

Following the health-care money

By [David Heim](#)

March 14, 2013

When a hospital charges you \$1.50 for a Tylenol pill—which a consumer can buy for 1.5 cents— you may shrug and figure you just don't understand the system.

But [Steven Brill's cover story in \*Time\*](#) magazine shows that the 10,000 percent markup on Tylenol is just a hint of the vast price-gouging that goes on in hospital billing.

Brill drills down into a series of hospital bills and discovers that hospitals routinely charge three and four times what a product or service actually costs. Hospital prices are governed by a shadowy price list known as the “chargemaster,” which sets an arbitrary price designed to maximize profit.

Brill repeatedly finds the chargemaster charging many times what Medicare patients would pay for the same product or service. Though doctors and hospitals complain that Medicare payments are too low, Medicare is actually one of the few organizations that has a grasp of the actual cost of health care:

Medicare collects troves of data on what every type of treatment, test and other service costs hospitals to deliver. Medicare takes seriously the notion that nonprofit hospitals should be paid for all their costs but actually be nonprofit.

Hospitals have successfully shaped the public debate on health care so that it focuses on who pays for it. Brill asks and convincingly answers a deeper question: why is health care in the U.S. so expensive? In doing so, he makes a strong case that Medicare, the government-run program for seniors, is our best model for reducing cost and increasing efficiency.