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Testimony before the New Jersey Assembly Committee on Financial Institutions and Insurance

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June 19, 2025

Chairman Freiman and members of the committee, thank you for the opportunity to speak with you today on the critical issue of healthcare affordability. My name is Joel Cantor. I am a Distinguished Professor of Public Policy and the founding Director of the Center for State Health Policy at Rutgers University. The Center conducts rigorous, impartial research to support evidence-based health policy decisions. Our work is non-partisan, and since our founding in 1999 we have worked with every New Jersey gubernatorial administration and routinely conducted analyses to inform legislative deliberations in the state.

Today, I aim to provide background and recommendations as you consider whether, and in what form, to establish the proposed Health Care Cost Containment and Price Transparency Commission.

In the interest of full disclosure, I have served as technical advisor to the New Jersey Health Care Affordability, Responsibility, and Transparency (HART) cost growth benchmark program since early 2021. However, my testimony today reflects my professional views alone and is independent of that advisory role.

The Challenge of Healthcare Affordability

As you are well aware, achieving affordable access to healthcare is a persistent and pressing challenge. States are uniquely well positioned take the lead in addressing this issue. In my view, three features are critical to any state-led effort to control healthcare cost growth and advance healthcare affordability:

1. An oversight process that is independent of healthcare delivery interests
2. A robust infrastructure to monitor spending trends, analyze cost drivers, and assess market conduct
3. Enforcement authority to ensure meaningful change and avoid unintended consequences

Drivers of the Affordability Problem

The United States spends about twice as much per capita on healthcare as the average of other developed nations–without achieving superior health outcomes. The evidence overwhelmingly points to high prices for healthcare services, not excessive use, as the main driver of this disparity. In fact, Americans use fewer hospital services and visit doctors less often than citizens of other wealthy countries.

Other factors like aging, population growth, and poor health habits contribute only modestly to annual cost increases. What truly sets the U.S. apart is how prices are set in commercial health

insurance–primarily through negotiations between health systems and insurance companies. This leads to prices that are disconnected from the value of care.

Health systems–which typically own multiple hospitals, numerous physician groups, and rehab or nursing facilities–have consolidated their market power through mergers and acquisitions, enabling them to raise prices significantly. At the same time, insurance companies often lack sufficient market leverage or the incentive to negotiate affordable rates.

Hospital care accounts for about one-third of all healthcare spending and is among the fastest growing segments. In 2023, hospital spending grew by 10.3%, outpacing overall spending growth of 7.5%.[1] Unlike prescription drugs (another segment with high spending growth), where pricing is determined nationally, hospital prices are shaped by local market conditions–where states have the most direct regulatory leverage.

Evidence from New Jersey

At the Center for State Health Policy, we study the forces that impact healthcare efficiency and effectiveness. In a recent study using New Jersey hospital cost reports, we examined health system mergers and acquisitions from 2009 to 2020. Our analysis showed that rising hospital profitability closely tracked market consolidation–and that profitability growth was driven mainly by price hikes.[2]

By 2020, 71% of all hospital admissions in New Jersey were in "highly concentrated" hospital markets, as defined by federal antitrust authorities. These trends raise serious concerns about future affordability. States must provide the infrastructure necessary to monitor market dynamics, curb anticompetitive practices, and moderate cost growth.

Several states have responded to the lack of market competition by implementing cost growth benchmark programs. Early evidence suggests that the ability to enforce compliance—through meaningful sanctions—is crucial. The record is clear: voluntary restraint from healthcare providers has not successfully contained costs. With the right incentives, however, our hospitals can continue to deliver world-class care without unduly burdening families and employers.

Building an Effective Oversight Framework

An effective and balanced market oversight strategy must include:

- **Independent governance:** Oversight should be led by a board insulated from undue political and industry influence. Membership should include independent experts,

[1] Martin AB, Hartman M, Washington B, Catlin A, National Health Expenditure Accounts Team. National Health Expenditures In 2023: Faster Growth as Insurance Coverage and Utilization Increased: Article examines National Health Expenditures in 2023. *Health Affairs*. 2025 Jan 1;44(1):12-22. Available at: https://www.healthaffairs.org/doi/10.1377/hlthaff.2024.01375

[2] Lu R, Chakravarty S, Wu B, Cantor JC. Recent trends in hospital market concentration and profitability: the case of New Jersey. Journal of Hospital Management and Health Policy. 2024 Mar 30;8. Available at: https://eprints.lse.ac.uk/122700/1/Lu_recent_trends_in_hospital_market_concentration_published.pdf

employers, unions, and consumer representatives—those who ultimately bear the cost of healthcare. Providers and insurers should have a voice but not voting power.

- **Robust infrastructure and data**: The independent oversight board must be supported by qualified staff and access to comprehensive data. New Jersey should establish an **All-Payer Claims Database** (APCD)—a foundational tool that allows for rigorous cost analysis. Half of U.S. states, including New York, Texas, Florida, and California, already operate APCDs. The states operating the most robust cost benchmarking programs all extensively utilize their APCDs.
- **Enforcement authority**: Massachusetts, which has the longest-running benchmark program, shows that merely naming entities with excessive cost increases offers only temporary relief. The most effective state programs use a staged enforcement approach—starting with identifying healthcare entities that exceed cost benchmarks, requiring corrective action plans, and imposing penalties only when corrective efforts are not made in good faith or fail.

Moving Beyond the HART Program

New Jersey's HART program, established by Executive Order in 2021, has made significant strides. It assembled important data and produced the state's first spending benchmarks and cost driver analyses. However, the HART program relies on fragmented data, lacks the authority needed to drive meaningful change, and is not established in law.

HART has illuminated the problem–but cannot by itself solve it. Without stronger, legislated action, healthcare cost growth will continue to erode wages, increase family debt burdens, and constrain resources for other public priorities.

Conclusion

In summary, addressing healthcare affordability requires an independent, well-resourced, and empowered oversight framework. By building on the foundation laid by HART, New Jersey can be a national leader in making healthcare more affordable for employers, families, and communities.

Thank you for your time and the opportunity to contribute to this important discussion.