

State Policy Options to Address Health Care Consolidation and Lower Hospital Prices



Families and communities across the United States are struggling with high health care costs that threaten their financial security and state economies. Thankfully, some state lawmakers have started to respond to the urgent need to lower health care costs by reining in out-of-control health care prices, which are often driven by unchecked health care industry consolidation. This fact sheet lays out policy solutions states can implement to address health care consolidation, a leading driver of high health care prices, and directly lower health care costs.

The high costs of health care for families and states

Across the country, unchecked health care consolidation has enabled corporate hospital systems to buy up other hospitals and doctor's offices in order to dominate health care markets, rapidly increase health care prices, and maximize service volume.¹ As a direct result, Americans are increasingly struggling to manage rising health care expenses and are fearful of what a medical emergency could mean for their finances.² More than a quarter of all Americans skip or delay needed health care due to cost, and over 100 million people in the U.S. have medical debt totaling over \$200 billion nationally, leading many to make significant sacrifices, such as cutting back on necessities like food or taking on credit card debt that they can never pay back.³ High health care prices, driven from unchecked health care consolidation, come directly out of workers' paychecks in the form of higher health insurance premiums and out-of-pocket health care costs, which have resulted in nearly \$1 trillion in lost workers' wages since 2012.⁴

In addition to the impact on families and individuals, the impact of health care consolidation on state economies is undeniable. In 2021, over 10% of state and local expenditures went to health and hospitals, making it the third-highest spending category for states.⁵ As a result of rising health care costs, state and local government spending on health and hospitals increased by 266% in inflation-adjusted dollars from 1977 (\$103 billion) to 2021 (\$377 billion).⁶ No state has been spared from high health care spending. The state of Utah, which in 2020 boasted the lowest health care spending per capita (\$7,522), spends notably more on health care than the average spending per capita of other wealthy countries, and in 2020 per capita health care expenditures in Alaska, Massachusetts and New York were over 30% higher than the U.S. average of \$10,191.⁷

To address this affordability crisis, policymakers must pursue policy solutions that get at the root causes of high and irrational prices. Overwhelming empirical evidence has established that a leading driver of the high cost of American health care is unchecked health care consolidation across and within U.S. health care markets.⁸ This creates a ripple effect across communities. As consolidation drives up health care costs, our nation's families often receive lower quality care and reduced access to care, including higher risk-adjusted mortality rates and lower medication adherence.⁹

The Increasingly Harmful Role of Private Equity

Health care consolidation has proved to be such a lucrative business model that it has triggered corporate investors — including those in private equity — to aggressively enter health care markets. Over the last decade, private equity invested a whopping \$750 billion in consolidating health care providers.¹⁰ While private equity historically focused on hospitals and nursing facilities as investment targets, it increasingly has shifted

its revenue strategy to focus on physician practices, ambulatory surgery centers, hospices, telehealth and behavioral health care providers, including opioid treatment programs.¹¹ The increased role of private equity in health care has led to devastating consequences: higher health care prices, higher Medicare spending, more doctors exiting the workforce, and worse health care quality and outcomes at sites of care owned by private equity.¹²



State Policy Options to Curb Consolidation and Lower Costs

State policymakers looking to turn the tide on this affordability crisis should start by looking at the role of health care consolidation in their state. Many well-vetted, bipartisan policy solutions are advancing through states looking to end the health care sector's pricing abuses and introduce real competition by reining in consolidation and monopolistic behavior in the health care industry, particularly among hospital corporations.

Ultimately, policymakers should seek to fundamentally redesign the economic incentives and organizational structure of the health care sector to align with the health and financial security of families and patients. State lawmakers can advance that goal with a robust menu of policy options to increase oversight of big hospital corporations and others in the health care industry and to directly lower costs for state residents and governments alike.

Increase transparency and accountability

- Codify and strengthen federal hospital price transparency rules in state law to ensure hospitals disclose the negotiated rate of health care services in dollars and cents, and require hospitals to disclose detailed financial information, including revenues, costs and prices.
- Require health care institutions to disclose data about their ownership structures to better understand and address the role of private equity in health care.
- Establish state all-payer claims databases and advance other efforts to ensure data are available to fully understand health care costs and outcomes.
- Require nonprofit hospitals to publish data on community benefit spending to determine whether they provide sufficient community benefit to justify their tax breaks.

Address drivers of market consolidation and increase competition

- Crack down on anticompetitive behaviors like “gag,” “all-or-nothing,” “anti-steering,” “anti-tiering” or “noncompete” clauses.
- Expand state review authority over mergers and acquisitions, including by establishing state authority to scrutinize, add conditions, and deny proposed transactions and by granting attorneys general and/or state regulators the ability to conduct reviews of existing markets.
- Enact site-neutral payment reforms that correct long-standing distortions in financial incentives for physician and outpatient services that drive health care consolidation.
- Prohibit facility fees at off-campus hospital outpatient departments and for certain services that can be safely performed in a doctor's office.
- Increase investments in independent and primary care providers to bolster competition.

State Policy Options to Curb Consolidation and Lower Costs, Continued

Lower irrational provider prices and control health care spending

- Implement reference-based pricing models that limit what hospitals can charge to a percentage of Medicare. Reference-based pricing can be implemented in the state employee health plan or as a payment cap applied to providers regardless of payer.
- Establish caps on excessive provider prices in targeted health care markets.
- Leverage insurance rate regulation to intervene on irrational health care prices.
- Implement global hospital budgets and all-payer rate setting models.
- Enact statewide health care cost growth benchmarks and affordability boards with the authority to study, establish and/or enforce targeted policy solutions to limit health care costs and improve health outcomes.

States leading the way on key policy solutions

These policy solutions are not hypothetical. Over the past five years, bipartisan efforts have taken root in nearly every state to address the health care affordability crisis and provide families, workers and small businesses with needed relief from exorbitant health care costs. While many of these efforts are still in their infancy, initial results are promising and serve as models for other state policymakers looking to make reforms in their states.

Below are examples of a number promising solutions that states are advancing to rein in health care consolidation, lower health care prices, and more effectively control rising health care costs:

Indiana: In 2025, the Indiana General Assembly passed six bills directly targeting health care consolidation and high hospital prices through transparency, antitrust and price regulation provisions. Most notably, the enactment of HB 1004 made Indiana the first state to implement a reference-based pricing system that caps the hospital prices of the state's five largest nonprofit hospitals at the statewide average price. This law is one of the most aggressive forms of price regulation seen at the state level to date. [HB 1004](#) also caps the prices of hospital contracts with employee benefit plans to 260% of Medicare. Additionally, following the passage of [HB 1666](#), health care entities in Indiana, including hospitals, physician groups, insurers and pharmacy benefit managers, will now be required to file a report with the name and information of any person with at least 5% ownership interest, controlling interest or interest as a private equity partner.¹³

New Jersey: Following years of double-digit premium increases in the state employee health plan, labor unions and consumer advocates launched a statewide movement to address high health care costs.¹⁴ As a result of these efforts, during the 2024-2025 legislative session, New Jersey lawmakers

introduced [SB 1976](#), which would require the state’s health benefit commission to study and implement reference-based pricing in the state and school employee benefit plans. The New Jersey Legislature is also considering [SB 4299/A 5376](#), which would codify and strengthen the state’s Health Care Cost Containment and Price Transparency Commission, charged with collecting data on health care prices and spending and establishing a cost growth benchmark for health care entities and hospitals.¹⁵

New York: New York legislators have introduced first-of-its-kind site-neutral payment legislation at the state level. If enacted, [the Fair Pricing Act \(S.705/A.2140\)](#) would establish site-neutral payment policy that caps payments for specific outpatient and ambulatory services at no more than 150% of Medicare rates, ensuring that the same price is charged for the same service, regardless of the location where the service is being delivered. The bill would also prohibit hospitals from billing facility fees for outpatient services and would increase price transparency by requiring the state to collect and publish data on prices and utilization and to financially penalize providers that fail to comply. The bill is estimated to save New York consumers up to \$1.5 billion in just one year.¹⁶

Rhode Island: In 2012, Rhode Island enacted and later strengthened the [Hospital Conversions Act](#), which requires certain transfers in ownership, assets, authority or control of a hospital to be approved by the Rhode Island attorney general and the Department of Health and includes monetary penalties up to \$2 million for noncompliance.^{17,18} Rhode Island also maintains a robust and long-standing rate review program that uses its regulatory authority to review and approve health insurance rates. Unique to Rhode Island’s rate review model are a set of affordability standards that cap hospital price growth for the state’s fully insured commercial market and require insurers to invest in higher value care through adoption of alternative payment models, primary care funding requirements and standards for behavioral health integration.¹⁹ Research shows these affordability standards are associated with a notable reduction in hospital prices, averaging 9% over the study period (2006-2022).²⁰

Texas: In 2023, the Texas Legislature passed [HB 711](#), which banned the use of anticompetitive contracting clauses between providers and payers. The law restricts the use of anti-steering, anti-tiering, gag or most favored nation clauses.²¹ Texas was also one of the first states to codify the federal price transparency rule into state law, passing legislation in September 2021 — just nine months after the federal rule was implemented. As a result, a reported 81% of Texas hospitals were “mostly compliant” with price transparency requirements in 2024.²²

State lawmakers and advocates have a critical role to play in ushering in a new era of health care affordability and access. As federal efforts to slow health care cost growth and preserve competition in health care markets have failed to keep pace with expanding health care monopolies, state legislators across the U.S. have worked diligently to draft, introduce and pass evidence-backed policies that combat rising health care costs. These early efforts are paving the way for other state policymakers to take meaningful steps to make health care more affordable in their states.

Endnotes

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