

Report: Health Care Costs 254% Higher for Privately Insured Patients Than Those With Medicare

A new RAND [report](#) revealed that in 2022, private insurers paid hospitals an average of 254% more than what Medicare would have paid for the same services, a jump from 224% in 2020. The study found that 2022 prices for inpatient hospital facility services averaged 255% of Medicare prices, outpatient hospital facility services averaged 289% and associated professional services averaged 188%.

The report also found a wide variation in prices by state. As such, some states (Arkansas, Iowa, Massachusetts, Michigan and Mississippi) had relative prices under 200% of Medicare. In contrast, others (California, Florida, Georgia, New York, South Carolina, West Virginia and Wisconsin) had relative prices above 300% of Medicare.

Hospital spending accounts for 42% of total U.S. personal health care spending for privately insured individuals. Recent federal policies require hospitals to post prices for at least 300 “shoppable” services and insurers to post their full set of negotiated rates. However, the report noted that many hospitals have yet to comply with the policies, and insurer-posted data often contains duplicative information.

Notably, the American Hospital Association disputed much of the RAND report, saying it only looks at less than 2% of overall hospital spending and offers a “skewed and incomplete picture.”

“The widely varying prices among hospitals suggests that employers have opportunities to redesign their health plans to better align hospital prices with the value of care provided. However, price transparency alone will not lead to changes if employers do not or cannot act upon price information.”

- Brian Briscoe, leader of the RAND hospital price transparency project

Employer Takeaway

Hospitals account for the largest share of health care spending in the country. Studies like this RAND report can offer employers valuable information and important tools to help them be better-informed purchasers of health care services.

Employers should continue to monitor health care trends, utilization and spending. We’ll keep you updated with any notable changes.