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Price tags for health care: how we can make it happen

By Barbara Kiviat | March 04, 2010 | Add a Comment

Two days ago I wrote a post about why I think price tags could save American health care. One of the great forces of the U.S. economy is the price-conscious consumer. Collectively we manage to drive down the cost of everything from bar soap to tax preparation. Such is the nature of a competitive marketplace with transparent prices. So why not unleash that dynamic on the health care industry?

As it turns out, I'm not the first person to have this idea. In fact, there is *currently a bill sitting in Congress that would do exactly what I'm proposing*. On Feb. 25, Representative Steve Kagen—who happens to also be a doctor—introduced the "Transparency in All Health Care Pricing Act of 2010." The bill is 429 words (that's right—429 *words*, not pages) and already has 45 co-sponsors. I know a whole lot more about economics than I do about politics. Could someone out there please tell me how we can get this thing passed?

Here, read how brilliant it is:

> SEC. 2. TRANSPARENCY IN ALL HEALTH CARE PRICING.
>
> (a) In General- Any and all individuals or business entities, including hospitals, physicians, nurses, pharmacies, pharmaceutical manufacturers, dentists, and the insurance entities described in subsection (d), and any other health care related providers or issuers that offer or furnish health care related items, products, services, or procedures (as defined by the Secretary of Health and Human Services) for sale to the public shall publicly disclose, on a continuous basis, all prices for such items, products, services, or procedures in accordance with this section.
>
> (b) Manner of Disclosure- The disclosure required under subsection (a) shall—
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> (1) be made in an open and conspicuous manner;
>
> (2) be made available at the point of purchase, in print, and on the Internet; and
>
> (3) include all wholesale, retail, subsidized, discounted, or other such prices the individuals or business entities described in such subsection accept as payment in full for items, products, services, or procedures such individuals or business entities furnish to individual consumers.

Combine that level of price transparency with insurance that incentivizes consumers to pay attention to cost—e.g., co-insurance, high-deductible plans—and I think we'd start making a real dent in health-care cost inflation in a very short period of time.

A lot of people commented on my original post, and I'd like to say thank you for the many kind words. I'd especially like to thank the doctors who said this is a good idea. These are people who are on the front lines of providing medical services and understand better than anyone else who truly benefits from keeping the public in the dark about what health-care services and products cost (you know, insurance companies, pharmaceutical firms—that much-loved crowd).

I was particularly happy to hear from doctors because my one genuine concern about this plan is that well-meaning medical-service providers might get squeezed. If consumers all of a sudden start demanding lower prices, will doctors (most of whom are small businessmen) be able to exert similar price pressure on their suppliers? To go back to my original example, Wal-Mart worked because it could turn around and lean on Procter & Gamble and General Mills to figure out ways to make soap and cereal for less. Would the same process play out in health care? The fact that doctors are for this idea and not afraid of it gives me hope that it just might.

So, seriously, folks, how do we get this bill passed?