

An Innovative Regulatory Proposal to Influence Hospital Prices

Catalyst speakers:

- [Robert Murray](#)
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Background materials:

- Murray, R., & Berenson, R. (2022). How Price Regulation Is Needed To Advance Market Competition. *Health Affairs*, 41(1), 26-34. <https://doi.org/10.1377/hlthaff.2021.01235>
- Kacik, A. (2019). Operating margins stabilize, but not-for-profit hospitals still vulnerable. *Modern Healthcare*. Retrieved 10 June 2022, from <https://www.modernhealthcare.com/providers/operating-margins-stabilize-not-profit-hospitals-still-vulnerable>.

Key Takeaways:

1. On a per-capita basis, the United States spends more on healthcare than any other country. Much of this spending is driven by hospital prices.
2. In many markets, hospital care is consolidated and will likely remain that way. Therefore, efforts to prevent future mergers may have limited impact on prices.
3. Traditionally “pro-market” proposals to reduce prices often include price transparency, narrow provider networks, increased use of nonphysician labor and cost-sharing. However, they may not be enough to control health care prices.
4. Price regulation may not only lower spending, but also encourage competition to improve quality and patient experience.
5. Rate-setting can be difficult as regulators replace market dynamics. Price caps, caps on price growth, or even global budget models may be more practical if the goal is to incentivize efficiency and quality improvement.

Discussion Questions:

- What barriers exist to addressing hospital prices?
- To what extent can price regulation promote competition, if at all?
- Should regulation be designed at the state or federal level? If state, should legislatures make decisions regarding hospital prices or appointment health policy commissions (i.e., Massachusetts or Maryland)?
- How should price caps be designed? Is a focus on out-of-network caps enough?
- What factors made Maryland’s global budget revenue model successful? How do political and economic resources affect other states’ ability to execute?
- What data capabilities do states need to better address hospital prices?