Summary: Commercial Healthcare Prices Working Group

Date: September 11, 2026, 9:00 a.m. - 12:00 p.m.

Location: Amherst H. Wilder Foundation, Auditorium A

Meeting Summary and Key Themes

Alex Caldwell, Director of the Center for Health Care Affordability, opened the first Commercial Healthcare Prices Working Group meeting. The group brings together members of the Health Care Affordability Advisory Task Force and the Provider and Payer Advisory Task Force to study commercial healthcare prices and identify policy options for Minnesota.

The meeting focused on Minnesota healthcare spending and price trends, hospital prices, factors that may explain high or variable prices, and approaches used in other states. Members emphasized the need to clearly define the problem before choosing a policy response and to consider effects on patients, access, quality, and providers.

Working Group Objectives and Roadmap

MDH defined "price" as the amount paid to a healthcare provider for a unit of service. This is different from a provider's *cost* of delivering care, the *amount* listed on a bill or charge list, and *total* healthcare spending, which reflects both prices and the amount of care used.

The working group will initially focus on hospital inpatient and outpatient services. Its goal is to understand key commercial price issues, review policy options, and recommend a policy direction to the Health Care Affordability Advisory Task Force. The October 27 meeting will take a deeper look at related data and policies, and the December 2 meeting is intended to move toward recommendations.

Members said the group should continue refining the problem it is trying to address. They noted that focusing on high price levels, rapid price growth, or large price differences could lead to different policy approaches.

Health Care Spending in Minnesota

Stefan Gildemeister of MDH's Health Economics Program reviewed recent Minnesota healthcare spending trends. Minnesota healthcare spending has grown by about 5 percent per year on average

over the past decade, and per-person spending has grown faster than inflation and wages. Preliminary 2024 estimates also show a 10 percent increase in spending over a single year.

For Minnesotans with commercial insurance, MDH analysis found that per-person spending increased from 2019 to 2023 while overall use of care declined slightly and prices increased. Price increases happened across several types of care, including inpatient and outpatient hospital services, professional services, and retail prescription drugs.

Members asked for more detail to separate price increases from changes in the types of services people receive, how sick patients are, and shifts in the settings in which services are being provided. Over time, more services are being provided in outpatient settings rather than in inpatient hospital settings. They also asked for more recent data to help understand changes in healthcare use since the COVID-19 pandemic. MDH noted that it is updating its analysis and plans to examine trends by age, gender, and service category.

Narrowing the Scope: Hospital Prices

Julie Sonier of Mathematica explained why hospital prices are the group's initial focus. Hospitals account for a large share of Minnesota healthcare spending, commercial hospital prices have grown faster than several other major categories of care, and more hospital price data are available as compared to data on other types of health care providers. Other states have also adopted policies aimed at commercial hospital prices, providing examples for Minnesota to consider.

Members generally supported starting with hospitals but asked for clear definitions of which services are included. They said comparisons should account for factors such as patient needs, service mix, rural and teaching hospital status, and special Medicare payment rules. Members also noted that hospitals are changing over time as more services move to outpatient settings.

The group also discussed the relationship between price and quality. Existing data do not show a strong, consistent link between higher hospital prices and higher measured quality, but members cautioned that available quality measures have limits. Members said future analysis should continue to consider value, including quality and patient outcomes.

Hospital Prices – What We Already Know

The group reviewed the RAND Hospital Price Transparency Study, which compares commercial hospital payments in two ways. One measure shows the average dollars paid for a standard unit of care, which allows for a more consistent comparison across hospitals. The other measure compares commercial payments with what Medicare would have paid the same hospital for the same services.

The RAND data show substantial differences in commercial hospital prices across Minnesota health systems. Depending on the category of service, the highest-priced healthcare systems are two to three

times more expensive than the lowest-priced systems. In this study, Minnesota's average inpatient and outpatient hospital facility prices were below national averages, while prices for professional services delivered in hospital settings were relatively high compared with other states. MDH cautioned that state rankings can change as data sources improve and should be interpreted carefully.

Members also reviewed previous MDH analyses showing large price differences for specific procedures, including knee replacement and major bowel procedures, both across hospitals and within the same hospital. Members noted these analyses were published in 2015 and asked whether these differences have changed over time. MDH noted that it is interested in updating the analysis but does not yet have more recent results.

Members stressed that reducing price differences should not simply mean moving all providers toward the average, which could raise prices for lower-priced providers without improving affordability. They suggested learning from providers that deliver high-quality care at lower prices and identifying when price differences reflect meaningful differences in cost, quality, or access.

What Drives High and Variable Commercial Hospital Prices

The discussion identified three broad factors that can contribute to high or variable commercial hospital prices: hospital operating costs, differences in negotiating power between hospitals and health plans, and fewer constraints on negotiated commercial prices. Labor, supplies, technology, buildings, and administrative expenses can raise hospital input costs, while hospitals with stronger market positions may be able to negotiate higher prices.

Members discussed whether the underlying problem is that private negotiations do not always produce prices that reflect the cost or value of care. Some members asked whether policy should directly limit prices or price growth, while others raised options that could improve how the market works, such as greater transparency or changes related to market concentration.

The group also discussed Medicare and Medicaid payment levels, especially for rural or financially vulnerable providers. Members had different views on how much public program payment levels affect commercial prices. There was broad agreement that any policy should consider access, provider financial stability, quality, and patient outcomes along with its effect on prices.

Members noted that many Minnesota hospitals are part of larger health systems that own or operate many types of services. A policy focused only on hospital payments could shift revenue, services or price increases to other parts of a health system, so members asked that these potential effects be considered when policy options are reviewed.

State Policies

Mathematica reviewed several approaches used or considered in other states. Rhode Island uses insurance rate review to limit annual hospital price growth in state-regulated commercial plans. Vermont is beginning to use limits on the maximum prices hospitals may accept from commercial payers. Members also reviewed policies

related to facility fees and site-neutral payments, which seek to reduce payment differences when similar services can be provided in lower-cost settings.

Other examples included a California public employee plan that sets a maximum amount it will pay for selected services and New Hampshire tools that provide consumers with information about provider prices. Members noted that price information alone has generally had limited effects on consumer choices, but it may have more impact when paired with financial incentives.

Members asked whether these approaches address the deeper effects of hospital consolidation and negotiating power. Some noted that limits on prices or price growth can reduce the effect of market power even if they do not directly change market structure. Others asked whether future work should also consider policies related to consolidation, mergers, and acquisitions. Members also noted overlap with the separate Investor Ownership and Influence Working Group.

By the end of the meeting, several members supported focusing on hospital price growth as the working group moves forward. They said price growth is closely tied to the Center's affordability goals, can be measured over time, and can provide a framework for evaluating policies that also affect price levels, price differences, or where care is delivered. Members said the group will also need to define what successful price growth policy would look like.

Closing and Next Steps

MDH will use the September discussion to prepare a deeper review of data and state policy approaches for the October 27 working group meeting. MDH's Health Economics Program will continue updating its analysis of Minnesota spending and prices, and MDH plans to bring national expertise into a future discussion.

The Investor Ownership and Influence Working Group meets on September 24. The Health Care Affordability Advisory Task Force will also reconvene this fall.

ABOUT THE CENTER FOR HEALTH CARE AFFORDABILITY

The Minnesota Center for Health Care Affordability at the Minnesota Department of Health is committed to making health care more affordable for all Minnesotans.

The Center identifies cost drivers, provides transparent research, and advances solutions that stabilize health care spending so that Minnesotans can afford the high-quality care they need.

Minnesota Department of Health | Center for Health Care Affordability
651-201-5000 | health.affordability@state.mn.us
www.health.state.mn.us/data/affordability/index.html

September, 2026

To obtain this information in a different format, call: 651-201-5000.