

From the President:

## Transparency: Necessary, but Not Sufficient

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Both government actions and market transactions occur on a spectrum between transparency and secrecy. Freedom favors transparency; central planning and control favor secrecy.

An excellent recent example of secrecy, associated with central planning and control, is that of Hillary Clinton's Health Care Task Force. In 1993 the group developed a scheme to place one-seventh of the nation's economy totally under government control: "universal health care," or socialized medicine.

The Clinton plan was developed in secrecy. In a landmark lawsuit, the AAPS sued to open the committee's files, claiming that secrecy violated the Federal Advisory Committee Act (the "Government in the Sunshine Act"). AAPS took the position favoring transparency: that the business of a committee composed of individuals from the private and public sectors must be conducted in full view of the public. By means of the lawsuit, AAPS exposed the secrecy of the Clinton Health Care Task Force, thus making it transparent to the public. Exposing the task force plans was a major factor in the public's overwhelming rejection of socialized medicine.

Transparency of prices is essential to the operation of free markets. A free market cannot function in a setting in which prices are hidden, or consumers are shielded from prices that are paid by a third party.

Nowhere is lack of transparency in pricing more evident than in medicine today. Most patients have no concept of the cost of hospitalization or medical services. Moreover, because most patients are "covered" by third-party payers, most patients don't care what medical care costs. The result is cost inflation and cost shifting to those who are uninsured, or who have high-deductible insurance. The opportunity for those with no insurance, or with catastrophic coverage, to price shop for the best value is limited or nonexistent because most hospitals refuse to make their prices transparent.

Transparency is essential, but not sufficient. Motivation must also be present. Health Savings Accounts (HSAs) supply the motivation that has been missing because of the use of the common, low-deductible insurance "coverage." If the patient saves money in a medical transaction, he keeps it in his account. He has reason to demand transparency. A great many businesses and insurance companies now expect individuals to shop responsibly for quality and cost. They see the prospect of real cost containment. Patients, physicians, employers, and insurance companies all gain.

Unfortunately, the HSA operates only below the catastrophic insurance deductible. Free-market forces should be brought to operate above the policy deductible as well as below. Hospital pricing must be transparent, and patients must realize some reward for making prudent choices.

Clearly, government regulation and maintenance of the current third-party payment structure is not the answer to improving quality of care and containing or reducing costs. Since 1943, AAPS has steadfastly maintained that the highest quality of medical care is

achieved via the practice of private medicine, in accordance with the Oath of Hippocrates, in which patients and physicians interact directly with one another. Hospitals, laboratories, and equipment suppliers should compete for patients on the open market. A government-run system would be inferior to private, market-based care in both price and value.

As large private insurers have begun marketing campaigns to sell new HSA products, it is becoming increasingly apparent that the medical marketplace is changing in favor of freedom. As the benefits of a more free and open market become evident to patients and employers, the market for HSAs will expand. Transparency of prices and motivation through HSAs will lead to increased competition and control of prices by voluntary actions in the free market. As the free market in medicine expands, power and control over medical care will revert to its rightful owner—the patient.

AAPS has been a leader in pointing out the atrocious cost-shifting that hospitals have foisted upon self-pay patients. In some cases, hospitals charge self-pay patients 1,100 percent more than what Medicare or insurance plans pay. At our annual AAPS meeting in Portland last year, the membership passed a resolution on hospital pricing transparency, urging "all health care facilities to adopt transparent pricing policies, providing for public disclosure of what it charges self-pay patients for specific services compared to Medicare and the average insurance plan, and the right of patients to negotiate and appeal charges without retaliation."

AAPS members need to make the benefits of HSAs more transparent to both patients and physician colleagues. Patients need to understand how HSAs will empower them to save money and make their own decisions about their medical care. Physicians need to understand that they can survive and even thrive in a third-party-free practice in which the patient is the focus of care. The free market operates extremely well in every other sector of our economy. There is no reason that it would not operate just as well in medicine.

As with most successful endeavors, however, an expansion of the free market in medicine will require grassroots action and acceptance. The central planners, the socialists, will be out in force as always, advocating for the simplistically conceived and unachievable utopia of socialized medicine. AAPS members must continue to promote our message of freedom in medicine.

Freedom is the foundation upon which our country was founded, and the reason that it prospered. Freedom represents the only way out of the chains of third-party care that currently bind patient and physician alike. Patient-directed care defines ethical medicine. AAPS has a wealth of educational materials to provide to members willing to distribute them. I encourage all of our members to become more active in spreading the word about the availability and benefits of HSAs—and of membership in AAPS.

Expansion of the free market in medicine is underway. We must do everything we can to encourage it to flourish.

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