

This Is the Biggest Culprit for High Health Care Spending

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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 4 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 are worried about the price of health care — a greater share than are 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. [...]

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.

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.

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