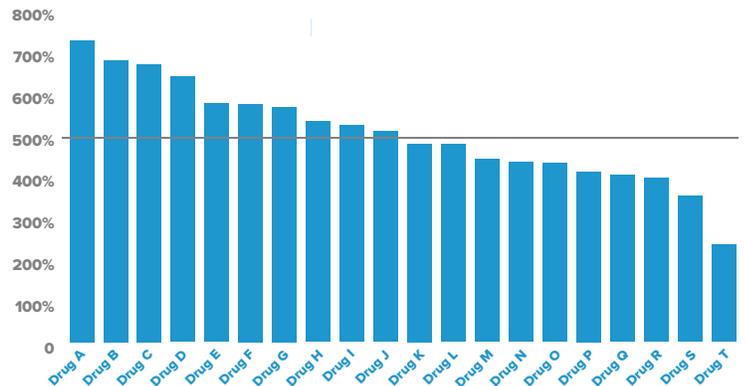


# Hospital Medicine Markups Drive Up Costs for Patients and the Health Care System

When assessing cost drivers in the American health care system, a myopic focus on drug spending misses the impact hospitals have on costs felt by patients and our health care system as a whole. In fact, roughly 30% of every dollar<sup>1</sup> spent on health care in the United States can be attributed to hospitals. Almost 4 times<sup>2</sup> more is spent on hospitals than on retail prescription medicines annually, and this trend is predicted to continue for the foreseeable future. An August 2023 report<sup>3</sup> from The Moran Company shows how hospitals are driving up costs across the health care system.

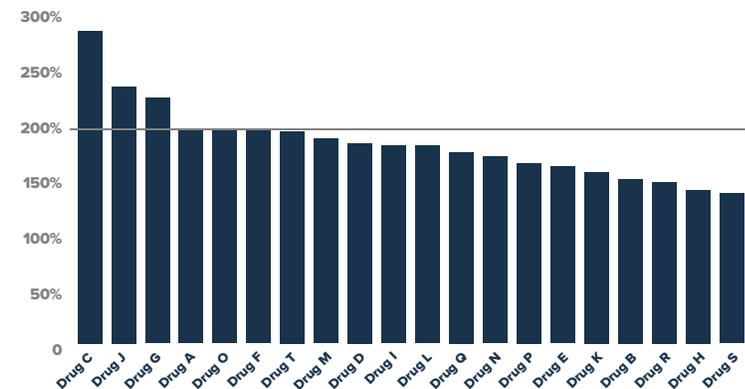
Finding  
**1**

**Hospitals are charging 500% of what they paid for medicines, on average.** For the 20 medicines that were analyzed, hospitals charged a range of more than 200% to more than 700% what they paid, confirming a trend identified in 2018.



Finding  
**2**

**Commercial payers reimbursed hospitals almost 200% what the hospital paid to acquire the medicine.** Because patient cost sharing is often based on these markups, this practice is driving up costs for patients.



Finding  
**3**

**Using publicly available data, the analysis estimates 340B hospitals are reimbursed, on average, almost three times the discounted 340B price of a medicine.** Nearly 60% of all hospitals in the United States participate in the 340B drug pricing program<sup>4</sup>, and the average markup at 340B hospitals is likely higher because medicines acquired by 340B hospitals are purchased at substantial discounts.<sup>5</sup>

**As policymakers continue to deliberate on health care costs and affordability, they should factor in the increasing role hospitals play in driving costs for patients and the broader health care system.**

<sup>1</sup><https://www.healthsystemtracker.org/chart-collection/u-s-spending-healthcare-changed-time/>

<sup>2</sup><https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected>

<sup>3</sup><https://themorancompany.com/wp-content/uploads/2023/08/PhRMA-Hospital-Charges-Report-August-2023.pdf>

<sup>4</sup><https://phrma.org/policy-issues/340b>

<sup>5</sup>This paper did not separately analyze data specific to 340B hospitals.