The Movement For Medical Price Transparency Is Happening

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Years ago, I hired a carpenter to build a deck in my backyard. He showed up with a pencil behind his ear, a spiral notebook, and a tape measure. I told him what I was looking for, and he made a few suggestions. After 15 minutes of measuring and taking notes, he handed me a piece of paper with how much it would cost.

In two days, he called me and asked for a payment for the lumber. I sent it to him. Five days later, he showed up with the lumber—cut, ready to assemble.

Amazing? Yet many do this every day in a free economy. They state an up-front price, and get the job done. But some say that isn't possible in medicine. After all, building a deck isn't surgery.

Contractors like this man, however, have run into unanticipated problems that make certain jobs more difficult. Experienced contractors anticipate these problems and factor them into their price. Most of the time they get it right. If they get it wrong too often, they go broke. If their error rate is low, they are able to be much more competitive in the marketplace.

I think of this carpenter often. I certainly had him in mind when I formulated internet pricing for our surgicenter. I knew that some cases would be more difficult than others. I knew that we would probably lose on some and make a little better marginal profit on others. This is what all businessmen do every day in every sector of the economy—except medicine.

Eleven years ago, we began construction of the large facility in which we now work in Oklahoma City. By this time, I had been providing occasional prices for the uninsured and poor, but still found the contractor's confidence in what our new facility would cost fascinating and incredible, having heard hospital folks saying so many times that fixed, upfront pricing in health care is impossible.

But we did it anyway. Sometimes I got the price wrong. In some cases I was too high, and in some cases I was too low. Adjustments were made. Not at the expense of the patient, however.

Transparent pricing is necessary for any concept of value to have meaning, and to send appropriate signals concerning scarcity or abundance. Non-transparent pricing is a hallmark of command economies, as Professor Robert Higgs explains in his brilliant book Crisis and Leviathan. There can simply be no meaningful competition when the prices aren't transparent and known up front.

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