

Hospitals are taking the fall for high health care costs

On right and left and among industry rivals, everyone is pointing the finger at the caregivers.

A barrage of attacks against hospitals marks the latest high-profile clash among three of Washington's most powerful lobbies.

By **AMANDA CHU** 05/17/2026 02:00 PM EDT

Two of the most powerful lobbies in the country are turning on a third in the hopes of deflecting Washington's wrath and securing bigger shares of the \$5 trillion Americans spend on health care each year.

Drugmakers and insurers are aiming to take advantage of lawmakers' worries about affordability to convince them it's the hospitals they should regulate, and not them, if they want to bring down Americans' bills. Some of the changes the drugmakers and insurers are pursuing would pad their own profits.

All three industry sectors have spent time in the hot seat this year. Drugmakers have stood with President Donald Trump and promised lower prices; insurers have taken broadsides on their Obamacare fees and offered to speed up claims processing.

But hospitals have already absorbed the biggest blow in the form of pending cuts to Medicaid, the insurance program for low-income people, and there may be more to come. Lawmakers and Trump administration regulators are also considering cutting their Medicare fees, cracking down on their mergers and scaling back their drug discounts. Hospitals' industry rivals are egging the politicians on, seeing an opportunity to advance proposals long stuck in Washington's partisan gridlock.

"The aperture is just being opened," said Adam Buckalew, founder of ALB Solutions, one of the top lobbying shops for insurers and a senior adviser for Hospital Watch, a new insurance-backed coalition. Buckalew was formerly a deputy health policy director for then-ranking Republican Richard Burr of North Carolina on the Senate Health, Education, Labor and Pensions Committee.

"People have been talking about this for years, and it is now making its way to the forefront of the debate," he added.

The Pharmaceutical Research and Manufacturers of America, the lobby for branded drugmakers, launched a seven-figure ad blitz last week alleging hospitals were abusing a federal drug discount program. That followed a six-figure campaign in April from Hospital Watch that blames hospital consolidation for high prices.

The barrage of attacks against hospitals marks the latest high-profile clash between three of Washington's most powerful industry lobbies. PhRMA, AHIP, which represents

health insurers, and the American Hospital Association have [poured record sums](#) into lobbying in the past year as the Trump administration and Republicans in Congress overhauled the country's health policies.

Last month, Republican lawmakers on the powerful House Ways and Means Committee grilled hospital executives about their business practices, with Chair Jason Smith (R-Mo.) threatening to cut their Medicare payments to the levels of doctors' offices — a change long championed by insurance lobbyists.

Nonprofits across the ideological spectrum are also finding rare areas of alignment against hospitals. Paragon Health Institute, a conservative think tank led by Brian Blase, a former Trump adviser, [published a report](#) in April blaming government policies for fostering hospital consolidation and price inflation. Two weeks later, left-leaning advocacy group Families USA [released a report](#) echoing similar concerns.

“Paragon and Families USA are aligned on not a long list of issues but on hospital prices and consolidation...it's one of the few issues on which we are aligned on,” said Sophia Tripoli, senior director of health policy at Families USA, which receives funding from a number of philanthropic foundations.

Hospitals, whose lobbies were long afforded deference from lawmakers given their outsized roles in local economies, worry they are losing ground. Their coalition, which spans for-profit and not-for-profit providers, puts them at a disadvantage when trying to unite behind a message compared to drugmakers and health insurance plans, hospital representatives told POLITICO.

Smith at the Ways and Means hearing last month said the community hospital of yore had “been replaced by mega-corporations that put quarterly earnings over quality care.” Lobbyists and health care advocates say years of hospital system consolidation and price increases have made hospitals' role in driving up costs harder for lawmakers like Smith to ignore. There were 22 hospital and health systems mergers last quarter, the [highest for the period](#) since 2020, according to Kaufman Hall, a consultancy. A recent analysis of federal data by the health research group KFF found hospitals made up [40 percent](#) of the growth in national health care spending between 2022 and 2024, more than any other category.

The most imminent threat is coming from the Trump administration, which is laying the groundwork to overhaul the 340B program, which requires drugmakers to offer discounts to hospitals that serve large numbers of low-income people. The name refers to the section of a 1992 law that created it. PhRMA has targeted the program for more than a decade, alleging it's a source of hospital grift.

“You're getting hit from all sides,” said Greg Fliszar, a lawyer representing hospitals and other providers at Baker Donelson. “This [340B] program is at a crossroads right now.” The likelihood that there are more hits to come for hospitals compounds an already difficult economic outlook for a sector that is one of the country's largest sources of

employment. That outlook was clouded by enactment last year of nearly \$1 trillion in cuts to Medicaid in Trump's One Big Beautiful Bill Act and the expiration of enhanced Obamacare subsidies at year end.

"The entire environment right now for hospitals is not a great one," said Lisa Kidder Hrobsky, senior vice president of federal relations at the American Hospital Association, the main industry group.

"We do feel like we are sort of in constant attack from others outside of the hospital industry," she added.

The next drug pricing battle

In February, Congress delivered a major victory to drugmakers by voting to crack down on pharmacy benefit managers, the little-known industry middlemen that pharmaceutical lobbyists have spent years blaming for high prescription costs. Fresh off that victory, drugmakers are now doubling down on the same playbook to target a program hospitals say is vital to their operations.

The 340B program allows public and nonprofit hospitals serving low income and uninsured patients to buy drugs at a steep discount and use the savings to support their financially strained operations. A combination of greater drug utilization, hospital consolidation, and new rules allowing more entities to participate have helped balloon the program's cost to more than \$81 billion in 2024, up from \$6.6 billion in 2010. Pharmaceutical companies have argued for years that 340B's lack of guardrails led to widespread abuse by hospitals and chain pharmacies.

"You can't address the affordability conversation without addressing not just PBMs, but also the 340B program," said Molly Jenkins, a spokesperson for PhRMA.

The drugmakers' trade group launched a major ad campaign on 340B last week.

Pharmaceutical companies have filed several lawsuits challenging the program and have tried to implement new pricing models and reporting requirements to rein in costs.

Their talking points are getting heard. Last year, Sen. Bill Cassidy (R-La.), chair of the Health, Education, Labor and Pensions Committee, called on Congress to overhaul the program after a committee investigation raised concerns about transparency and oversight. A bipartisan group of senators have said they are working on legislation. At a Ways and Means hearing last month, Health Secretary Robert F. Kennedy Jr. criticized the program's growth and accused wealthy hospitals of using the money inappropriately. "Those kinds of thefts we're seeing all the time," he said.

The Trump administration has signaled support. In February, the Health and Human Services Department asked for industry feedback on a proposal that would swap discounts for rebates in the program, a proposal pushed by pharmaceutical companies that hospitals say will lead to high upfront costs and be financially unviable. The

solicitation marked the agency's second attempt after plans to introduce a pilot model in January were met with legal challenges and later dropped.

Hospitals could also see their discounts reduced. Last year, Trump signed an executive order calling on HHS to survey hospitals on the price they pay for drugs, a step the Supreme Court said was missing when it blocked his first-term effort to cut 340B discount rates by 30 percent.

"This time around, in Trump 2.0, they are dotting their i's and crossing their t's," said John F. Williams, head of the federal advocacy practice at law and lobbying firm Hall Render, which represents hospitals. Williams says the 340B program is facing its "biggest threats" to date.

Emily Hilliard, a senior press secretary at HHS, said "the agency remains committed to administering the 340B Program in accordance with statutory requirements and authority."

As hospitals prepare for the likelihood of paying more for drugs, they're also facing attacks from insurers on consolidation. Insurers argue hospitals' acquisitions of doctors' offices led them to charge higher rates for care previously billed at lower physician-office prices. Hospitals said the higher cost reflects the complexity of maintaining 24/7 operations, meeting stricter regulatory requirements, and treating sicker patients.

"Tax-paying hospitals invest in their communities, provide more charity care than the national average, while facing chronic underpayments from Medicare and Medicaid, rising drug costs, and increasing administrative burdens created by insurers," said Charlene MacDonald, chief executive of the Federation of American Hospitals, which represents for-profit hospitals, in a statement.

A [cross-agency report](#) released in the final days of the Biden administration last year found hospital mergers have contributed to high prices, citing studies showing when hospitals acquired physician practices, the price of services increased 14 percent on average. The report also warned against insurer consolidation, finding market concentration raised premiums and lowered payments to providers.

In a statement to POLITICO, Mike Tuffin, chief executive of AHIP, the insurer group, pointed the finger at hospitals for high health care costs and called for "commonsense policy reforms."

AHIP has long pushed for price transparency and site neutrality policies, which would reimburse hospitals at the same rate as clinics. The insurance lobby is part of Better Solutions for Healthcare, a coalition that also includes Blue Cross Blue Shield and other insurance companies. The group launched an ad attacking hospitals in January and started Hospital Watch the following month. Hospital Watch has since published op-eds in local newspapers and the Washington Examiner, a conservative news outlet, and

launched a six-figure ad ahead of the Ways and Means hearing with hospital executives last month, in which lawmakers said they thought hospital monopolies drive up prices. Congress has signaled appetite for cuts to hospital reimbursement, enacting new hospital billing measures in [the same February legislation](#) that tackled PBMs. In November, the Centers for Medicare and Medicaid Services took a first step on site neutrality by cutting reimbursement rates for drug administration in hospital outpatient departments.

“There’s no being surprised anymore...We think [site neutrality] is coming,” said Karl Rebay, a health care consulting leader at advisory firm Baker Tilly, which counts hospitals as clients. “These organizations really need to get their arms around all of this to prepare for potential cuts.”

Lobbyists told POLITICO a potential end-of-year health care package and more appetite for reconciliation bills could serve as vehicles for hospital-focused legislation.

Hospitals mount defenses

Hospitals are turning to K Street, Washington’s lobbying corridor, for help. Sixteen hospital and health systems registered to lobby last month, quadruple the number of registrations from the month prior, according to an [analysis from Baron Public Affairs](#), a government affairs consultancy.

Registrations included large players like Cleveland Health and ECU Health, a North Carolina hospital system. ECU Health Chief Executive Michael Waldrum urged lawmakers to consider carveouts for rural hospitals when implementing site neutral policies in testimony to the Ways and Means Committee last month.

“What you’re seeing is a recognition by local providers, by rural providers, by smaller hospitals that...if we’re seeing all this, we better make sure our voice is heard, too,” said Brent Merchant, co-founder of Merchant, McIntyre and Associates, a Washington lobbying firm that registered to lobby for four hospitals last month.

The Coalition to Strengthen America’s Healthcare, which counts the American Hospital Association and the Federation of American Hospitals on its board, has launched three ad campaigns this year blaming insurers for high costs and was a top sponsor of Washington health policy newsletters, including POLITICO’s, last month, according to an analysis from Baron Public Affairs.

The American Hospital Association has successfully challenged 340B changes in court, filing the lawsuit that blocked the Trump administration’s first attempt at rebates in December, as well as initiating the Supreme Court case that derailed Trump’s effort in his first term. Last month, the trade group submitted a 73-page comment letter to HHS, warning its rebate proposal would do “serious, irreparable harm.”

Lawmakers have also come to the program’s defense. In March, a bipartisan group of nearly 100 representatives wrote a letter to the House Appropriations Committee urging

it to adopt language blocking the Trump administration's attempts to restructure the 340B program.

"We're hitting it on legal, congressional advocacy, and administration advocacy," said Maureen Testoni, president of 340B Health, a nonprofit group of hospitals and health systems dedicated to protecting the drug program. 340B Health held a briefing for lawmakers and staff on Tuesday, following a fly-in in April, and has spent \$300,000 on ads this year.

Some hospitals are taking action to neutralize the impact of potential changes, a tactic employed by PBMs in the decades-long push from PhRMA.

One chief executive of a large nonprofit hospital system granted anonymity to speak candidly said they were working to quantify the impact of site neutrality and shift cost structures ahead of a rule change.

"Let's control our own destiny, and when it happens, it's a nonissue and a nonevent," the executive said.