

Increasing transparency in the healthcare sector: More might not be better

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More isn't always better. That's what researchers say when it comes to transparency in the U.S. healthcare system. This research, forthcoming in the INFORMS journal *Operations Research*, finds that in the short-term, patients who know more about hospital quality is positive, but in the long-term, the benefits may not be what you might think.

Advocates of public reporting of [healthcare](#) outcomes claim that increased [transparency](#) automatically leads to improved social welfare because patients are equipped with information to make better healthcare choices. But this new research demonstrates that there is more to the story. Unless public reporting is accompanied by other careful policy interventions, it can negatively affect social welfare.

The study, "Can Public Reporting Cure Healthcare? The Role of Quality Transparency in Improving Patient-Provider Alignment," conducted by Soroush Saghafian of Harvard University and Wallace Hopp of the University of Michigan, found solutions for policymakers. First, outcome information must not only be available, but understandable, to the public. Second, policymakers should target younger, more affluent or urban patients or those that require non-emergency treatment. Finally, public reporting efforts should be accompanied by policies aimed at incentivizing hospitals to make socially optimal investments.

"Implementing these guidelines is the best way the healthcare sector can achieve the full societal benefits of transparency," said Saghafian, a professor in the Harvard Kennedy School.

Currently, healthcare systems use various practices such as requiring a referral from [primary care physicians](#) to see a specialist to influence the alignment between patients and providers. However, while research shows patients value

quality in providers, few make formal use of quality information in their choices.

"That could mean patients don't understand or aren't aware of the information being provided or that the healthcare sector is not using correct measures of quality," continued Saghafian.

"The point is, increasing quality transparency will eventually alter patient decisions and the healthcare market," he said. "We must understand the implications of this shift and use it to identify policy options for leveraging quality transparency to improve societal outcomes."

Currently, transparency in the short-term increases [social welfare](#) and decreases inequality among patients, but it does so at a diminished rate because higher levels of transparency becomes expensive. This study suggests that something less than full transparency is socially ideal.

Increasing quality transparency promotes increased medical specialization resulting in decreased geographical specialization and pushes hospitals to invest in their strengths rather than their weakness. Hospitals will also have more incentives to shift their investments toward quality improvement and away from pure marketing activities.

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