for intervention on hospital pricing

By [Dustin Walsh](#)

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Credit: Bloomberg

Business leaders are alleging Michigan hospitals charge commercial payers more than the rates they are reimbursed by Medicare for the same services.

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Rising health care costs are startling Michigan's business community, the largest payers of those bills. Hospital services in the state have risen 40% since the turn of the decade to a grand total of more than \$39 billion for payers, up from under \$28 billion in 2010.

The Michigan Health Purchasers Coalition — a nonprofit full of Michigan's largest companies and associations, including Ford, General Motors, the AFL-CIO, Detroit Regional Chamber and others — are accusing hospitals of predatory pricing.

The allegation centers around how much more hospitals charge payers than are reimbursed by Medicare for the same services.

Michigan's flagship hospitals charged private payers between 172% and 307% more than the Medicare rate, on average.

The business coalition also said recent hospital mergers, such as those between Spectrum Health and Beaumont Health as well as Michigan Medicine and Sparrow Health, have led to a 7% to 10% rise in costs for private insurers post merger.

“The costs of healthcare is unaffordable for Michigan families and employers. Healthcare is stalling business growth causing Michigan to be less competitive in the global economy, and is the primary cause of personal bankruptcies,” Bret Jackson, president of the coalition said in a press release. “A significant driver of the unsustainable costs is the mergers of large health systems. We are asking policymakers in Lansing to help lower healthcare costs by prohibiting anti-competitive contracts and establishing fair price for all payers.”

Hospitals are charging far higher than what is needed for them to break even on costs, according to 2022 data from the National Academy for State Health Policy and thinktank RAND Corp.

Corewell’s former Spectrum Hospitals — the system completed its merger with Beaumont in February 2022 — charges private payers 307% more than the Medicare rate, but only needs 151% of the Medicare rate to break even, according to the data provided by MHPC. University of Michigan Health charges payers 255% of the Medicare rate, but only needs to charge 105% of the Medicare rate.

Corewell reported net income of \$992.8 million in 2023. However, the vast majority, \$822 million, stems from its investment portfolio, not patient care. Its operating margin equated to just 1.3%.

These systems rely heavily on commercial payers.

Commercial payers cover 44% of the total costs charged by Corewell’s Spectrum hospitals on the state’s west side. Medicare and Medicare Advantage payments combine for 35% of the charges. Commercial payers account for 51% of all the charges for University of Michigan Health.

A representative from Corewell was not immediately available to comment.

In 2023, the national annual average an employer pays for health benefits was \$17,393, according to data from MHPC. For every four employees, employers pay the equivalent in health benefits as the salary of an additional employee.

Rising costs for employers are leading to rising costs for consumers, MHPC said in the study.

GM spends nearly \$5 billion on health care benefits annually, which translates to the automaker adding \$1,500 to \$2,000 to the cost of a car to account for the costs.

This not only impacts employers but is also taking a toll on Michiganders, particularly minorities. In Michigan, 13% of residents are saddled with medical debt, but 18% of minorities in the state hold medical debt.

MHPC is calling for the legislature to take action in preventing further mergers and issue policies to control costs.

“Immediate action is essential,” MHPC said in the study. “Hospital costs need to decrease and stop over-charging employer-sponsored/private plans. Policy makers, hospital administration,

physicians and advocates need to focus on how to develop a hospital price model that charges fair prices to all payers and purchasers of health care.”



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