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Transparency on health care costs is something we should all agree on

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SOME BELIEVE Medicare for All is the answer to America’s health care woes. For others, a functioning free market is the only way to cut costs without sacrificing quality. As far apart as the two sides may be on the ultimate solution, achieving either goal requires knowing the real prices of health care procedures before care is provided.

Newly proposed federal legislation would make that a reality. The PRICE Transparency Act, introduced by Sen. Mike Braun, an Indiana Republican, would force hospitals and insurers to publish both their real cash prices and secretly negotiated reimbursement rates. The goal is to empower consumers to shop for the best health care value, just as they do in all other sectors of the economy, for non-emergency services.

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The American health industry is in dire need of price transparency. Almost 18 percent of US gross domestic product is spent on health care; in 10 comparable countries, the percentage is more than a third lower. According to economists [R. Lawrence Van Horn, Arthur Laffer, and Robert L. Metcalf](https://hmpi.org/2019/12/09/the-transformative-potential-for-price-transparency-in-healthcare-benefits-for-consumers-and-providers/), “The major drivers of higher spending are not demographics, social determinants, public health spending, or over-utilization of health care services… but rather higher administrative costs and higher prices.”

They find that prices for patients paying in cash for health care services are nearly 40 percent lower than insurance companies pay for the same services. The reason is simple: [Those using their own money are more likely to shop for the best value.](https://www.newsweek.com/heres-multi-trillion-dollar-stimulus-that-wont-cost-taxpayers-penny-opinion-1506062)

If you think that sounds crazy, think again. A 2016 Pioneer Institute survey of 40 hospitals across the US found that the price of a simple MRI of the left knee without contrast ranged from [$400 at Huntington Hospital in Los Angeles to $4,544 at New York City’s Montefiore Medical Center.](https://pioneerinstitute.org/healthcare/national-survey-finds-limited-access-to-price-estimates-for-routine-hospital-procedure/)  (Generally, higher prices do not correlate with better health care outcomes.)

Today, most health care providers have no reason to offer competitive pricing, because price usually isn’t a consideration for consumers. Pioneer Institute researchers weren’t even able to obtain a price estimate from an additional 14 hospitals contacted for their survey of US hospitals.

That would change if those consumers – and the employers that sponsor health plans for 181 million Americans – knew in advance the prices different providers charged for health care procedures.

The potential savings are huge. According to the Milliman Medical Index, the cost of health care for a hypothetical American family of four covered by an average employer-sponsored preferred provider organization is [more than $28,000 a year](https://us.milliman.com/en/insight/2020-Milliman-Medical-Index). Applying the approximately 40 percent savings cash payers experience amounts to a stunning annual savings of $11,000, without sacrificing quality.

A forthcoming Pioneer study finds that consumers in a single Massachusetts county could have saved $22 million in a single year and $116.6 million over four years by switching from the most expensive providers for just 16 shoppable services (most non-emergency procedures are considered shoppable) to those with prices that were, on average, slightly above the mean.

These potential savings have never been more important than they are right now. With COVID-19 devastating the finances of families, businesses and governments alike, reducing health care expenditures would dramatically cut costs for public and private employee health plans. That, in turn, would generate desperately needed economic stimulus by putting more discretionary income in consumers’ pockets without adding more to the national debt.

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It’s hard to think of any point on which nine out of ten Americans agree, including the best way to fix the American health care system. But polls show that nearly 90 percent of Americans believe that all health care prices should be disclosed. It’s time to give the American people what they want and deserve by passing the PRICE Transparency Act.

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