

The Federal Trade Commission (FTC) has the responsibility to protect consumers from price inflation resulting from imperfect competition by ensuring that providers do not use price data in an anti-competitive manner. When the prices of healthcare services and procedures are not fully and equally transparent to both the consumer and the provider, then this lack of ‘price transparency’ can create conditions of unfair competition in the market for healthcare. While the FTC has the responsibility to intervene in order to promote competition and increase price variation for consumers, the agency must be aware of the unintended consequences of increasing price transparency. If not careful, initiatives to increase price transparency could promote high price uniformity and disadvantage individuals in poorer markets.

Suggested Policy Option:

Federal legislation should require each state to develop and implement a public website system for insured patients where health plans can centralize information about prices. The FTC should delineate minimum requirements to be included in price reporting— such as an individual’s benefit design and information on applicable copayment, coinsurance, and deductible requirements— and assistance in identifying in-network providers and any impact that selection of an out-of-network provider is expected to have on the patient’s payment responsibilities. This legislation should furthermore require healthcare providers to administer quality of care evaluations via standardized metrics. The provider would then have the responsibility to publish these results along with cost estimates in a way that is easily accessible by patients and other care purchasers. Further provision of information and implementation of the site can and should be left to the states, however the FTC will continue to oversee operations.

Selection of a policy alternative should be based on the principle that the policy encourages data sharing in order to promote the development and accessibility of transparency tools to consumers. The FTC should oversee policies that allow consumers to make value-based decisions in a competitive market with a wealth of options. This policy option would provide a platform upon which different types of consumers with unique preferences can obtain cost estimates and compare across providers. Publishing price information will stimulate competition on the supply side, forcing higher-priced providers to lower their prices so as to remain competitive. In order to avoid the unintended consequence of choosing higher cost providers without any evidence-based consideration of quality, policies should be selected that provide cost data alongside quality ratings in ways that are interpretable and that translate into high-value decision-making.