

Health Care 'Middlemen' Prevent Free Market Dynamics from Working

Claims of savings from mandated price transparency won't be realized

In a recent [article published on RealClear Health on Oct. 24, 2023](#), author Deane Waldman argues that the concept of price transparency to produce savings in health care is fundamentally flawed and instead mandatory price transparency requirements will divert resources from patient care.

The article responds to a report by the group Patient Rights Advocate (PRA) claiming that health care price transparency could save up to \$1 trillion annually in health care spending.

"PRA has things backwards," says Waldman. He contends that requiring price transparency actually "triggers massive federal spending" for bureaucracy, administration, rules, regulations, compliance, oversight, mandates and enforcement. He says people generally greatly underestimate the cost of the regulatory process, and notes that in 2022, between 31% and 50% of all U.S. health spending went not to patient care but to these administrative and bureaucratic processes.

Waldman is a former director of the Center for Health Policy at the Texas Public Policy Forum, a group that supports hospital-specific state-level price transparency mandates, including in Wisconsin. But Waldman says that the uniqueness of the health care market compared to other commercial activities means that making prices transparent will not save money because the usual free market forces are absent.

Unlike traditional markets where there are only two parties, the buyer and the seller, the health care market involves three parties: the patient (buyer), health care providers (sellers), and third-party entities like the federal government and insurance companies. It is the third party—the federal government and insurance companies—that "makes all the decisions, both financial and medical." As a result, making these prices transparent will not function as a market signal and may mislead the public about what providers are actually paid.

Waldman's recognition of the cost of regulations is one reason for WHA's opposition to Senate Bill 328, which would impose state-level transparency requirements on top of the federal rules. In his testimony in opposition to SB 328, WHA President and CEO Eric Borgerding noted the bill "does not simply mimic federal law and will add administrative cost to what most will acknowledge is a system that is far too costly, too complex and too filled with regulatory and administrative hurdles that drain resources away from patient care."

Waldman points out the ineffectiveness of the price transparency mandates because of the third-party system. As a result, making the health care market work more efficiently and effectively involves an understanding of the involvement and role of these third parties. As Borgerding noted in his testimony, while hospitals are already meeting federal requirements for price transparency, "we are anxious to work with anyone seeking to promote fair competition, and work on broad-based strategies that will reduce the cost of providing care, ensure savings make their way to consumers and employers and ultimately produce a more affordable and accessible health care system."

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