To Make Health Care Price Transparency Work, Prioritize Actionable Disclosure And Competition Guardrails

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Editor's Note

This article is the latest in the Health Affairs Forefront *series,* Provider Prices in the Commercial Sector*, featuring analysis and discussion of physician, hospital, and other health care provider prices in the private-sector markets and their contribution to overall spending therein. Additional articles will be published throughout the year. Readers are encouraged to review the* *Call for Submissions* *for this series. We are grateful to* *Arnold Ventures* *for their support of this work.* Health Affairs Forefront *alone reviews all submissions then selects, edits, and publishes them only if they meet* Forefront's *editorial standards.*

Policy makers, researchers, and advocates have long promoted health care price transparency as a remedy for wide price variation and opaque negotiated rates in the United States. Large variation in prices for similar health care services is well documented; one study found that roughly half of variation in hospital spending across US hospitals reflects price differences rather than use. In response, federal policy has prioritized disclosure, including the 2021 Hospital Price Transparency Rule and the 2025 executive order calling for clear, accurate, and actionable pricing information. The underlying logic is straightforward: When price information is clear and actionable, consumers and insurers will, theoretically, choose lower-price options, forcing high-price providers to lower rates to stay competitive.

In the context of industrial organization, transparency is information design. It changes who can observe what prices, at what granularity, and when. Transparency can affect equilibrium prices through three channels:

First, it makes it easier for patients to compare prices and choose the provider that will cost them the least for the care they need. This, in turn, can reduce, or make unpredictable, the demand for high-price providers.
Second, it makes it easier for health care providers to see other providers' prices in a timely manner. This fact has strategic interaction effects; it can facilitate tacit coordination, dampen incentives to discount, and in some settings, reinforce consolidation pressures.

Third, transparency can change insurer provider bargaining. When prices are observable, a deep discount to one insurer can quickly become a benchmark that others demand. Anticipating this spillover, providers may offer smaller discounts upfront, which can keep negotiated prices higher than if discounts remained private.
The net effect is therefore ambiguous and depends on market structure, benefit design, and—crucially—who can practically use the information. Uneven usability can widen disparities if sophisticated actors benefit more than patients. Institutional context matters. In many administered-price systems such as the UK and many EU countries, published prices already exist; transparency is more likely to operate through benchmarking, audit, and governance rather than consumer price shopping. In negotiated-price markets such as the US, "price transparency" concerns heterogeneous payer-specific allowed amounts.

We argue that, in the US, transparency must be paired with steerage and competition guardrails to realize savings without inadvertently enabling coordination.

Transparency As A Cost Reduction Tool

Evidence shows that transparency can lower negotiated prices when information is actionable. In New Hampshire, for example, a public transparency website for imaging shifted patients (especially those with deductibles) toward lower-cost providers; out-of-pocket spending for imaging fell by about 5 percent. Transparency can also strengthen bargaining. A study of a benchmarking service that let hospitals observe what peers pay for devices and other supplies found that hospitals, especially those initially paying high prices, negotiated lower input prices, with savings around 3–4 percent for physician-preference items. Another study using phased-in disclosures on a state-run website found that negotiated prices fell by 5 percent to 9 percent for higher-cost procedures following transparency, driven largely by negotiation rather than direct patient shopping, with spillovers beyond listed plans/providers. Evidence from the Netherlands suggests mandated public disclosure reduced price dispersion for comparable hospital services by nearly 30 percent over several years without abnormal overall price inflation beyond general cost trends.

Yet, the broader evidence remains mixed and not just because compliance, data quality, and usability have been persistent constraints under US transparency policy. One study illustrates how important it is for incentives to be salient: An employee price-shopping platform alone had no detectable impact, but coupling transparency with reference pricing produced large shifts in consumer choice and price declines—about 27 percent for lab tests and 13 percent for imaging. At the same time, transparency can also increase health care spending in some contexts; evidence from Japan suggests that informing patients of service prices was associated with increased use of tests and imaging, raising total spending.

Collusion And Market Consolidation

Another concern arises when we view the market as an oligopoly. Game theory posits that when providers or insurers have a more precise and timely view of rivals' prices, it makes tacit coordination easier.

The classic insight is that when competitors can observe each other's prices, collusion is easier to sustain because firms can quickly detect and punish price cutting. As a result, the threat of rapid retaliation reduces incentives to undercut and helps stabilize a higher common price level. Analysts have long cautioned that price transparency can facilitate coordination in concentrated markets. A salient non-health example comes from Denmark's concrete industry, where public posting of prices led suppliers to coordinate rather than compete, driving prices upward. Hospital markets often have only a few competing providers in local areas, which increases both coordination feasibility and the importance of guardrails.

Market structure plays a role. In consolidated provider or insurer markets, patients and payers have fewer credible alternatives, limiting shopping and aggressive bargaining while raising the feasibility of tacit coordination. Transparency may interact with consolidation incentives by shifting profits and strategic options, potentially increasing pressure for mergers and acquisitions. Hospital mergers then reduce competitive alternatives and weaken insurers' ability to credibly threaten exclusion, raising prices and reducing the scope for steerage-driven discipline. Vertical integration can further weaken external price discipline by internalizing transfers within systems and changing contracting incentives. In particular, since providers' revenues are internalized within vertically integrated insurers, these systems have weaker incentives to lower prices.

Information Spillover Under Dynamic Bargaining

When negotiated prices are not common knowledge, a hospital can selectively discount to win volume while charging other payers more. But when prices are broadly observable, a concession to one payer can

shift other payers' threat points in subsequent negotiations. With this in mind, providers may resist deep discounts if they expect a single concession to be leveraged across their payer portfolio.

Specifically, a hospital may refuse to offer one insurer a lower rate if it anticipates that this price will set a precedent or trigger matching demands from every other payer. In this way, price transparency can reduce price variation. Over time, the pricing equilibrium may converge to a narrower band of relatively higher health care prices, as hospitals internalize the negative spillover from deeper discounts.

Price Convergence

Reduced price variation is not inherently welfare improving: It can reflect high prices falling, low prices rising, or both. Even short of collusion, transparency may induce convergence that raises average prices if low-price providers "meet the market" upward while high-price providers cut less. Evidence from US disclosure laws is consistent with bidirectional convergence—high-price hospitals reduced prices while low-price hospitals increased prices. In that analysis, after transparency was introduced, negotiated prices at the top end fell by more than 12 percent, but low-end providers raised their negotiated prices by roughly 9 percent. The net effect was a smaller gap between expensive and cheap hospitals, but also an elimination of some of the lowest prices from the market. Such patterns can raise average prices when increases among initially low-price providers outweigh reductions among initially high-price providers—an outcome more likely when low-price providers face limited demand elasticity or possess bargaining leverage.

Designing Transparency For Savings

In negotiated price markets such as the US, transparency has a dual character. It can support substitution and strengthen bargaining, yet it can also make coordination easier. This tension means that transparency policy must be designed deliberately to harness transparency's benefits while actively mitigating its risks. Based on that principle, we propose three key design rules for policy makers.

Make Substitution A Realistic Option

For transparency to shift demand and lower markups, complementary policies must make substitution credible and salient. These policies may include reference pricing, tiered networks, default scheduling or navigation tools, and clear ex ante out-of-pocket estimates. "Actionability" should mean integrating price and out-of-pocket information into key decision points so posted prices translate into meaningful volume reallocation. To avoid widening disparities, tools should be simple, accessible, and embedded in care pathways, with navigation support for patients facing higher informational and digital barriers.

Treat Transparency As Competition Policy

Regulators should treat new transparency regimes as potential information-sharing environments that can increase coordination risk in concentrated markets. The Federal Trade Commission, the Department of Justice, and state attorneys general should incorporate transparency design into competition oversight, especially when disclosures are provider-identifiable and near real time. Agencies can monitor for patterns consistent with tacit coordination and clarify what constitutes anticompetitive signaling in disclosure environments, drawing on existing antitrust tools and guidance.

Choose Granularity And Timing To Preserve Competition

Designers can promote shopping by setting clear rules on who can see which prices, at what level of detail, and when. Public releases should avoid granular near–real-time contract rates; instead, they can report price bands, market percentiles, or lagged averages that remain useful for making comparisons

but are harder for rivals to match. Patient-facing tools can focus on individualized out-of-pocket estimates at the moment of scheduling, without exposing underlying negotiated rates. Where more detail is needed for oversight, regulators can receive identifiable data confidentially, while consumers see comparison outputs through employers, navigators, or certified platforms that compute results under contractual restrictions. These elements—audience, granularity, and timing—cannot and should not be addressed with a one-size-fits-all approach.

Beyond Disclosure

Taken together, the Centers for Medicare and Medicaid Services and states should look beyond simply expanding disclosure and improving standardization to also elevate antitrust safeguards. Employers and plans should pair transparency with steerage tools that make price differences consequential.

Ultimately, price transparency exemplifies a standard economic trade-off: Reducing information frictions can increase demand elasticity and strengthen payer bargaining, yet more detailed and timely observability can also facilitate tacit coordination, amplify multicontract bargaining spillover, and induce convergence that is not always downward. In response, policy makers should not abandon transparency but rather ensure that the information is actionable with competition guardrails, especially in concentrated markets.

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