

Some hospitals marking up prices more than 1,000 percent

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Credit: Anne Lowe/public domain

The 50 hospitals in the United States with the highest markup of prices over their actual costs are charging out-of-network patients and the uninsured, as well as auto and workers' compensation insurers, more than 10 times the costs allowed by Medicare, new research suggests. It's a markup of more than 1,000 percent for the same medical services.

The findings, from Gerard F. Anderson of the Johns Hopkins Bloomberg School of Public Health, and Ge Bai of Washington & Lee University, show that the combination of a lack of regulation of [hospital](#) charges in the United States and no market competition is leading to price-gouging that trickles down to nearly all consumers, whether they have health insurance or not, and plays a role in the rise of overall health spending. The report is published in the June issue of *Health Affairs*.

"There is no justification for these outrageous rates but no one tells hospitals they can't charge them," says Anderson, a professor in the Bloomberg School's Department of Health Policy and Management. "For the most part, there is no regulation of hospital rates and there are no market forces that force hospitals to lower their rates. They charge these prices simply because they can."

For their study, Anderson and Bai analyzed the 2012 Medicare cost reports from the Centers for Medicare and Medicaid Services to determine a charge-to-cost ratio, an indicator of how much hospitals are marking up charges beyond what Medicare agrees to pay for those with its government-subsidized [health insurance](#).

The 50 hospitals, they found, charged an average of more than 10 times the Medicare-allowed costs. They also found that the typical United States hospital charges were on average 3.4 times the Medicare-allowable cost in 2012. In other words, when the hospital incurs \$100 of Medicare-allowable costs, the hospital charges \$340. In one of the top 50 hospitals, that means a \$1,000 charge.

Of the 50 hospitals with the highest price markups, 49 are for-profit hospitals and 46 are owned by for-profit health systems. One for-profit health system, Community Health Systems, Inc., operates 25 of the 50 hospitals. Hospital Corporation of America operates more than one-quarter of them. While they are located in many states, 20 of the

hospitals are in Florida.

"For-profit hospitals appear to be better players in this price-gouging game," says Bai, an assistant professor of accounting at Washington & Lee University. "They represent only 30 percent of hospitals in the U.S., but account for 98 percent of the 50 hospitals with highest markups."

Many hospital patients don't actually pay the "charge master" or full price. Along with government insurers, most private health insurers negotiate lower rates for their patients.

But 30 million uninsured Americans are likely to be charged the full rate, as are patients receiving out-of-network care and those receiving workers' compensation or auto insurance benefits. As a result, uninsured patients, who are often the most vulnerable, face exceptionally high medical bills, often leading to personal bankruptcy, damaged credit scores or the avoidance of needed [medical services](#).

The impact of overcharging extends beyond hospital patients. Notes Anderson: "The cost of workers' compensation and auto insurance policies are higher in the states where [hospital charges](#) are unregulated because companies must pay those higher rates."

In addition, privately insured in-network patients may also end up paying greater premiums due to hospitals' high markups, which are often used by hospitals as leverage to negotiate higher prices with private insurance companies. "Except for patients with government insurance, few consumers are immune from negative financial impacts caused by hospitals' high markups," Bai says.

In Maryland and West Virginia, the state sets the rates that hospitals can charge for services. No federal law regulates them for all Americans.

"We as consumers are paying for this when hospitals charge 10 times what they should," Anderson says. "What other industry can you think of that marks up the price of their product by 1,000 percent and remains in business?"

For the most part, the hospitals with the highest markups are not situated in pricey neighborhoods or big cities, where the market might explain the higher prices. The most expensive hospital is North Okaloosa Medical Center, located in the Florida Panhandle about an hour outside Pensacola. There, patients are charged 12.6 times more than Medicare allowable costs.

Anderson says changes are unlikely to drop to levels closer to costs allowed by Medicare unless state or federal officials decide to legislate a maximum markup that a hospital could charge a patient. He says states could choose to have their hospital rates set by a state agency as is done in Maryland and West Virginia, which guarantees that hospitals can't gouge their patients.

He says that price transparency could also help only to a limited extent because people cannot bargain or comparative shop when they are sick. Most hospitals aren't required to - and don't - publicly share how much they charge for different procedures.

"This system has the effect of charging the highest prices to the most vulnerable patients and those with the least market power," Anderson says. "The result is a market failure."

"Extreme Markup: The Fifty US Hospitals with the Highest Charge-to-Cost Ratios" was written by Ge Bai and Gerard F. Anderson.

List of 50 Hospitals with Highest Charge-to-Cost Ratios, 2012:

1. North Okaloosa Medical Center (FL)
2. Carepoint Health-Bayonne Hospital (NJ)
3. Bayfront Health Brooksville (FL)
4. Paul B Hall Regional Medical Center (KY)
5. Chestnut Hill Hospital (PA)
6. Gadsden Regional Medical Center (AL)
7. Heart of Florida Regional Medical Center (FL)
8. Orange Park Medical Center (FL)
9. Western Arizona Regional Medical Center (AZ)
10. Oak Hill Hospital (FL)
11. Texas General Hospital (TX)
12. Fort Walton Beach Medical Center (FL)
13. Easton Hospital (PA)
14. Brookwood Medical Center (AL)
15. National Park Medical Center (AR)
16. St. Petersburg General Hospital (FL)
17. Crozer Chester Medical Center (PA)
18. Riverview Regional Medical Center (AL)
19. Regional Hospital of Jackson (TN)
20. Sebastian River Medical Center (FL)
21. Brandywine Hospital (PA)
22. Osceola Regional Medical Center (FL)
23. Decatur Morgan Hospital - Parkway Campus (AL)
24. Medical Center of Southeastern Oklahoma (OK)
25. Gulf Coast Medical Center (FL)
26. South Bay Hospital (FL)
27. Fawcett Memorial Hospital (FL)
28. North Florida Regional Medical Center (FL)
29. Doctors Hospital of Manteca (CA)
30. Doctors Medical Center (CA)
31. Lawnwood Regional Medical Center & Heart Institute (FL)
32. Lakeway Regional Hospital (TN)
33. Brandon Regional Hospital (FL)

34. Hahnemann University Hospital (PA)
35. Phoenixville Hospital (PA)
36. Stringfellow Memorial Hospital (AL)
37. Lehigh Regional Medical Center (FL)
38. Southside Regional Medical Center (VA)
39. Twin Cities Hospital (FL)
40. Olympia Medical Center (CA)
41. Springs Memorial Hospital (SC)
42. Regional Medical Center Bayonet Point (FL)
43. Dallas Regional Medical Center (TX)
44. Laredo Medical Center (TX)
45. Bayfront Health Dade City (FL)
46. Pottstown Memorial Medical Center (PA)
47. Dyersburg Regional Medical Center (TN)
48. South Texas Health System (TX)
49. Kendall Regional Medical Center (FL)
50. Lake Granbury Medical Center (TX)

More information: Authors' analysis of Healthcare Cost Report Information System (HCRIS) computer files obtained from the Centers for Medicare and Medicaid Services for 2012, published in the appendix of the June 2015 issue of *Health Affairs*.

Provided by Johns Hopkins University Bloomberg School of Public Health

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