



Monday, Apr. 19, 2010

## Can Price Shopping Improve Health Care?

By Barbara Kiviat

American consumerism is a force to be reckoned with. Turn a few hundred million of the world's most sophisticated shoppers loose on an industry, and watch companies scramble after their business. In realms from washing machines to stock trades, quality goes up and price comes down as companies look for an edge over the next guy to win customer dollars.

Not in health care. Congress has overhauled the industry, but the revolution has largely been about increasing access to health care, not simplifying it. We are left with the same opaque system of perverse incentives--paying providers for more tests and procedures, not necessarily effective ones. And we lack even the most basic element of the free market: price information. I recently went to a doctor and asked how much my office visit and X-ray would cost. Staffers told me that they didn't know and, since I have insurance, I shouldn't care. ([See what health care reform means for you.](#))

I should care, though. In fact, I do. There are many reasons health care costs are spiraling out of control, but the simplest one to understand is this: nobody knows what anything costs. Providers get paid through a tangle of insurance-company agreements and billing schedules that change from patient to patient. No wonder a hospital can sneak a \$100 box of Kleenex onto your bill and the price of an MRI can range from a few hundred to a few thousand dollars. If you don't know what something costs, you can't know if it costs too much.

There is a bill in Congress that would attempt to fill in the blanks. The Transparency in All Health Care Pricing Act of 2010 would require health care providers--including hospitals, physicians, nurses, pharmacies, pharmaceutical manufacturers, dentists and insurers--to post prices, including on the Internet. Discounts and subsidies would be listed too. "The public will discover what people in health care already understand, that the price of any health care service is whatever they can get," says Representative Steve Kagen, a doctor who ran a practice for 25 years before being elected to Congress.

High-deductible health insurance, which shifts greater costs to individuals, already works on the premise that enlisting the price-sensitive American consumer will lead to a more efficient marketplace. When people have skin in the game, they should use health care more prudently. But so far, such efforts have reached only a small portion of the population and have had little measurable impact on health care costs.

One reason can be found in New Hampshire, where the government has been posting on a website the cost of 31 common procedures, like ultrasounds and knee surgery, at medical facilities around the state. According to an analysis by New Hampshire's insurance department and the nonpartisan Washington think tank the Center for

Studying Health System Change, the range of prices charged by providers hasn't narrowed. But that has less to do with consumer behavior--surgical and imaging centers report an uptick in patients selecting facilities by price--and more to do with the fact that most providers in New Hampshire, a fairly rural state, don't face much competition. There is anecdotal evidence, though, that some high-cost hospitals haven't upped rates as fast because those changes would be quickly and publicly visible.

[See pictures of Obama signing the Health Care Bill.](#)

Now consider LASIK. Over a decade, the cost of the conventional version of the sight-correction surgery has dropped 30% after inflation is taken into account, according to the Center for Studying Health System Change. As doctors rushed to add the lucrative procedure, the market was flooded with price signals about how cheap the surgery could be. Unlike with other procedures, such as in vitro fertilization and getting dental crowns, obtaining an estimate for LASIK usually didn't require an office visit. A phone call would do. The result: even though people tended not to cross certain price bands (at some point, "cheap" signals low quality), transparency still drove down prices through competition. When consumers have clear alternatives, posting prices works.

But perhaps even when the supply of doctors (or hospitals, or pharmacies) is limited, consumers can benefit. After all, what a person really cares about isn't just price, but price matched against quality and outcome. If your doctor recommends a digital mammogram, maybe the high quote on the sheet she hands you will prompt you to ask why the scan needs to be digital instead of on film. Does a digital scan lead to better results? In some cases it doesn't. Next thing you know, you're having a conversation with your doctor about what's going on and why, the sort of conversation people should have with their doctors but rarely do. Nothing gets shopaholic Americans talking like a price tag. And that may have benefits well beyond cost control.

Extra Money

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