DEPARTMENT OF HEALTH

CENTER FOR HEALTH CARE AFFORDABILITY

Commercial Healthcare Prices Working Group Statement of Scope (2026-27)

This document defines the scope and intended outputs of the Commercial Healthcare Prices (previously named "High and Variable Prices") Working Group convened by the Center for Health Care Affordability ("the Center") at the Minnesota Department of Health ("MDH") as part of its task force engagement.

Background

Minnesota faces sustained growth in healthcare spending, driven largely by healthcare price levels and price growth rather than due to steady increases in care utilization (Health Economics Program, 2025). Hospital services comprise a substantial share of healthcare spending in Minnesota, roughly 31% in 2022. Prices – which we define as the amount paid by commercial health plans to hospitals per unit of service – have played a significant role in driving commercial spending growth for hospital services, especially in recent years. Between 2019 and 2023, for example, prices for inpatient hospital services grew by almost 23%, while utilization declined roughly 16% (Health Economics Program, 2025). The gap between commercial and Medicare hospital prices is wide and growing. On average, Minnesota inpatient commercial hospital prices were more than double Medicare prices for the same services in 2022.

Data on average commercial hospital prices masks a wide range of variation between and within Minnesota hospitals for the same services. In 2022, standardized commercial prices for inpatient hospital services at the highest priced Minnesota health systems were two to three times the prices of the lowest priced health systems (Whaley et al, 2022). Prior analyses of variation for similar procedures within Minnesota hospitals demonstrated substantial differences between prices for the same services within the same hospital, controlling for complexity. For example, in 2015, the commercial price for a total knee replacement at the most expensive hospital ranged from $24,618 to $46,732 (Health Economics Program, 2018).

States are well positioned to address hospital prices to improve healthcare affordability. Other states have taken action to address commercial hospital prices through a range of policy solutions, including limiting price growth; aligning prices to a ratio relative to Medicare benchmarks; site neutral payment policies; regulating facility fees; and/or other policy approaches. States have also made different decisions about how to apply these policies to specific commercial market segments (for example, state employee group insurance plans) and/or types of hospitals.

The scale of spending on inpatient and outpatient hospital services provides an opportunity for meaningful state action to improve affordability by addressing hospital prices; even a small percentage change in spending for hospital services can result in substantial systemwide savings.

Working Group Objective

Develop a shared understanding of significant commercial healthcare price issues related to hospital inpatient and outpatient services in Minnesota and identify a set of policy approaches that address high and/or variable hospital prices paid by commercial health plans. Policies may address high price levels; rapid price growth; and/or unwarranted price variation for the same service. The working group will propose a set of policy options, pros and cons of each, implementation considerations, and a recommended policy approach to the Health Care Affordability Advisory Task Force (HCAATF) for consideration in consultation with the Provider and Payer Advisory Task Force.

Key Background Information

MDH will bring relevant information and analysis to support the group's consideration of the following topics, for example:

- How do hospital prices contribute to Minnesota's healthcare affordability challenges?
- How do Minnesota commercial prices compare to Medicare prices or other available benchmarks?
- What do we know about price variation within and across hospitals?
- To what degree should the working group's recommendations account for factors that contribute to hospital prices, including market power, geography, care setting, ownership, billing practices, payor mix, labor and supply costs, uncompensated care and other financial pressures?
- What actions have other states taken to address this issue? What information do we have about the effectiveness of their policies?
- What policy approaches are reasonable for Minnesota to consider given pricing issues we face? For example, the working group should consider:
    a. Medicare-based or other reference pricing models
    b. Caps on commercial price growth
    c. Same-service/same-price payment approaches
    d. Facility fee regulation

Potential Discussion Topics for Working Group Members

- What Minnesota-specific context is important to consider with this issue?
- What issues should Minnesota think about with respect to various policy approaches taken by other states?
- What are the pros and cons of various policy options? How might each policy option impact total spending, access to care, and provider financial stability, especially in rural and underserved communities?
- Are there new policy strategies working group members would like to consider?
- How would working group members recommend addressing this issue?
- What data would be needed to monitor the impact of proposed recommendations?

Working Group Commitment and Timing

The working group will conduct its work over 3-5 meetings to be conducted between fall 2026 – early 2027.

Members

Working Group members include participants from both of the Center's advisory task forces.

Health Care Affordability Advisory Task Force

- Adam Janiak
- Bre Ostrom
- John Naylor
- Lois Stevens
- Marie Dotseth
- Matt Anderson

Provider and Payer Advisory Task Force

- Aaron Bloomquist
- Kate Schreck
- Kevin Boren
- Shaun Frost
- Thompson Aderinkomi
- Tyler Winkelman

References

Health Economics Program (2025). Health Care Spending, Cost, and Use in Minnesota: 2019-2023 (https://www.health.state.mn.us/data/economics/docs/spndrpt2025.pdf)

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Whaley et al (2024). Hospital Price Transparency Study Round 5 Results (https://www.rand.org/health/projects/hospital-pricing/round5.html)

Health Economics Program (2018). Commercial Case Price Variation among High-Volume Inpatient Treatments in Minnesota Hospitals:July 2014 – June 2015. (https://www.health.state.mn.us/data/apcd/docs/pricevariation.pdf)

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