High Prices in American Healthcare, Why?

Rahul Wani

The American Dream, which holds life in the United States to a standard above all, can often be overshadowed by debt and expenses in an irreplaceable field: medicine. The healthcare market is extremely concentrated between hospitals and insurers, leaving little room for competition. Through this system, hospitals are enticed to merge and consolidate other independent practices to control the entire market, thus controlling prices and consumer satisfaction. As these large, corporate hospitals gain more influence on their area's market, the healthcare services a consumer needs are only available through such hospitals and their affiliates. This allows these corporate giants to influence the entire market and set higher prices for larger profit at the expense of the consumer. The lack of competition in the United States healthcare system has led to high, unregulated prices on drugs and healthcare compared to other developed nations.

A hypothesis for high healthcare prices in the United States could be traced back to the lack of competition seen in the healthcare system in an otherwise flourishing nation. The United States utilizes more private markets than most other countries. With this freedom comes consequences such as an inability to control prices during a recession and instability. As the 2020 Economic Report of the President (ERP) states, "If competition is reduced among providers, and in addition, there is no change in patient demand, then higher prices and fewer choices are likely to result" (Council of Economic Advisers 178). With these fewer choices, the command of the healthcare market shifts from the consumers to the providers. In a position of power, the providers can raise prices and achieve maximum profit while disregarding the consumer's livelihood. The 2020 ERP further states that "between 1990 and 2006 of metropolitan statistical areas with hospital market HHIs classified as highly concentrated rose from 65 percent to more than 77 percent" and "...mergers between hospitals that are close competitors leads to significantly higher prices without improving quality" (Council of Economic Advisers 178). When hospital services merge into large corporate companies, their power is heightened, and prices are unnecessarily raised without any benefit to the consumer. A Brookings article, "Making health care markets work: Competition policy for health care," states, "A firm that dominates a market and faces little competition doesn't have to lower prices or costs, push for better quality, or focus on innovation." (Gaynor, Ginsburg, Mostashari). As hypothesized, consolidating healthcare providers leads to a lack of competition, raises prices, and deregulates the medicare market.

The lack of competition in the United States leads to unregulated prices; however, other nations worldwide have successfully implemented policies that reduce prices and make healthcare more available to all consumers. In Switzerland, the national government ranks hospital services as most expensive to least expensive. According to "Health Costs: How the U.S. Compares With Other Countries," hospitals and insurers around the country use these rankings to "negotiate what prices they ought to pay across the board." (Kane). This approach allows different regions to offer differing prices, incentivizing hospitals, and insurers to make healthcare more affordable and gain customers. Other countries, such as France, participate in fee negotiations with physicians to lower their overall costs. As the NYU Wagner School of Public Service states, "UNCAM negotiates fees with representatives of the physicians unions." (Brown, Gusmano, Laugesen, Rodwin 1869). These negotiations help lower costs behind the scenes, allowing hospitals to lower the prices their consumers must pay. Developed nations around the world have found innovative ways to spur competition and avoid problems the United States faces in healthcare prices. If the United States could find methods to use similar policies, it could reduce high healthcare prices caused by a lack of competition, as hypothesized.

While some may believe competition could lead to legal disputes and inconsistent medical care, competition would ultimately allow for regulated prices since corporate hospitals cannot dictate prices, as seen in developed countries all over the world. The hypothesis of high prices of Medicare due to a lack of competition in the United States is proven true as lack of competition allows for an unregulated market where prices are predetermined for maximum profit, and other states across the globe are seen to reduce prices through a diverse, competitive market. The debt, crisis, and financial insecurity can be corrected through competition in the health market and restore the hallmark of United States ideology, the American Dream.

Works Cited

Council of Economic Advisers. “Economic Report of the President.” vol. Free-Market Healthcare Promotes Choice and Competition, 2020, https://www.govinfo.gov/content/pkg/ERP-2020/pdf/ERP-2020-chapter5.pdf. Accessed 6 July 2024.

Gaynor, Martin, et al. “Making health care markets work: Competition policy for health care.” 2017. *Brookings*, https://www.brookings.edu/articles/making-health-care-markets-work-competition-policy-for-health-care/. Accessed 6 July 2024.

Gusmano, Michael K., et al. “Getting The Price Right: How Some Countries Control Spending In A Fee-For-Service System.” 2020. *NYU Wagner School of Public Service*, https://wagner.nyu.edu/files/faculty/publications/hlthaff.2019.01804.pdf. Accessed 6 July 2024.

Kane, Jason. “Health Costs: How the U.S. Compares With Other Countries.” 2012. *PBS*, https://www.pbs.org/newshour/health/health-costs-how-the-us-compares-with-other-countries. Accessed 6 July 2024.