This Is the Biggest Culprit for High Health Care Spending

May 4, 2026

By Zack Cooper

Dr. Cooper is an associate professor at Yale's School of Public Health and its Department of Economics.

There is boiling rage at health insurers among the public — for instance, over the fact that premiums for a family health plan can exceed $27,000 a year, even as patients routinely get their care denied. Such is the rage that when an insurance executive was murdered in 2024, one poll found that 41 percent of American voters under 30 perversely thought the killing was acceptable.

Republicans and Democrats have been eager to haul insurance executives to hearings and grill them. President Trump tried to justify removing subsidies for Americans to buy health insurance — a policy that will lead to four million people losing coverage and thousands of deaths — by arguing it would mean less money going to insurers.

Responding to the wrongdoing of insurers is imperative, but it won't do much to address the unsustainable cost of health care. We are directing our anger at the part of the system that is most visible and frustrating (insurers' restrictions on care) while ignoring the part of the health system that is most responsible for high costs and economic pain: hospital prices. At a time when two-thirds of the public is worried about the price of health care — a greater share than is worried about affording groceries, gas or housing — we need to have an honest conversation about what is driving high premiums and how to lower them.

Americans receive a similar amount of care as people in other countries, but we pay much higher prices for the care we receive. Take hip replacements. Hospitals in the United States earn $29,000 on average for a replacement covered by private insurance and $16,000 for one covered by Medicare. In Germany, the public system of nonprofit insurers, which covers 90 percent of the population, pays hospitals $9,400.

Hospital prices are the leading driver of the 320 percent increase in insurance premiums that Americans have experienced over the past 25 years. Since 2000, prices at hospitals have grown faster than prices in virtually any other sector of the economy. They have grown three times as fast as inflation and twice as fast as prescription drugs and doctor visits.

The reason hospital prices are so high: hospitals' accumulation of market power, which brings them more bargaining heft when they negotiate prices with insurers. Since 2000, there have been more than 1,300 hospital mergers among the nation's approximately 5,000 hospitals. When hospitals that were once competitors merge, prices go up, often by double-digit percentages, with no measurable improvement in patient outcomes. Even though we rely on competition to determine hospital prices, 21 percent of hospitals are effectively monopolies — they have no competitor within a 30-minute drive — and an additional 24 percent face only one competitor.

Insurers, in the business of making money, pass on higher hospital prices to their customers in the form of higher premiums. Hospitals argue that their mergers create jobs, but my research shows they destroy more jobs in their communities than they create. That's because in our employer-based health care system, higher hospital prices — and, by extension, higher insurance premiums — make it more costly for companies to keep workers employed. The workers losing their jobs are usually those earning less than $100,000 a year — one reason hospital mergers fuel income inequality.

What we spend on health care is a function of the volume of care that gets provided and the price of that care. There's a reason insurers have adopted policies that target volume, like prior authorizations, high out-of-pocket costs and claims denials: They are incentivized to lower health spending, but in many markets don’t have the ability to put meaningful pressure on hospital prices.

Politicians from both parties have called for reining in insurance denials. They’re right to. Such denials, and the bureaucratic processes that accompany them, are stressful for patients, and, in the worst cases, lead to patients missing out on lifesaving care.

Likewise, research shows the high out-of-pocket costs included in many insurance plans can drive up death rates. We need to lower out-of-pocket costs and make insurance less bureaucratic. However, unless we pair such reforms with a focus on addressing hospitals’ rising prices, rolling back insurer restrictions on care risks driving growth in health spending that, in turn, will slow economic growth and spur job losses among low-wage workers.

If hospital prices are such a key driver of rising costs, why aren’t elected officials doing more about them? Partly the answer is politics. Hospitals are the largest or second-largest employer in many counties in America, and a formidable lobbying force — spending more than $100 million annually in Washington, often more than health insurers spend, to protect their interests. Politicians who represent places with dominant hospital systems are not eager to pick a fight with these institutions.

Moreover, when an insurer denies your claim, you know it immediately. When a hospital merges and its prices go up, the harms — slower overall economic growth and job losses outside the hospital sector — are real but diffuse.

Another reason so little has been done about hospital prices is the chronic underfunding of the Federal Trade Commission. Each year, there are approximately 20 potentially harmful hospital mergers, but the cost of pushing back on all of them would potentially exceed the agency’s entire budget for antitrust enforcement across all sectors of the economy.

Addressing this issue would require regulating the prices for at least some hospitals. Economists generally prefer to rely on competition to determine what companies get paid. But in hospital markets that are effective monopolies, regulation isn’t a departure from sound economics — it’s the only tool left. Congress should cap the prices monopoly hospitals can negotiate with private insurers, using Medicare rates or prices in other competitive markets as benchmarks.

Perhaps more than anything else, what makes hospital prices so hard to confront is that the relationship we have with our health care providers is very different from the transactional relationship we have with our insurers.

The physician and scholar Jay Katz spent his career writing about how vulnerability, fear and gratitude make it difficult to hold doctors and hospitals to the kind of scrutiny that we apply to other powerful institutions. We lean on hospitals when our children are born, when our parents get sick and when we approach life’s end. That kind of reliance requires trust.

But we should still push back on a merger in Terre Haute, Ind., that will cost 500 workers their jobs, and scrutinize an industry in which 25 years of price increases have left care unaffordable. Holding that tension between the immense good that hospitals do and the economic harm their market power creates is what it will take to address the rising cost of health care.