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Let Doctors Close the "Gap" Using the Free Market

I am Dr. Jim Brook. I run a family practice near Idaho Falls, where I have closed the "Medicaid gap" as far as primary care is concerned. That population is my primary customer base. I use the word customer because I treat them as customers, with the bend-over-backwards kind of service which that implies, including house calls. That is not the case with most doctors, whose customer is the government or the insurance company. I do not take insurance, Medicaid, or Medicare payment. Patients pay me directly, which means that I do not need a group of clerks to try to collect my fees. My overhead is about a quarter of the overhead of the typical family practice doctor.[1] I collect all my fees, rather than the 58% that is average for a typical family practitioner.[2] This makes my fees vastly lower. The "gap" population generally has no trouble paying me. Last year, my collection rate was 101%. That is because of tips that the "gap" population leave me. Even waitresses have tipped me. My average fee in 2015 was $58, including medications, labs, and housecalls.

Why is health care so expensive now? In 1950, delivery of a baby cost about $50, including a 4-day hospital stay. That adjusts for inflation to about $500 today. An uncomplicated appendectomy in the days of direct payment cost $150, or about $1100 in today's inflated money.[3] Life expectancy increased by 44% in the first half of the twentieth century,[4] while spending hardly budged compared to general inflation. It remained less than $500 per person per year,[5] after adjusting to today's inflated money. Service was good. Housecalls were even widely available then.

Then the government entered the picture with a series of solutions to our non-problem, causing the problems we have today. Health care is now one of the most heavily regulated industries in the United States. It started with wage controls during World War 2 that incented employers to offer health insurance to attract workers during a labor shortage. The federal government then declared those benefits to not be taxed as salary was.[6] That tax incentive led to the third party payment system from which we now suffer. It is when inflation in health care really began. Medicare and Medicaid entered the scene in 1965, and then health care inflation went through the roof. Layer after layer were added, including the HMO Act of 1973, CLIA, Stark laws, EMTALA, FDA, state insurance mandates, DEA, etc.[7] Government interference in the delivery of health care caused it to become so expensive that people were clamoring for relief, understandably so.

Therefore, to solve the problems that it had created by interfering with the health care industry, the federal government rammed down our throats a solution - Obamacare, another major layer of interference. This is like taking a patient in congestive heart failure with fluid overload, and giving him a large bolus of IV fluid.

In short, the federal government has dug us into a deep hole. They dig it deeper with every layer of interference. Now we find ourselves in this committee looking for a better shovel. Yes, I realize that this committee has been tasked with finding the best shovel available, but I urge you instead to consider a rope.

I offer an idea of where to find that rope. It lies not in any new government program, but in doctors creating free market practices in Idaho. If there were another dozen or so family practice doctors scattered throughout the state, then primary care would be taken care of. I intend to work on that myself by contacting our three family practice residencies in Couer d'Alene, Boise, and Pocatello, and requesting the opportunity to address the residents. I will describe to them how they can have profitable businesses that are much lower in bureaucratic hassle than the typical practice. They will enjoy what they do and make a good living while meeting the needs of lower income Idahoans. I will individually contact residents as well to make the case.

Two other major areas to be addressed are surgery and radiology. There is a surgical center in Oklahoma, called the Surgery Center of Oklahoma, that operates much like I do. They take no third

party payment. In their case, they post their prices online,[8] which include the surgeon, the anesthesiologist, and the hospital fee, and patients pay up front, which could be by credit card. I had a knee surgery there myself in 2013, and the fee was $3,740. No other bills came to me. Care was superb. They attract patients on price and quality, as I do. By the way, some of my patients have insurance, but they choose to pay me out of pocket, because being unencumbered by bureaucracy I can provide more thorough care.

Suppose we had a similar surgery center in Boise? Lower income patients from all over Idaho would go there. Some people might think that $3000 - 4000 for a surgery is beyond reach for people in this "gap" population. Not so. Remember, these are not people that do not have two nickels to rub together. These are people who are adults under the age of 65, who are not disabled. It can be paid on a credit card. My knee surgery would have taken 3 years and 7 months to pay off at $100 per month on an 8% interest credit card. A large number of these people spend more than that on cigarettes. A pack per day costs $150 per month. $100 per month is only $23 per week, or less than 3 hours per week of working at $8 per hour. That does not break somebody. Or they could take a bit longer to pay it off, at lower card payments. The "Medicaid gap" would be closed for non-emergency surgeries.

The owner of the Surgery Center of Oklahoma, Dr. Keith Smith the anesthesiologist, is doing so well that after several years he bought a new building. He has helped set up two other surgery centers like his, one near San Diego, and one in Texas only 400 miles from him, that now compete with him. There are none closer to us than Oklahoma and San Diego. The whole northwest is our oyster. Not only would Idahoans get affordable surgeries, but people would come from Utah, Oregon, Washington, Montana, Wyoming, and maybe the Dakotas.

The same principles apply to radiology. There is no free market imaging center in the U.S. A patient of mine had a CT scan in the Lake Chapala region of Mexico, at a free market center there. It cost somewhere in the neighborhood of $100 - 150; he does not remember exactly. Eliminating the collection apparatus eliminates most of the cost of doing business. An imaging center in Boise could be run along the same lines - prepayment directly from the patient. CT scans could be done profitably I believe for under $200, and MRIs for under $300. That would close the "Medicaid gap" for radiology. Again, patients would come from surrounding states. And let's not forget Canadians. Over 45,000 Canadians are estimated to have left their country to find medical care in 2011.[9] That's a lot of medical refugees. Idaho could become a medical tourist destination.

Getting some dentists into Idaho in free market practices would also help tremendously. I have patients who have gone to Mexico for extensive dental work and saved lots of money. There apparently are many dentists along the border, set up for American patients.

Most doctors have not considered the possibility of running their practices this way. They are just used to the idea of working with insurance, and do not know anything different. I am beginning to work on promoting these ideas to radiologists, surgeons, and anesthesiologists. I hope to attract them to set up practices in Boise as I have described. I will do that with or without the government's approval. The state government can, however, help in the recruiting effort, just by letting it be known that they would be welcoming and friendly to such practices. No legislation or new tax-consumingprogram is needed. Maybe you folks in government could come up with some other ideas on how to attract these practices without using tax money. These would be profitable business ventures that need no propping up with tax money. Rather, they could save the state money.

Just one county in Oklahoma saved over $570,000 in 5 months time by sending county employees to the Surgery Center of Oklahoma.[10] The Oklahoma state government recently made an arrangement to use their services also. Idaho state government has about 24 times the number of employees as Oklahoma County. The math works out to over 30 million dollars saved per year if the Idaho state government had similar savings rates. If the state government would say that they would be welcoming to a similar arrangement, then that could help me recruit surgeons and radiologists to Boise

to set up free market practices. I do not think it would take anything more definite than a statement that the government would be willing to send business their way if the costs and services looked good.

The Millman report estimates $187 million in costs to state and county government, and therefore taxpayers, of the option 3.5 that they studied, over a 10 year period. The cost gets greater with each passing year. Beyond that, people in our state, especially our elected officials, seem to trivialize the federal contribution to the costs as somehow not harming us. For the first year, federal funds amount to $577 million dollars, increasing to almost a billion in the tenth year. The cumulative total for the ten years is estimated to be $7.5 billion dollars. This is not free money. It is not money that is already being taxed. Remember, close to half of the money that the fed spends now is borrowed or printed. That is the cause of our inflation - expanding the money supply to pay for things that we cannot afford. So enacting that plan would have us tax, borrow and/or create out of thin air a total of $7.7 billion dollars, to provide Medicaid-quality coverage of 118,000 non-disabled adults under the age of 65. That sounds like a lot of shovelling, digging us a lot deeper.

Every dollar that government spends is taken from the people; from their families and businesses, dragging the economy and therefore our standard of living down. Instead, we could work on a boost to our economy, by keeping taxes down, and even attracting medical business to the state in large numbers.

As of 2014, 54% of doctors nationally do not accept Medicaid.[11] It is onerous and costly. Some doctors even see Medicaid patients and do not bother charging them, because it costs more than they collect. Where are these new patients going to go? Emergency departments, probably. A study showed that Medicaid patients use the ER inappropriately more often than uninsured.[12]

Obamacare is circling the drain. That has become obvious. Insurance companies are going out of business or pulling out of markets left and right. The current structure cannot possibly be sustained. There is going to be change. Any "gap" that exists now will be very different soon. If that change leads us to fully socialized medicine, "single payer," or whatever the buzzword becomes, then there will be an absolutely gigantic demand for a free market outlet. Americans will not want to wait months for procedures to be done, if they can go somewhere outside the system and pay reasonable prices to get them done. Remember the 45,000 Canadians per year that do that. How many Americans will put up with Canadian or VA style medicine? They will travel and pay. Why not have them come to Idaho?

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6. Brook, pp. 83 - 85.

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