CAHPR CENTER FOR ADVANCING HEALTH POLICY THROUGH RESEARCH

School of Public Health
BROWN UNIVERSITY

Health Care Price and Drug Price Variation in the U.S.

Research Summaries & Highlights

The Center for Advancing Health Policy through Research (CAHPR)
Brown University School of Public Health

Price gaps aren't due to differences in quality or cost, but mostly reflect negotiation power

Two recent studies highlight the striking variation in what commercial insurers pay for routine health services—and point to insurer-provider bargaining power as a key driver.

One study looking at common imaging studies analyzed over 2.1 million prices from 2024 for common imaging tests like chest X-rays, head CT scans, and lower spine MRIs. It finds median prices ranging from $29 to $1,505, with some services costing five times more depending on the provider or insurer. In some states, prices for the same test differed by over 300%, with Blue Cross Blue Shield plans often charging the most.

Similarly, another study looked at 1.3 million prices from January 2025 for emergency department (ED) visits across four major insurers. For the same high-complexity ED visit, prices ranged from $196 (Aetna) to $531 (UnitedHealthcare). BCBS and UnitedHealthcare charged about 7% above the average, while Aetna's prices were 41% below, for identical services.

Both studies underscore that wide price gaps in commercial insurance are not explained by care quality or complexity, but by opaque negotiations and market dynamics—raising questions about the effectiveness of price transparency alone in containing healthcare costs.

Read in *Health Affairs Scholar* | Read in *Annals of Emergency Medicine*

Understanding health care price variation: evidence from Transparency-in-Coverage data

This study uses Transparency-in-Coverage (TiC) data to assess commercial healthcare pricing across U.S. insurers and states. The authors find substantial price variation for common services both within and across insurers. For instance, the price of a foot X-ray ranges from $86 (Anthem) to $190 (UnitedHealth). Even within the same insurer, prices for inpatient care and outpatient care often don't follow any clear pattern—high prices in one area don't predict high prices in the other. This shows that healthcare prices in the U.S. are highly inconsistent and unpredictable, making it harder for patients to shop around and for employers and policymakers to control costs.

Read in *Health Affairs Scholar*

Transparency Data Highlights Significant Disparities in Healthcare Pricing

New Transparency in Coverage (TiC) rules reveal significant price differences for common healthcare services across the U.S. CAHPR researchers analyzed Humana's data and found costs for an established patient office visit averaged $86, ranging from $69 to $93 across counties, while

high-severity emergency department visits varied from $169 to $320. Geographic disparities were stark, with lower prices in the central U.S. and Florida, and higher rates in the upper Midwest and Southeast. These findings underscore the potential of TiC data to empower consumers, improve price transparency, and drive more equitable and efficient healthcare policies.

Read in *JAMA Health Forum*

Healthcare Price Transparency Uncovers Opportunities to Reduce Costs

CAHPR researchers identify striking price disparities for identical services, with physician-owned hospitals charging 18% less for outpatient procedures and ambulatory surgical centers offering colonoscopies at 36% lower costs than hospitals in the same areas. These findings highlight inefficiencies in the current system and support policies like site-neutral payments to standardize costs across care settings. Additionally, leveraging lower cash prices as benchmarks could help employers and policymakers negotiate fairer rates and promote competition. By leveraging newly available data on negotiated prices, stakeholders can drive affordability, reduce financial burdens, and foster a more competitive and transparent healthcare market.

Read in *Journal of General Internal Medicine*

Private Health Plans Pay Significantly Higher Hospital Prices Than Medicare, Varying Widely by State and Hospital.

This study highlights the significant price disparities that private health plans (with a focus on employer-sponsored health plans) pay for hospital services relative to Medicare across the United States. Key findings reveal that in 2022, commercial hospital prices averaged below 200% of Medicare prices in states like Arkansas, Iowa, and Massachusetts, while they exceeded 300% in states such as California, Florida, and New York. On average, employers and private insurers paid 254% of what Medicare would have paid for the same services at the same facilities. Employers need transparent and actionable price data to negotiate lower healthcare costs and ensure value for their employees.

Read in *RAND*

Hospital Prices for Physician-Administered Drugs are Higher in 340B Discount Eligible Hospitals.

Prescription drug prices in the United States are higher than in any other country, leading to affordability challenges and reduced patient access. Among US patients who had drug infusions, price markups at hospitals eligible for 340B discounts were 6.59 times higher than those in independent physician practices. Moreover, hospitals that participated in the 340B program received large markups and generated a great share of insurers spending on

physician-administered drugs for patients with private insurance, retaining 64.3% of insurer drug expenditures.

Read in *the New England Journal of Medicine*

As compared to ambulatory surgery centers (ASCs), prices paid in hospital outpatient departments (HOPDs) were significantly higher for common procedural complications

-54.9% for colonoscopy, 44.4% for arthroscopy, and 44.0% for cataract surgery—without a corresponding improvement in quality. Moreover, complication rates were similar or slightly higher in HOPDs as compared to ASCs. These findings suggest that higher costs in HOPDs are not justified by better outcomes, indicating potential avenues for savings with negotiating lower prices at HOPDs.

Read in the *American Journal of Managed Care*

Site-Neutral Payment And Biosimilars Competition Are Complementary Purchaser Strategies For Cancer Biologics | Health Affairs

This study evaluates two complementary strategies to reduce insurer spending on infused cancer biologics: biosimilars competition and site-neutral payment. Using claims data from 43,643 commercially insured patients (2020–22), the authors found that biosimilars offered lower prices than branded biologics, while hospitals charged significantly more than physician practices for the same drugs. If fully implemented, site-neutral payment could have saved nearly $1 billion—over twice the $465 million in potential savings from biosimilar use alone.

Read in Health Affairs

State-Level Hospital Quality in the United States: Analyzing Variation and Trends From 2013 to 2021

This study develops a hospital quality index to analyze state-level variations in hospital quality in the United States from 2013 to 2021, using data from 3,000 hospitals from the Centers for Medicare & Medicaid Services (CMS) Hospital Compare data set. Eight states performed significantly better than the national average, with Utah leading at 0.56 standard deviations above the U.S. average, followed by Hawaii (0.47), South Dakota (0.44), and Oregon (0.42). Conversely, 14 states performed significantly worse than the U.S. average, with Nevada (-0.51), West Virginia (-0.45), Florida (-0.44), and Arkansas (-0.38) performing the worst. The quality index provides a valuable tool for understanding and addressing variations in hospital care quality.

Read in *Journal for Healthcare Quality*

State Health Care Cost Commissions: Their Priorities and How States' Political Leanings, Commercial Hospital Prices, and Medicaid Spending Predict Their Establishment

This study examines why and where U.S. states have established Health Care Cost Commissions (HCCCs) to control rising health care spending. Analyzing political and economic data through August 2024, the authors find that 17 states—mostly Democratic-leaning and those facing higher commercial hospital prices or greater Medicaid spending—have created HCCCs to set spending growth targets, enhance transparency, and recommend cost-containment strategies. The study also shows that many of these states have enacted complementary competition-related laws, such as enhanced merger review and bans on anticompetitive contract clauses, though most commissions still lack strong enforcement powers.

Read in The Milbank Quarterly

Policy Options

Hospital Payment Caps Could Save States $7.1 Billion While Preserving Hospital Margins

Capping hospital payments for state employee health plans at 200% of Medicare rates would have saved states an average of $150.2 million each in 2022, totaling $7.1 billion nationally. Despite these savings, hospital commercial operating margins would remain healthy, dropping only slightly from 42.7% to 41.7%. Lessons from Oregon's payment cap demonstrate potential for significant cost reductions without jeopardizing hospital networks or services. Policymakers are encouraged to explore these caps as a sustainable strategy to reduce healthcare spending while maintaining access and care quality.

Building on this analysis, the Center for Advancing Health Policy through Research created the Hospital Payment Cap Simulator. This interactive tool provides policymakers, researchers, and other stakeholders with a clear visualization of potential savings from implementing hospital payment caps for state employee health plans. . It also highlights the impact these caps could have on commercial hospital operating margins, offering valuable insights to support state reform.

Read in *Health Affairs*

Rhode Island's Affordability Standards Led To Hospital Price Reductions And Lower Insurance Premiums

This study used national data from 2006–2022 to assess the long-term effects of Rhode Island's 2010 Affordability Standards, which capped hospital price growth in the state's fully insured commercial insurance market. The authors find that the policy reduced hospital prices by 9.1% and led to over $1,000 in annual premium savings per fully insured member by 2022. While the policy had limited effects on self-insured plans and reduced hospital commercial revenues, the findings demonstrate that strong state-level regulation can meaningfully curb healthcare costs and improve affordability for consumers.

Read in *Health Affairs*

Hospital Facility Prices Declined as a Result of Oregon's Hospital Payment Cap.

In October 2019, the Oregon state employee plan instituted a cap on hospital payments. CAHPR researchers analyzed the potential impact of these caps. They found that the cap led to a small reduction in inpatient facility prices (3%) and a significant decrease in outpatient facility prices (25%), leading to an estimated $107.5 million in savings to the state employee plan over the first two years.

Read in *Health Affairs*