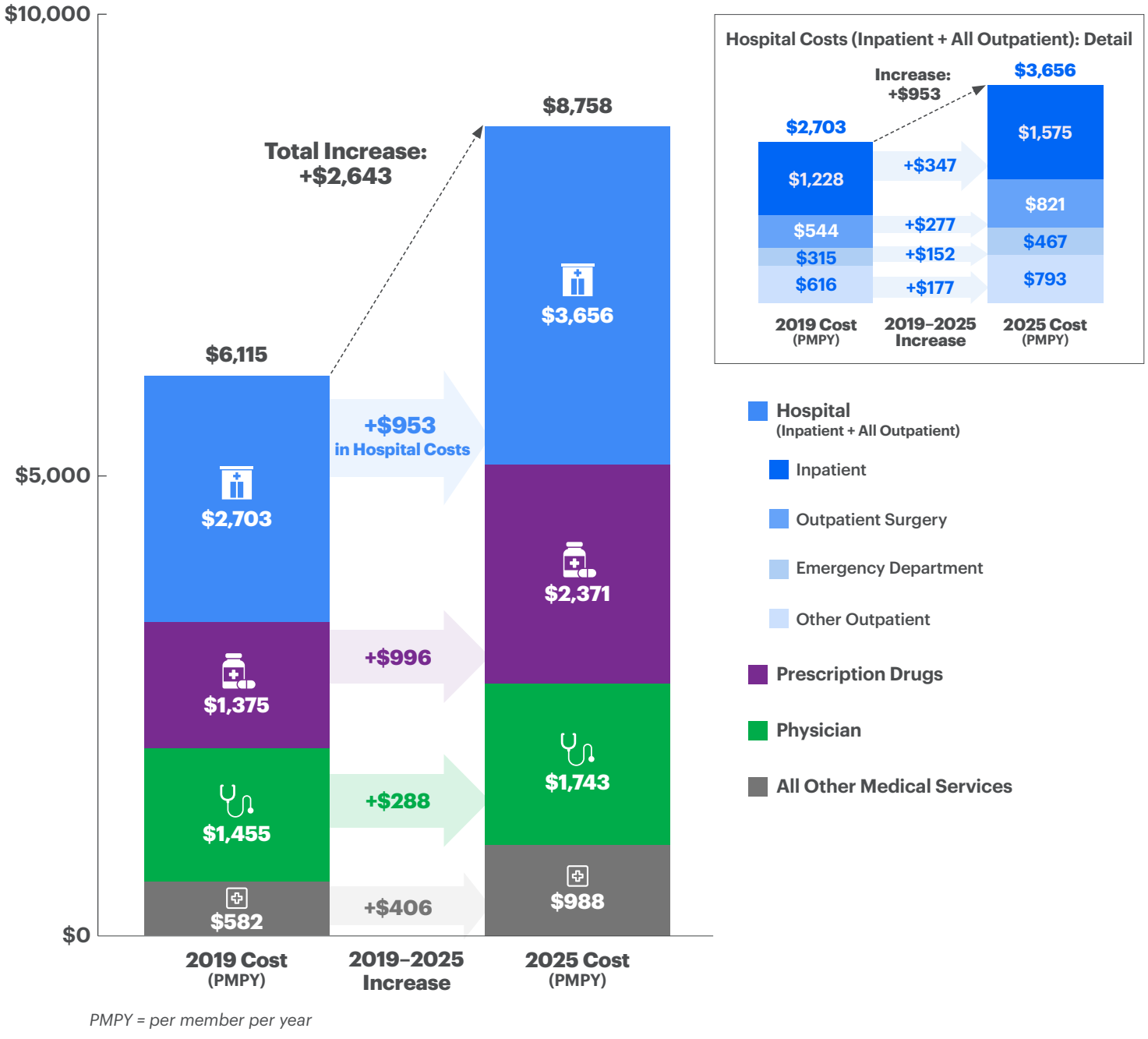
Hospital Price Increases Drove Higher Medical Costs for Employers and Commercially Insured Individuals between 2019 and 2025

Total medical costs for people with commercial coverage – which include health plan and consumer costs for services and exclude administration and other costs – increased by over $2,600 between 2019 and 2025. **Hospital services accounted for over $950, 36% of the total increase**, as higher hospital prices offset low utilization growth – which reflected efforts by clinicians, employers, health plans, and policy makers to prevent unnecessary hospital inpatient stays and to provide consumers with clinically effective alternatives to costly hospital outpatient departments and emergency rooms. **The increase in the cost of hospital services was nearly equal to the increase in prescription drug costs during this period.**

Average Total (Health Plan and Consumer) Medical Costs: Fully Insured Commercial Market, 2019 and 2025



PMPY = per member per year

Increases in the cost of hospital services were driven by higher prices rather than utilization growth.

Three categories of hospital services accounted for **over 80% of the $953 increase per person in hospital costs** between 2019 and 2025: inpatient admissions, outpatient surgeries, and emergency department services.

Inpatient Prices

+$347 = 28% cost increase

97% of this cost increase was driven by a **higher average price** per inpatient admission.

Hospital inpatient services include medical and surgical admissions for acute illnesses, many of which are avoidable or preventable through **better primary care** and could be treated in **outpatient settings**.

Outpatient Surgery Prices

+$277 = 51% cost increase

80% of this cost increase was driven by a **higher average price** per outpatient surgery.

Hospital outpatient surgeries include a range of procedures – such as colonoscopies, cataract surgeries, and orthopedic procedures – that, for most individuals, can be performed safely, effectively, and at **lower cost in ambulatory surgery centers and physician offices**.

Emergency Department Prices

+$152 = 48% cost increase

86% of this cost increase was driven by a **higher average price** per emergency department visit.

Hospital emergency departments treat many common conditions – including upper respiratory infections, sore throats, ear infections, asthma, and high blood pressure – that often can be treated at **lower cost in physician offices and urgent care centers**.

Hospital prices are driving up premiums and out-of-pocket costs.

- Hospitals are **merging into larger systems**,[1,2,3] which leverage their market power to **command higher prices**.[4,5,6,7]
- Hospitals are demanding clauses in their health plan contracts – including all-or-nothing, anti-tiering, and anti-steering provisions – to **insulate themselves from price competition**.[8,9,10]

Prevention, chronic disease management, alternative sites of service, and value-based care models can reduce the avoidable utilization of hospital services, including inpatient admissions and emergency department visits.[11,12,13] However, **unless hospital price increases are curtailed, employers and commercially insured individuals will continue to experience higher hospital costs**.

Methodology

Estimates reflect allowed costs for covered services, including health plan payments and consumer cost sharing, and excluding administrative and other costs. Estimates are based on an analysis of 2019 and 2025 UnitedHealthcare claims, paid through February 2026 and adjusted for claims runout, among individuals enrolled in fully insured employer coverage. All services were categorized into the following major service categories: hospital, prescription drugs, physician, and all other medical services. Hospital services include all inpatient services, drugs administered during admissions, and outpatient services delivered in hospital settings (e.g. surgeries performed in hospital outpatient departments, treat-and-release services provided in emergency departments), and do not include services delivered in other inpatient facilities (e.g., skilled nursing facilities, mental health facilities). Physician services include services delivered in physician offices and physician visits paid separately, regardless of site of care. Prescription drugs include medications covered under the pharmacy benefit and those covered under the medical benefit. Prescription drug costs under the pharmacy benefit reflect post-rebate dollars, while those under the medical benefit reflect pre-rebate dollars and include the ingredient costs of drugs administered or dispensed by outpatient facilities and providers. All other medical services include outpatient services not delivered in hospital settings, rehabilitation, skilled nursing facilities, inpatient behavioral health, and capitated payments for behavioral health services. Of the $406 per member per year cost increase in all other medical services between 2019 and 2025, capitated payments for behavioral health services accounted for $227 (56%). Total allowed per-member-per-year (PMPY) costs were disaggregated by major service category, further broken down by subcategory, and compared for 2019 and 2025. For each subcategory, utilization per 1,000 individuals per year and unit costs were calculated. Unit cost increases from 2019 to 2025 are reported as increases in the average price of an inpatient admission, outpatient surgery, and emergency department visit, which may also reflect changes in service mix and clinical severity.

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