Survey: Hospital Consolidation Contributes to High Healthcare Costs for Small Business

March 21, 2023
Small Business for America’s Future is a national coalition of business owners and leaders working to provide small businesses a voice at every level of government.

We’re committed to ensuring policymakers prioritize Main Street by advancing a just and equitable economic framework that works for small business owners, their employees and their communities.
National Findings
Hospital Consolidation Exacerbates Healthcare Prices For Small Business

From Feb. 1-16, 2023, Small Business for America's Future surveyed 1,015 small business owners in its network about impact and causes of the cost of healthcare coverage. The findings show they feel the increasing pace of hospital consolidations is exacerbating the cost of healthcare. High costs lead Main Street entrepreneurs to raise prices for goods and services, stifle small business growth and hiring, and cut into employee compensation.

- A majority of small business owners surveyed have seen hospital consolidation in their communities and they believe this leads to less choice, longer wait times, and fewer services—in addition to driving up healthcare costs overall.
- Small business owners struggling with the expense of providing healthcare benefits to their employees face a stark choice when costs rise: Drop or cut healthcare benefits, making it hard to attract quality candidates, or divert funds to healthcare and away from investing in the growth of their business.
- The vast majority of small business owners say it's important that federal and state governments intervene in the consolidation of the health systems.
Small Businesses Want Action on Hospital Consolidation That Drives Up Healthcare Prices

Specific findings from the survey of 1,015 small business owners include:

- 58% of those surveyed say they have seen hospital consolidation in their region, with the number of hospitals shrinking.
- The biggest outcomes of those who have seen hospital consolidation are:
  - 61% have fewer choices about where to receive care
  - 54% see a loss of competition
  - 47% see longer waits
- 80% say that the consolidation of hospitals in their areas have made the overall availability and quality of healthcare services in their communities worse.
- 71% say the availability and cost of health insurance has been negatively impacted by hospital consolidation.
- 50% of small business owners say that hospital consolidation leads to a lack of competition making hospital services more expensive for employees, eating into their pay.
Small Businesses Want Action on Hospital Consolidation That Drives Up Healthcare Prices

- **45%** of small business owners said the rising price of health insurance has led them to delay growth opportunities for their business.
  - 41% said they have increased the cost of goods and services
  - More than a third have said they have become less competitive in hiring compared to other companies that provide health benefits

- The survey shows strong small business owner support for regulating hospital consolidation and pricing:
  - More than **80%** say it’s important that federal and state governments intervene in the consolidation of the health systems
  - Nearly **90%** say that hospitals are unfairly charging high prices leading to high healthcare costs and it’s time for price regulation
  - **88%** of business owners support limiting the prices charged by hospitals with particularly high payment rates to no more than two times what Medicare pays for the service
Full Survey Results
Q1: Are you a small business owner?

Yes
Q2: Not including yourself, how many people do you employ?

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self only</td>
<td>25%</td>
</tr>
<tr>
<td>1-4</td>
<td>30%</td>
</tr>
<tr>
<td>5-10</td>
<td>18%</td>
</tr>
<tr>
<td>11-20</td>
<td>13%</td>
</tr>
<tr>
<td>21-30</td>
<td>6%</td>
</tr>
<tr>
<td>31-50</td>
<td>5%</td>
</tr>
<tr>
<td>51-100</td>
<td>2%</td>
</tr>
<tr>
<td>101-200</td>
<td>1%</td>
</tr>
<tr>
<td>201-500</td>
<td>0%</td>
</tr>
<tr>
<td>501 or more</td>
<td>0%</td>
</tr>
</tbody>
</table>
Q3: How does the rising cost of health insurance impact your business? (Select all that apply)

- Delayed growth opportunities for my business such as foregoing purchasing equipment, reducing budget in other areas of the business, or not taking investment opportunities (45%)
- Held off on hiring a new employee (36%)
- Increased prices of services or goods (41%)
- Reduced workforce/laid off an employee (12%)
- Have become less competitive in hiring compared with other businesses that provide health benefits (38%)
- The impact of rising health insurance costs does not impact my business (13%)
- Other (please specify) (15%)
Q4: How does the rising cost of health insurance impact your health insurance offerings? (Select all that apply)
Q5: How does the rising cost of health insurance impact your employees? (Select all that apply)

- More employees decline coverage than in the past
- Employees have less take-home pay because of increasing healthcare costs, deductibles, and premiums
- Employees are more likely to decline dental and/or vision coverage
- Employees raise the possibility of not being able to afford medical expenses
- Employees are leaving/thinking about leaving for larger employers that offer benefits
- Other (please specify)
Q6: What is your current primary source of health insurance?
Q7: Do you provide health insurance as a benefit to your employees?

- Yes: 53%
- No: 47%
Q8: Why do you not provide health insurance to your employees? (Select all that apply)

- 72% The cost of providing health insurance is too high
- 21% Employees would rather have the money that would be spent on insurance go toward pay
- 13% Administration of health plans is complicated and time consuming
- 20% "I use contractors OR I contract out the work"
- 10% Not necessary for employee recruitment and retention
- 12% Other (please specify)
Q9: Is the healthcare insurance you provide to your employees mandated by any state or local government?

- Yes: 21%
- No: 79%
Q10: How much of the cost of an employee’s healthcare insurance does your business contribute?

- All of it: 29%
- 90-99%: 6%
- 80-89%: 11%
- 70-79%: 11%
- 60-69%: 6%
- 50-59%: 30%
- Less than 50%: 8%
Q11: How do you offer healthcare insurance to your employees?

- Offer coverage directly through a group health plan: 94%
- Put money in an HRA plan: 1%
- Offer an ICHRA or QESHRA: 0%
- Other (please specify): 5%
Q12: Over the last four years, would you say the costs of healthcare insurance for you and/or your employees have increased, decreased or stayed about the same?
Q13: Please estimate the yearly increase of your healthcare costs of your business
Q14: Outside of costs, which one of the following do you consider the biggest challenge when it comes to providing healthcare to your employees? (Select all that apply)

- Time required for administration and paperwork: 44%
- Changing rules and regulations from the government: 36%
- Lack of choices in healthcare plans: 59%
- Finding in-network doctors and hospitals: 39%
- Inability to get clear, unbiased information and data to make healthcare purchasing decisions: 33%
Q15: Have you thought about no longer providing health insurance for your employees due to the rising cost of coverage?
Q16: Have you thought about reducing how much your business contributes to the cost of health insurance due to the rising cost of coverage?

- Yes: 73%
- No: 27%
Q17: On average, hospitals charge patients with private insurance over 2 times more for inpatient services and 2.5 times more for outpatient services as compared to Medicare. How much do you agree or disagree with the following statement? Hospitals are unfairly charging high prices leading to higher health costs, and it is necessary to regulate hospital pricing.
Q18: Hospitals are becoming increasingly consolidated, leading to regional monopolies where health care providers have more market power to demand higher prices than private insurance companies and employers. Nearly 90% of health care provider markets are highly concentrated. The top 10 health systems now control 24% market share and their revenue grew at twice the rate of the rest of the market. How important is it that federal and state governments intervene in the consolidation of the health systems?
Q19: Generally speaking, which of the following statements is closest to how you feel about the way the trend of hospital consolidation is impacting the cost of healthcare and health insurance?

- The current market is not working at all and is in need of a major overhaul (68%)
- The current market has some problems, but only needs minor changes (25%)
- The current market is operating as it's supposed to in a free market economy (8%)
Q20: Below are groups that some say might be responsible for the rising costs of providing healthcare. For each group, please indicate how much responsibility you think they have for the rising costs of providing healthcare.

- **Health insurance carriers**: 65% very responsible, 28% somewhat responsible, 5% not very responsible, 2% not at all responsible.
- **Hospitals**: 61% very responsible, 33% somewhat responsible, 5% not very responsible, 1% not at all responsible.
- **Doctors and other clinicians**: 25% very responsible, 48% somewhat responsible, 22% not very responsible, 5% not at all responsible.
- **Pharmaceutical companies**: 78% very responsible, 17% somewhat responsible, 4% not very responsible, 2% not at all responsible.
- **Pharmacy benefit managers, which administer the prescription drug programs of health plans**: 53% very responsible, 35% somewhat responsible, 9% not very responsible, 2% not at all responsible.
Q21: Which one of the following do you find the most responsible for the rising costs of providing health care insurance?
Q22: How high of a priority is it for leaders in your state to address the issue of hospital prices?

- Very important: 65%
- Somewhat important: 22%
- Somewhat unimportant: 6%
- Not important: 7%
Q23: How important do you feel it is for leaders in your state to take action to reduce the cost of healthcare?
Q24: How important do you feel it is for Congress and the Administration to take action to reduce the cost of healthcare?
Q25: What are you most concerned about when it comes to the federal government’s efforts to reduce the cost of healthcare?
Q26: Have you seen hospital consolidation in your region, with the number of hospitals shrinking?

42% Yes, 58% No
Q27: What kind of impact on services has it had? (Select all that apply)

- Loss of maternity wards: 18%
- Loss of emergency room: 22%
- Loss of intensive care units: 19%
- Loss of competition: 54%
- Loss of neonatal services: 12%
- Have fewer choices in where I receive care (i.e., there are fewer hospitals that are owned and/or operated by different systems): 61%
- Have to travel further: 28%
- Have to wait longer: 47%
- No impact on services: 9%
- Other (please specify): 12%
Q28: What is your opinion about the impact of hospital consolidation on the overall availability and quality of healthcare services in your community?

- Significantly worse: 36%
- Somewhat worse: 44%
- No impact: 6%
- Somewhat better: 13%
- Significantly better: 0%
Q29: How has hospital consolidation affected the availability and cost of health insurance for your small business?
Q30: How do you view the overall impacts of hospital consolidation on the healthcare system for small businesses?
Q31: What kind of business impact has or would hospital consolidation have on your small business?

- Makes it difficult to attract quality employees to work in my area because of the lack of hospital services: 12%
- Employees and I are more likely to need more time off work to deal with health issues requiring hospital services because of having to travel further to access them: 18%
- Lack of competition is making hospital services more expensive for employees, eating into their pay: 50%
- Other (please explain): 20%
Q32: Below are suggestions some people have made to reform healthcare in this country. For each solution, please indicate whether you support it.

<table>
<thead>
<tr>
<th>Suggestion</th>
<th>Strongly Support</th>
<th>Somewhat Support</th>
<th>SomewhatOppose</th>
<th>Strongly Oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Give everyone the option of purchasing a government administered health plan similar to Medicare regardless of employment status.</td>
<td>48%</td>
<td>26%</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>Adopt policies that eliminate anti-competitive behaviors and patent abuses that extend brand drug monopolies and lead to higher prices.</td>
<td>64%</td>
<td>25%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Allow private insurance plans to pay the same negotiated price that Medicare will negotiate for prescription drugs.</td>
<td>66%</td>
<td>27%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Make it easier to import drugs from Canada.</td>
<td>55%</td>
<td>31%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Limit or prevent consolidation among healthcare providers that limits competition.</td>
<td>47%</td>
<td>36%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Limit the prices charged by hospitals with particularly high payment rates to no more than two times what Medicare pays for the service.</td>
<td>62%</td>
<td>26%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Reduce regulations governing health insurance carriers and healthcare providers.</td>
<td>34%</td>
<td>26%</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>Cap out-of-pocket patient expenses.</td>
<td>66%</td>
<td>26%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Increase transparency in healthcare pricing by strengthening rules that require hospitals and physicians to publicly disclose their negotiated payment rates to employers and the public.</td>
<td>79%</td>
<td>17%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Demographic Data
What is your age?
How do you identify yourself?
Which best represents how you typically vote in elections?

- Democrat: 24%
- Independent: 22%
- Republican: 26%
- Don't know/Prefer not to say: 23%
- Other (please specify): 5%
Do you more often vote for Democrats or Republicans?

- Democrats: 43%
- Republicans: 27%
- Neither: 30%
What is your gender identity?

- Female: 50%
- Male: 43%
- Transgender: 6%
- Non-binary/ non-conforming: 43%
- Prefer not to say: 6%
Methodology:
Survey Monkey survey of Small Business for America’s Future small business network
Fielded Feb. 1-16, 2023

1,015 Total Responses