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Price Transparency

An American friend of mine went to get tested for coronavirus together with his wife. He went to a hospital covered by his health plan, but since his wife was on another plan, she had to pay herself. She paid \$56, and he eventually received the bill through his health insurance. His cost was \$450 with a \$140 co-pay. He paid more than twice what his wife did, and his health insurance paid another five times as much.

The U.S. has an absurdly complicated and expensive healthcare system. It does provide absolute world-class coverage for those inside it, but the US spends 17% of GDP on healthcare. No other industrialized country even reaches 12% of GDP. The reason is lack of transparency.

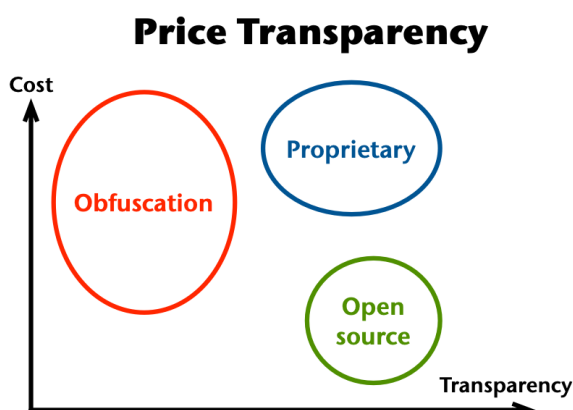


Last year, the U.S. belatedly enacted regulation forcing hospitals to publish their prices. Hospitals have been dragging their feet and even though they were given plenty of time to comply, many have claimed "technical difficulties" in publishing their prices. Of those who have been dragged kicking and screaming into more transparency, most hide their prices seven clicks deep in an obscure corner of their website. Worse, they explicitly place code on the price websites telling Google and others to not index those pages. So you cannot google hospital prices because the hospitals have told Google to stay away. That is willful obfuscation.

You see the same kind of price obfuscation with cloud vendors. They have obviously learned from mobile phone operators, who explicitly ensure that no two plans are comparable. There is always a different number of free minutes, discounted data and free text messages in order to make price comparison hard. Cloud vendors carefully charge separately for CPU, RAM, storage, network traffic, and make sure that one vendor's CPU is not equivalent to another vendor's CPU.

When you buy proprietary software, you have better price transparency if you buy individual licenses. You pay something up front and then something per year in mandatory or optional support. However, vendors prefer you to sign their "unlimited" licenses where you pay a fixed fee for all the software you can eat from that vendor. Those licenses are another way of obfuscating the cost. You get a significant discount on the list price in return for various opaque terms that make it very hard to get out of the agreement again.

If you decide to go with open source software, you know the immediate cost: Zero. But you still need to figure out what the true cost of running the software is. You might need third-party support, or you might need to add expensive consultants or hire employees to implement and manage that software. That's why there is a big advantage to going with well-known open source products. For those, you can ask your CIO and CTO colleagues what it costs them to run that product. For rare and specialized open source, you will have to guess at the true cost.



The ideal is a well-known open source product. For these, the zero license cost gives you flexibility to deploy any number of instances on-premise or in cloud. And you can base your budget on how much others report it costs them to run it. Your second choice is proprietary software. You can achieve good price transparency so you can build a solid business case. And there are many functional areas where there is not a widely used open source solution. Your last choice is products or vendors that willfully obfuscate their prices. If they are not willing to be honest about the cost, what else will they not be honest about?

As a CIO or CTO, make sure your evaluation criteria for software also include price transparency.

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