

Dr. Keith Smith Testimony
Restoring the Trust for Families and Working-Age Americans
House Budget Committee
September 21, 2016

While everyone can agree that there is something terribly wrong with the healthcare delivery system in this country, it is becoming increasingly clear that this problem represents not the failure of the free market, but rather the absence of the free market. This is highlighted not only by burdensome regulations but also by the difficulty in obtaining pricing information prior to receiving a healthcare service. In contrast, the plastic surgery and Lasik markets, neither of which is distorted by third party payment, government or private, have traditionally *displayed* pricing and have shown lower prices and higher quality over time. It is my opinion that the focus on the lack of insurance coverage, rather than the cost of care, represents a significant distortion by governments and is a distraction from the powerful but simple solutions to high costs, spotty quality and poor access the market can provide. I believe that the transparent pricing of healthcare services will eliminate most of the distortion and fog attached to this industry, government generated, or otherwise.

As Dr. Jane Orient has remarked, it turns out that “coverage is not care.” Indeed, the first patients to respond to our online pricing were Canadians. Canadians have coverage, after all, just poor to no access to the care many of them require. The most common Canadian patient story we hear remains the woman tired of receiving transfusions, waiting interminably for a curative hysterectomy. It is instructive that one of the fastest growing parts of our business is the patient with an ACA exchange plan. Their plight is similar to the Canadians, for they have coverage, after all, but they have poor access to care. Shockingly, they have a better out of pocket experience paying our full website fee, than meeting their deductible and co-pay using their insurance. Like many Canadians, they have discovered that the only single payer upon which they can truly rely, is themselves.

While the Surgery Center of Oklahoma was the first to publish online pricing for surgical care, we have been joined by many others, almost all of whom coordinate and share insights through the Free Market Medical Association, a group which seeks to connect buyers and sellers of healthcare services without the distorting influences typically involved. This price transparent and therefore market based approach has led many otherwise price gougers to match our pricing rather than risk patients traveling, for instance, to Oklahoma City for their care. Our prices, typically 1/6th to 1/10th of what traditional hospitals charge, represent what we believe it costs to render care, without the fluff to build an empire and provide fat administrative salaries. Patients from all over the country have saved tens of thousands of dollars by coming to the Surgery Center of Oklahoma, and by not coming to our facility, but leveraging a better deal in their hometown, using our pricing.

I have changed the pricing at the Surgery Center of Oklahoma twice in the eight years we have been online, in both instances, lowering them, and both times as a result of actions of my competitors. This highlights my firm belief that market pricing cannot be the result of top down, central planning, but rather emerges from competitive activity. Our prices, it should be noted, are bundled, including all aspects of care and are less than Medicaid currently pays the not for profit facilities in our area. Imposed, top-down pricing is always too high or too low, it seems, predictably leading to a surplus of unneeded services or shortages of needed services. Electronic medical records, coding and reporting mandates, combined with low, formulaic pricing have had an intense and distorting effect on healthcare markets and access to care and certain specialists.

As you can imagine, our model has proven attractive to the poor, the uninsured, those with high deductibles, foreigners unable to access care, cost sharing ministries and charities, who have found they can purchase three cochlear implant procedures at our facility for the price of one at the not for profit hospital across town. Our model has also been wildly popular with self-funded ERISA health plans, who are seeing their actual yearly costs fall, while achieving steerage to facilities like mine by waiving all employee out of pocket expense, including travel expenses. The health plan of the employees of the State of Oklahoma is the latest ERISA plan to sign up and actuaries anticipate a two hundred million dollar savings for the state in the first year of full implementation. Keep in mind that without this arrangement, the deductibles and co-pays would have made access to these life-changing surgeries prohibitive for many of these families. In December we often have the privilege of hearing patients say that they “are going to have Christmas this year,” the result of waiving their out of pocket expense. This arrangement has preserved the budget priorities of these families that would otherwise have been usurped by price gougers in the industry.

Finally, I would like to comment about the relationship of price and quality. High healthcare prices are simply an indication of the absence of market competition, where quality is likely stunted due to a lack of fear of competition. Lower and falling prices are an indication that newcomers are entering a healthcare market place. Additionally, attaching a reasonable price to a surgical procedure indicates that the caregivers at that facility have predictable results and know what they are doing. In the absence of a vibrant market, “you get what you pay for” simply does not apply.