

**Price transparency important**

**More consumers want more information on providers' prices for health care**

Price transparency is the latest buzzword among policymakers in Kansas. As people begin to embrace the notion of consumerism in health care, they struggle to find clear information on prices. And yet, the very idea of "consumerism" in health care -- encouraging patients to shop for health care with the same eye toward value, price and quality that they bring to other purchases -- rests on individuals having access to the information to make these decisions.

Lawmakers, as usual, are anxious to "do something." In Kansas, Rep. Kenny Wilk, R-Lansing, sponsored House Bill 3011 during the 2006 legislative session. This bill, also known as the Kansas Health Price Transparency Act, stated that "Each health-care provider shall prepare and maintain one list for public disclosure of the health-care provider's charges for certain and common health or medical care services." Considering the impact of government regulation on health care already, however, it is prudent to approach government's growing interest in forcing price transparency with caution.

That the market has not demanded this information in the past says nothing about the demand for this information in the future. In fact, there is good evidence that people are enrolling in consumer-directed care plans like Health Savings Accounts, and are taking an increasingly active role in managing their health care.

Recent numbers from America's Health Insurance Plans show that more than 3 million people have a Health Savings Accounts, roughly triple the number in March 2005, and another 3 million have a Health Reimbursement Arrangement (both are consumer-driven health care products). As the number of Americans enrolling in these policies increases, so will the number of people asking for this information and the number of health-care providers who respond.

Michael Cannon of the Cato Institute argues that as Health Savings Accounts grow and patients are sensitive to cost, the patients "will push more insurers and providers to furnish transparent, competitive prices." Patients will reward providers who make pricing information available in response to the growing market. As Cannon puts it, "providers will publish or perish."

Clearly, pricing information is essential to the success of the consumer-driven health-care movement, but it is equally imperative that in the zeal to push consumer-driven health care forward, federal and state governments not lose sight of the ultimate goal of empowering consumers. What's more, policymakers should recognize that existing government regulations have distorted prices, and made pricing more complex and less transparent than it would likely be if left to the market.

Ultimately, if the goal is to empower consumers and let the more market-based, consumer-driven health care model take hold, the solution to bringing health-care pricing into the sunshine will not require the strong regulatory arm of government to force transparency -- the market itself will compel it.

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Comment

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