



Issue Brief: Unpacking Our Health Care Costs

Why are health care prices so high in Washington?

A [pair of recent reports](#) from Washington's Attorney General and Office of the Insurance Commissioner shed new light on the problem of health care affordability. These reports discuss the big business of health care, describing a landscape dominated by profit-maximizing entities at the expense of Washington's families, businesses, and taxpayers.



Washington consumers are being priced out of the care we need.

The reports find that “rising health care costs have created a growing and persistent health care affordability challenge for individuals, families, employers, and taxpayers in Washington.” The reports confirm [the growing harms of health care prices](#): crushing medical bills, double-digit premium increases, and Washington families and businesses that are out of options.



Health care spending keeps rising, *without* better outcomes.

- **High spending isn't yielding better quality.** [U.S. health care spending](#) is almost twice the average of other wealthy countries, but our [health care quality ranks last](#) among wealthy countries on access, equity, efficiency, and mortality. Among the states, Washington is still [lagging behind peer states](#) when it comes to quality.
- **Too much spending is going toward acute care.** [Hospital spending](#) makes up a third of health care spending in our state, a larger share than any other spending category. That means we have [less to invest in preventive care](#), such as primary care, public health, and behavioral health.
- **Providers are spending wastefully.** An estimated [30%](#) of our health care spending is on low-value care, administration, and other inefficiencies.



High prices, caused by consolidation and a lack of oversight, are to blame.

- **Consolidation is on the rise in Washington.** In the 1980s, only 10% of our hospitals were part of larger health care systems, but now [almost half of our hospitals are part of chains](#). Increasingly, Washington is experiencing vertical consolidation as well: nearly 40-50% of physicians now work for hospital systems.
- **Consolidation drives up prices - without improving care.** [Study after study](#) confirms that consolidation leads to higher costs for patients, in large part because of hospital and drug companies' [unfettered ability to set prices](#) for their services and products without improving access, equity, or affordability. Research confirms that consolidations often result in price increases of [20% or higher](#). For example, Washington's Attorney General [sued CHI Franciscan](#) in 2017 because the hospital system's consolidation resulted in increased costs for patients, larger profit margins for the hospital, and decreased market competition.

The reports note that while there have been significant attempts to reduce costs, “the structure of our health care system, including consolidation of health insurers, hospitals and health care providers, has limited the impact of these efforts.”

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- **Powerful health systems have unchecked ability to charge high prices.** Hospitals [charge vastly different amounts](#) for their services, even for patients receiving the same services at the same hospital. A knee replacement at a Multicare Hospital can cost just under \$18,000 or as high as \$71,000. The spread across different hospital systems can vary even more. For example, a knee replacement can cost as low as \$5,800 at Kirkland’s EvergreenHealth Medical Center or up to \$83,000 at Virginia Mason Franciscan Health’s St. Joseph Medical Center in Tacoma.
- **New profit-seeking entities are worsening the crisis.** The increasing influence of private equity investment in the health care sector worsens existing challenges. Private equity firms have made 97 acquisitions in WA, up from just 4 in 2014. Small, rural, and independent hospitals are forced to accept buy-outs to prevent being edged out of the market by large wealthy systems. And private equity ownership of health care entities has been shown to [increase costs and reduce health care quality](#).



Our state needs new tools to respond to the changing landscape.

- **Existing tools like antitrust law can’t stop the crisis.** The Attorney General’s [report](#) says it would be better to improve state oversight before consolidation and monitor post-consolidation market behavior more extensively, instead of relying solely on litigation after the fact.
- **Other states are pursuing new tools.** The Insurance Commissioner’s [report](#) examined a range of policy options that states are pursuing, including health spending benchmark accountability and stronger options such as price caps.



Washingtonians are ready for change.

In a recent bipartisan [survey](#), **73%** of Washingtonians said the health care system “**needs to change**” and **87%** said the government needs to strengthen policies to drive competition and improve quality and access.



New data is helping us understand what’s driving health care spending, including the prices charged by certain large hospital systems, providers, and pharmaceutical suppliers. But data alone is not enough and we know there isn’t one solution to the problem.

Fair Health Prices Washington is an effort by patients, workers, and employers to take on the high cost of health care with a range of proven data-driven policy solutions.

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