

The Weight of High Hospital Prices Is Keeping American Workers Underwater



Introduction

Every worker in America deserves the opportunity to earn a living wage and have access to high-quality and affordable health care that keeps them and their families healthy. Yet high and rising health care prices, and hospital prices in particular, are putting Americans' health and financial security at risk. Large health care corporations and their harmful pricing practices are helping drive historic health insurance premium increases, which are contributing to wage stagnation and income inequality and costing workers thousands of dollars in lost wages over time.^{1,2,3}

If policymakers do not take action to rein in high and rising hospital prices and the harmful business practices of large health care corporations, **low- and middle-income workers, a group that disproportionately includes people of color, could lose nearly \$20,000 in wages over the next decade, according to a new analysis from Families USA.**⁴

Background

It is well established that the United States is in the midst of a severe health care affordability and quality crisis.⁵ More than 100 million Americans are saddled with medical debt; half of all Americans forgo medical care due to the cost; and a third of Americans indicate that the cost of medical services interferes with their ability to secure basic needs like buying groceries and paying rent.^{6,7} The cost of American health care is pushing our nation's families to the brink of financial ruin.

Excessive health care costs are largely driven by high and rising prices, which have become much higher in recent years because of health care industry consolidation — particularly among hospitals and large health care corporations — eliminating healthy competition and leading to monopolistic pricing.^{8,9,10} This consolidation has taken place without meaningful regulatory oversight or effective intervention and has led to massive price increases while health care quality remains the same or even worsens in many instances.^{11,12} In the last 10 years, hospital prices have increased as much as 31% nationally, now accounting for nearly one-third of U.S. health care spending and growing four times faster than workers' paychecks.^{13,14,15,16}

High and rising hospital prices have a significant impact on all families and individuals across the nation, but particularly concerning is the impact on working people and their families. Hospital prices are a major driver of rising health insurance premiums, which ultimately come directly out of workers' paychecks as annual increases in employer-sponsored health insurance premiums and cost sharing.^{17,18,19,20,21,22} These increases then become profits or margins for large health care corporations, and they are often hidden from workers because premiums are automatically deducted from their paychecks and workers almost never know the total cost of health insurance.^{23,24} As a result, workers see little to no increase in their wages, making it more difficult for them to afford where they live, pay their regular expenses, send their children to school, and retire.^{25,26,27}

Ultimately, workers and their families are caught in a trap. Not only are workers forced to spend more and more of their income on health insurance premiums every month, but they are also left with less take-home pay because rising premiums put downward pressure on their present and future wages.²⁸

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Rising Health Insurance Premiums Cut Into Wages

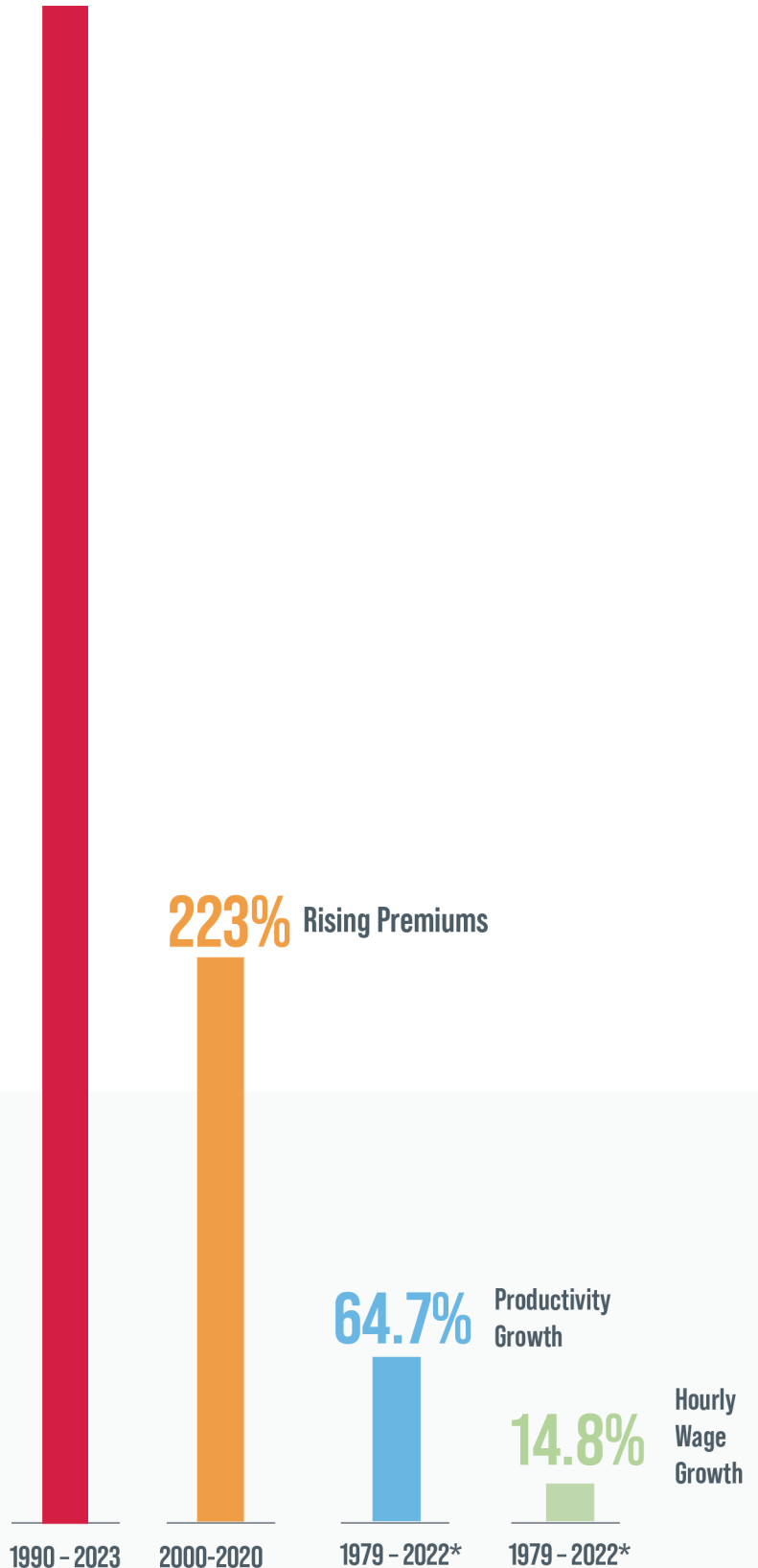
Over the last 40 years, low- and middle-income families have experienced stagnating wages and incomes. From 1979 to 2022, hourly wages rose just 14.8% after adjusting for inflation while workers' productivity increased 64.7%.²⁹ In comparison, from 1948 to 1973, wage growth kept pace with workers' productivity, with wages and productivity increasing 91% and 96%, respectively.³⁰ During that same period, between 1970 and 2022, national health care spending increased a staggering 5,972%.³¹ Rising health care prices, and in particular high hospital prices, have been a major driver of our nation's increased health care spending. In fact, hospital care accounts for the largest category of national health care spending.³² Hospital prices themselves increased 600% just in the last three decades, directly contributing to significant increases in health care costs and health care premiums.³³ These increased costs lead workers and their families to lose thousands of dollars in wages as employers are forced to spend more on health care benefits and less on wage increases.^{34,35,36,37}

600% Rising Hospital Prices

223% Rising Premiums

64.7% Productivity Growth

14.8% Hourly Wage Growth



Rising Hospital Prices and Health Insurance Premiums are Cutting into Wages

* Percentages adjusted for inflation

Wage stagnation is particularly problematic as fewer and fewer workers receive appropriate compensation commensurate with their work and productivity.³⁸ Moreover, wage stagnation hurts low- and middle-income Americans and people of color the most, worsening income inequality and exacerbating racial and ethnic inequities.^{39,40} For instance, while white workers' wages increased 30.1% between 1979 and 2020, Black and Hispanic workers' wages increased just 18.9% and 16.7%, respectively, over the same period.⁴¹ These disproportionate gains in income exacerbate persistent and long-standing wage inequities that exist between white, Black and Hispanic workers.⁴²

Comparison of White, Black, and Hispanic Workers' Wage Increases, 1979 – 2020



Wage stagnation also hurts Americans along class lines. Since 1979, wages increased for the top 1% of America's earners by 138%, yet the bottom 90% saw their wages increase by only 15%.⁴³ While there are many factors that contribute to these long-standing trends, there is substantial evidence that the rapid increase in U.S. health care costs, especially hospital care costs, has played a significant role in putting downward pressure on wages and incomes.^{44,45,46,47}

While workers' wages have stagnated, health insurance premium costs, which both workers and employers finance, continue to increase at an alarming rate.^{48,49} For example, the total cost of a family employer-sponsored health insurance plan increased 223% in the past two decades, rising from \$6,500 in 2000 to \$21,000 in 2020.⁵⁰ These rising health insurance premiums have regularly outpaced workers' wages and inflation, growing up to seven times faster than workers' wages between 2008 and 2018 alone.^{51,52,53} In 2020, health care premium costs accounted for more than one-quarter of median household income.⁵⁴ As noted above, these rising health care premiums have forced employers to spend more of their annual budgets on health insurance for their employees in lieu of increasing workers' wages.^{55,56} While workers across the nation are negatively impacted, these increases in premiums and health care costs disproportionately impact people living in rural areas because they tend to have lower incomes than their urban counterparts, experience higher health care spending overall, and historically pay higher health insurance premiums.⁵⁷

Both workers and employers alike recognize that rising health care costs have become unsustainable. Nearly 90% of large employers say that rising health care costs will threaten their ability to provide health care benefits to employees over the next five to 10 years if costs are not lowered.⁵⁸ At the same time, workers with employer-sponsored health insurance increasingly cannot access the care they need, with more than a quarter putting off or postponing needed medical care due to the high cost.⁵⁹ Some workers are even choosing to forego their employer’s insurance offerings entirely, with more workers declining employer-sponsored health coverage today than at any point in the past 40 years.⁶⁰ To make matters worse, workers are increasingly exposed to health insurance plans with larger cost-sharing requirements, including higher-deductible health plans, in an effort to contain rising health care spending and costs.⁶¹ Deductible-related costs for workers have grown significantly, with the average deductible for an individual employee’s coverage nearly doubling in just a decade, from \$1,025 in 2010 to \$2,004 in 2021.^{62,63}

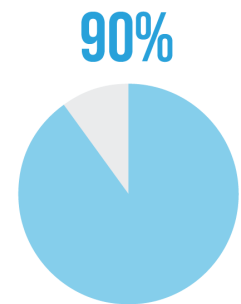
Taken together – increased health insurance premiums, lost wages, and higher cost-sharing requirements and out-of-pocket costs — it is clear that the price gouging by large hospital corporations directly threaten the financial security of American consumers, families and workers alike.

What Is at Stake: Hospital Pricing Abuses Could Result in Thousands of Dollars in Additional Wage Losses for Workers

Rising health care premiums have had substantial negative impacts on working people and their families for decades. In fact, the median U.S. family of four, with an income of \$94,860, is estimated to have lost more than \$125,000 in wages due to rising health care premiums over the past 32 years.⁶⁴ Looking toward the future, Families USA conducted an analysis using public data sources and third-party analyses to project how much money workers could lose in additional lost wages as a result of rising health insurance premiums.

Methods

Families USA conducted an original analysis to estimate the impact of rising health insurance premiums on workers’ wages between 2020 and 2030, given that health care premiums are growing faster than workers’ total compensation across three different income levels identified by the Bureau of Labor Statistics:



Nearly 90% of large employers say that rising health care costs will threaten their ability to provide health care benefits to employees over the next five to 10 years if costs are not lowered.

- » Low income: 30th income percentile, or \$31,158 in 2020 annual wages.
- » Middle income: 50th income percentile, or \$41,184 in 2020 annual wages.
- » High income: 80th income percentile, or \$77,022 in 2020 annual wages.

The analysis relies on a number of data sources, including Bureau of Labor Statistics data from 2020 to estimate total compensation, wages, and employer-sponsored insurance premiums among U.S. workers with employer-sponsored coverage;⁶⁵ Willis Tower Watson (WTW)⁶⁶ data and projections that estimate the growth in total employee compensation and increases in health insurance premiums as a percentage of compensation over time;⁶⁷ consumer price index for all urban consumers data from 2020 to 2023 to account for inflation;⁶⁸ and inflation projections from the Federal Reserve to account for inflation through 2030.⁶⁹

Based on these data, Families USA calculated two scenariosⁱ to illustrate how much workers could lose in wages if health insurance premiums continued to rise at an increasingly high rate.

- » In Scenario 1, policymakers do not intervene to address high and rising health care costs, and health care premiums continue to rise at rates similar to those experienced in recent years. In this scenario, low- and middle-income workers would experience total compensation growth of 1% between 2020 and 2030, and high-income workers would experience annual total compensation growth of 1.2% for the same period.⁷⁰ But rising employer-sponsored health insurance costs would consume 71%, 52% and 33% of those compensation gains for low-, middle- and high-income workers, respectively. As a result, workers could lose between \$22,000 and \$33,000 in potential wages to health care costs, as shown in Table 1 below.
- » In Scenario 2, policymakers intervene to curb high and rising health care costs, and the growth in health care premiums slows down relative to current growth rates. In this scenario, health insurance premium cost growth is linked to the expected growth in wages (1% for low- and middle-income workers and 1.2% for high-income workers between 2020 and 2030). Under these conditions, workers could lose between \$2,000 and \$8,000 in potential wages to health insurance premium costs, as shown in Table 1 below.

Families USA then calculated the difference in the amount of wages lost as a result of rising health care costs between these two scenarios to estimate the total loss in potential compensation (that is, wages) associated with increases in health care premiums between 2020 and 2030, as shown in Table 1.

ⁱ See Appendix A for more detailed methodology about Families USA's calculations.

Results

Table 1: Estimated Losses in Wages Between 2020 and 2030 Due to Increasing Employer-Sponsored Insurance Costs

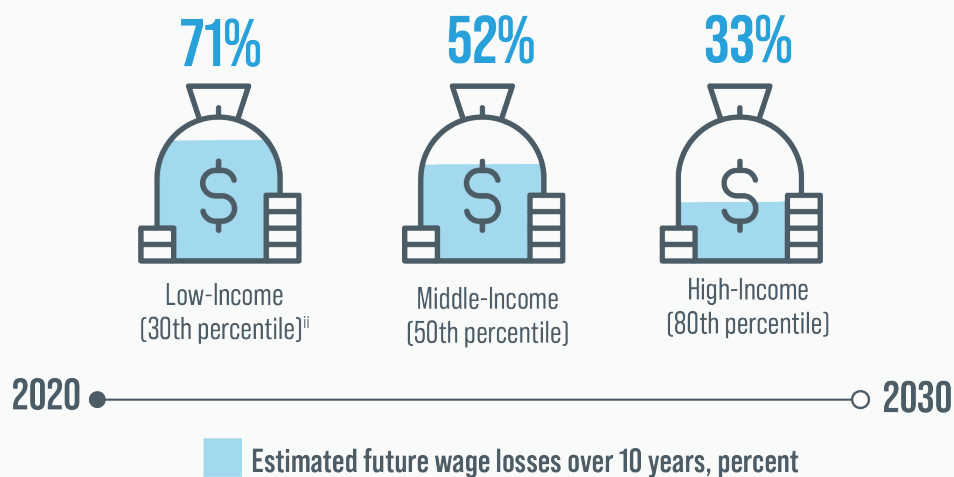
	Low income (30th percentile) ⁱⁱ	Middle income (50th percentile)	High income (80th percentile)
1. Annual wages (2020), in 2020 dollars ⁷¹	\$31,158	\$41,184	\$77,022
2. Projected annual total compensation growth (2020-2030) ⁷²	1.0%	1.0%	1.2%
3. Projected annual health insurance cost growth as a percentage of total compensation growth (2020-2030) ⁷³	71%	52%	33%
4. Projected increase in health insurance costs between 2020 and 2030 in Scenario 1 (continued health care cost growth), in 2030 dollars	\$22,163	\$23,578	\$33,214
5. Projected increase in health insurance costs between 2020 and 2030 in Scenario 2 (health care cost growth held to total compensation inflation), in 2030 dollars	\$2,455	\$5,290	\$8,375
6. Approximate loss in wages (2020-2030) as a result of projected cost increases to employer-sponsored health care premiums, in 2030 dollars	\$19,708	\$18,288	\$24,840

ⁱⁱ Bureau of Labor Statistics data covered workers in the 30th, 50th and 80th percentiles, while Willis Tower Watson (WTW) data was limited to the second, fifth and eighth deciles. Due to this limitation in the availability of data, we used second decile projected growth data from WTW with 30th percentile compensation data from BLS, as an approximation.

Families USA's analysis found that **workers across the United States could lose between \$18,000 and \$25,000 in wages over the next decade (2020-2030) as a result of rising health insurance premiums.** More specifically, this analysis shows that if health care premiums continue to grow at a faster rate than workers' wages, low-income workers could lose up to \$19,708 in future compensation growth, while middle- and high-income workers could lose up to \$18,288 and \$24,840, respectively. In other words, over the next decade, workers could see significantly smaller increases to their take-home pay as a result of unchecked hospital prices continuing to drive up health insurance premiums.

These projected losses in wages would have a substantial impact on the financial and economic security of our nation's working people and their families, and they would disproportionately impact low- and middle-income workers, who are the most socially vulnerable.⁷⁴ Willis Tower Watson (WTW) projects that these low-income workers may only receive 14% of their expected increases in compensation as take-home pay over the next decade.⁷⁵

Low- and Middle-Income Workers Harmed Most by Rising Health Insurance Costs



If policymakers do not act, the lost wages resulting from the price gouging of medical monopolies could exacerbate existing racial gaps in educational attainment, homeownership, medical debt, and food insecurity, putting Black, Indigenous, and other people of color at a greater financial disadvantage.

Low-income workers include a disproportionate number of people of color — people who already experience significant social and economic inequities in their day-to-day lives, including persistent income and wealth inequality and poorer health and health care outcomes, among other inequities.^{76,77} For instance, Black and Hispanic families, in comparison with their white counterparts, earn lower incomes and accumulate less wealth, are more likely to be diagnosed with one or more chronic conditions, are more likely to forgo or delay needed medical care due to the high cost, and are more likely to experience high levels of medical debt.⁷⁸ Wage stagnation, driven by high and rising health care prices, could continue to reinforce these harmful trends by disproportionately taking future income and financial resources away from those who need it the most. If policymakers do not act, the lost wages resulting from the price gouging of medical monopolies could exacerbate existing racial gaps in educational attainment, homeownership, medical debt, and food insecurity, putting Black, Indigenous, and other people of color at a greater financial disadvantage.⁷⁹

If high and rising hospital prices continue to go unchecked, they could represent a significant barrier to ensuring that all people in the U.S. have the chance to achieve meaningful social and economic well-being and improved health for themselves and their families.

It is important to note that even if policymakers were to rein in high and rising hospital prices and if health care premium growth slows down relative to current rates (Scenario 2), the high cost of American health care could still lead to significant lost wages for our nation's workers and their families. Ultimately, policymakers need to pursue a broad range of policy solutions focused on reining in high and rising hospital prices and fixing the myriad of broken financial incentives that allow big health care corporations to drive unaffordable and low-quality care.

Conclusion

High and rising hospital prices have led to record levels of medical debt and forced families to forgo needed medical care, and they are a hidden driver of wage stagnation and income inequality. Taking on the harmful pricing practices of large health care corporations that drive up health care premiums and stagnate wages is a critical step to ensure our nation's families have the financial security and improved health they deserve.

Policymakers must work to advance commonsense bipartisan solutions to curb these extraordinarily high hospital prices for the benefit of workers and health care consumers.

— POLICYMAKERS SHOULD ENACT THE FOLLOWING POLICIES IN THE SHORT TERM:⁸⁰ —

- 1. Strengthen and codify federal Hospital Price Transparency and Transparency in Coverage regulations** by requiring all hospitals and health plans to disclose negotiated rates in dollars and cents.⁸¹
- 2. Enact comprehensive site neutral payments** to ensure consumers pay the same price for the same service regardless of where the service is performed.⁸²
- 3. Ban anti-competitive practices and clauses in health care contracting agreements nationally**, including “all-or-nothing,” “anti-steering,” and “anti-tiering” contracting clauses that limit access to higher-quality, lower-cost care.

Without swift action by policymakers to implement these changes, American workers will continue to lose tens of thousands of dollars in wages over the course of this decade. Now is the time to ensure the health and financial security of America's families.

Appendix A

Families USA used total compensation and health care premium costs data from the Bureau of Labor Statistics to calculate a baseline of how much workers at three income percentiles are paid annually in 2020. For the first scenario, Families USA then used projections from WTW data to estimate the total amount of lost wages over a 10-year period (2020-2030) that results from increases in health insurance premiums that outpace increases in workers' wages (that is, health insurance premium costs increasing as a percentage of total compensation over time). WTW data projects health insurance cost growth as a percentage of total compensation growth across each income percentile to be the following: 71% for the 30th percentile (that is, low income), 52% for the 50th percentile (that is, middle income), and 33% for the 80th percentile (that is, high income) percentiles. Using these WTW projections, Families USA calculated an estimate of how much workers would spend on health insurance premiums over 10 years if health insurance premiums continued to increase faster than workers' wages, shown in Table 1, Row 4. This figure represents the amount of wages that could be lost if health insurance costs continue to grow at projected rates.

For the second scenario, Families USA calculated an estimate of how much workers could spend on health insurance premiums if those premiums grew at the same rate of growth as workers' total compensation, displayed in Table 1, Row 5. For the 30th and 50th income percentiles, the rates of total compensation growth are projected to be 1% through 2030, and for the 80th income percentile, the total compensation growth rate is projected to be 1.2% for the same period, sourced from WTW data. Families USA then calculated the difference between the two scenarios (Row 4 and Row 5 in Table 1) to estimate the amount workers could lose in wage compensation if health insurance premiums continued to increase according to WTW's projections (that is, if health insurance premium costs continued to outpace total compensation growth from 2020 to 2030). Lastly, Families USA adjusted each of the figures for inflation using consumer price index for all urban consumers inflation data from 2020 to 2023 and a projected inflation rate of 2% through 2030.⁸³

Endnotes

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