# Who Pays for Rising Health Care Prices? Evidence from Hospital Mergers

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## KEY FINDINGS AND CONCLUSIONS

### WHO PAYS FOR RISING HEALTH CARE PRICES?

- Middle-income workers outside the health care sector

### HOW DO THEY PAY FOR THE PRICE INCREASES?

- Via job losses and, ultimately, one in 140 of those who lose their job die of an opioid overdose within a year of the job separation
- The majority of working-age adults receive their health insurance coverage through their employers. Employer-sponsored insurance creates a link between what happens in the health care sector (e.g., consolidation and increases in health care spending) and the labor market opportunities of workers outside the health care sector
- We show, by examining price increases resulting from hospital mergers, that rising prices in the health sector are leading to job losses for middle-income workers
- We find that a 1% increase in health care prices reduces both payroll and employment at employers outside the health sector by approximately 0.4%
- Because rising health care prices lead to job losses, they also precipitate reductions in tax revenue (since individuals who lose their jobs don't pay taxes) and increases in federal spending (since individuals who lose their jobs receive government-provided unemployment insurance). At the county level, we estimate that a 1% increase in health care prices reduces per capita labor income by 0.27%, increases annual flows into unemployment by approximately 1%, lowers federal income tax revenue collected by 0.4%, and increases unemployment insurance payments by 2.5%
- Because losing a job is devastating, and consistent with analyses by other researchers, we find that approximately 1 in 140 of the individuals who lose their job die from an opioid overdose within a year of job loss
- Our results generalize to any increase in health care sector prices that is not accompanied by improvements in the quality of care delivered

### HOSPITAL MERGERS AS A DRIVER OF JOB LOSSES

- From 2000 to 2020, there were over 1,000 hospital mergers in the US, and the FTC only took action to block 13 deals. In past work, we estimated that approximately 20% of hospital mergers ran afoul of the Department of Justice and Federal Trade Commission's Merger Guidelines and led to hospital price increases of 5% or more
- We find that a hospital merger that raises prices by 5% results in $32 million in lost wages, 203 jobs losses, a $6.8 million reduction in federal tax revenue, and one death from suicide or overdose of a worker outside the health sector
- A year of hospital mergers that the FTC could have flagged as likely to increase prices by reducing competition but did not block would result in $400 million in lost wages, 2,543 job losses, $85 million in forgone federal income tax revenues, and 12 to 25 deaths

*The views expressed in this document do not reflect the views of the US Department of Treasury