

Economists Call for Healthcare Price Transparency to Stimulate the American Economy and Protect the American Worker

As economists, we collectively agree that healthcare price transparency can meaningfully stimulate the American economy. Price transparency can redirect [approximately \\$1 trillion](#) from the unproductive healthcare industrial complex to the private economy by empowering consumers, increasing competition, and eliminating waste and inflationary middle players. It can also protect the American worker, whose paychecks are being devoured by runaway healthcare costs.

We urge the U.S. Senate to pass the bipartisan [Health Care PRICE Transparency Act 2.0](#), cosponsored by Sens. Mike Braun and Bernie Sanders, which ushers in actual, upfront prices throughout the healthcare system.

Basic economic theory holds that actual prices are a fundamental part of a functioning and competitive marketplace that puts downward pressure on costs and eliminates inefficiency. However, in healthcare, consumers generally don't know what they will pay until after care is delivered and they receive their bills in the mail weeks and months later.

This information asymmetry between the healthcare industry and consumers facilitates massive overcharges and wide price variations [of ten times or more](#) for the same care, even at the same hospital, depending on insurance plans.

According to [research](#) by Johns Hopkins University, the average hospital markup is seven times its cost. MRIs routinely vary from \$300 to \$3,000 and colonoscopies vary from \$1,000 to \$10,000. Such price gouging and wide price variations are signs of market failure resulting from hidden prices.

As a result of this opaque system, national health expenditures have grown to [17.3% of GDP](#), nearly twice the [developed-world average](#). Healthcare spending has [doubled](#), adjusted for inflation, since the year 2000. And [eight out of the top 22](#) biggest companies by revenue in the country are in the healthcare industry.

Employers and workers bear the brunt of these costs. According to the [Kaiser Family Foundation](#), the average annual employer-sponsored family healthcare premium is \$24,000, 50% more than a decade ago. This cost disincentivizes business hiring and expansion.

Workers pay most of this cost. They pay directly, through their premium share deducted from their paychecks, and indirectly, in the form of forgone wages. According to a study by [Willis Towers Watson](#), 40% of the increased compensation that low-wage workers have earned since 2000 has gone to healthcare premiums. That's about the same amount that's gone to wage increases over this period.

Escalating healthcare costs are a major reason for American workers' wage stagnation and pervasive financial stress. More than [100 million](#) Americans have medical debt, and [nearly two-thirds](#) avoid care for fear of financial ruin.

Price transparency can substantially reduce healthcare costs through competition and consumer choice. Prices protect patients from overcharges, errors, and fraud and bring accountability to the U.S. healthcare system. They empower consumers to choose affordable care and direct the savings to productive uses.

Employers and unions, which provide health coverage for [more than 160 million](#) Americans, can cross-reference their health plan claims data and posted prices to avoid and rectify overbilling and design affordable health plans. They can steer workers to the highest quality care at the lowest possible price and share the savings with them in the form of lower premiums and higher wages.

According [to JAMA](#), 25% of U.S. healthcare spending is administrative waste, overcharging, and fraud. Given the U.S. spends [\\$4.5 trillion](#) on healthcare, this analysis suggests price transparency can save the U.S. healthcare system approximately \$1 trillion annually by ushering in a competitive market that eliminates these inefficiencies and unnecessary middle players capitalizing on patients' misfortune. These funds would be injected back into the U.S. economy, including through higher wages and take-home pay.

The Braun-Sanders bill can make price transparency a reality. It requires actual, upfront prices throughout the healthcare system, including discounted cash and negotiated rates by insurance plan. It forbids the use of price estimates instead of actual prices needed for financial protection and the ability to shop. And it provides employers with a daily transaction feed of their claims data, which they can use to remedy overbilling and make rational health plan decisions.

Please cosponsor this bill and usher in systemwide healthcare price transparency. Doing so can turbocharge the American economy and significantly boost the pay of the American worker at a time when it's urgently needed.

Sincerely,

Diane Alexander, PhD, Assistant Professor, University of Pennsylvania

Ge Bai, PhD, Professor of Health Policy and Management, Johns Hopkins University

Moiz Bhai, PhD, Associate Professor of Economics and Health Policy (by courtesy), University of Arkansas at Little Rock and the University of Arkansas for the Medical Sciences

Marika Cabral, PhD, Associate Professor, University of Texas at Austin

Colleen Carey, PhD, Associate Professor of Economics and Public Policy, Cornell University

David Chan, PhD, Associate Professor of Health Policy, Stanford University

Benjamin Chartock, PhD, Assistant Professor, Bentley University

Maura Coughlin, PhD, Assistant Professor of Economics, Rice University

Stuart V. Craig, PhD, Assistant Professor, University of Wisconsin–Madison
David Cutler, PhD, Otto Eckstein Professor of Applied Economics, Harvard University
Stacie B. Dusetzina, PhD, Professor of Health Policy, Vanderbilt University
Steve Forbes, PhD, Chairman and Editor-in-Chief of Forbes Media
Deborah Freund, PhD, President Emerita, Claremont Graduate School and Research Professor, University of California Los Angeles
Heather T. Gold, PhD, Professor, NYU School of Medicine
Michael Grossman, PhD, Distinguished Professor of Economics Emeritus, City University of New York Graduate Center
Benjamin Handel, PhD, Associate Professor of Economics, University of California Berkeley
Vivian Ho, PhD, Baker Institute Chair in Health Economics, Rice University
Arthur B. Laffer, PhD, Founder & Chairman, Laffer Associates
Riley League, PhD, Assistant Professor, University of Illinois Urbana-Champaign
Karoline Mortensen, PhD, Professor, Health Management and Policy, University of Miami
John Mullahy, PhD, Professor of Health Economics, University of Wisconsin–Madison
Stephen T. Parente, PhD, Minnesota Insurance Industry Chair of Health Finance, University of Minnesota
Daniel Polsky, PhD, Bloomberg Distinguished Professor of Health Policy and Economics, Johns Hopkins University
John Rizzo, PhD, Professor of Family Population, and Preventive Medicine, Stony Brook University
James Robinson, PhD, Professor and Chair, Health Policy and Management Division, University of California Berkeley
Tina Shih, PhD, Professor in the Department of Radiation Oncology, University of California Los Angeles
Frank Sloan, PhD, J. Alexander McMahon Distinguished Professor of Health Policy and Management and Professor of Economics Emeritus, Duke University
Paula Song, PhD, Richard M. Bracken Chair and Professor of Health Administration, Virginia Commonwealth University
Joanne Spetz, PhD, Professor and Director, Health Policy Studies, University of California San Francisco
Amanda Starc, PhD, Associate Professor of Strategy, Northwestern University
Yang Wang, PhD, Assistant Research Professor of Health Policy and Management, Johns Hopkins University
Christopher Whaley, PhD, Associate Professor of Health Services, Policy and Practice, Brown University