

Economics: A Christian Worldview.

“How Fully Private, No-Insurance Hospitals Help the Common Man”: Article Reading and Discussion (15-20 minutes)

TEACHER INSTRUCTIONS/KEY

Instructions

1. **Objective:** Students read an article about private health care based on profit.
2. Hand out a copy of Pages 2 & 3 to each student. (Print front and back if possible!)
3. Instruct students to read the article, underline/highlight key facts, and answer in writing the review questions on the second page.
4. When students are finished, have them discuss in pairs/groups (if time), then discuss as a class.

Answer Key

1. Because without knowing the price, a person cannot compare costs or decide whether the purchase is worth it.
2. Because healthcare prices were not clearly listed and the estimated costs online varied widely.
3. He asked the surgeon and pathologist what fee they thought was fair, added the costs together, and quoted a single price for everything.
4. Voluntary exchange in a free market, where **both sides benefit** from the transaction.
5. Because transparent pricing and free-market competition allow them to save thousands or even tens of thousands of dollars.
6. Because the traditional healthcare system involves insurance companies, government regulations, and many middlemen, prices are often hidden and inflated. Hospitals expect insurance companies to negotiate prices and cover much of the cost, which leads to much higher listed charges. In contrast, the Surgery Center of Oklahoma operates in a direct, free-market system with transparent pricing and fewer middlemen, allowing the price to be much lower.
7. AWW, but again, this is a real, tangible example of how when governments leave people alone to work and set prices, the market comes through. (Much of the reason why health care is so expensive is because of the government’s intervention over the last 60+ years, including Medicaid and Medicare.)

How Fully Private, No-Insurance Hospitals Help the Common Man

04/14/2022

Mises Wire

Daniel Diefenbach

How does one make an economic decision when the price of a good is not evident? To any adherent of the Austrian school, this of course is impossible. There is no way to decide whether to purchase something if the only way of knowing the price is after committing. For example, who would fill up their car only to see what the price was at the end? No one. In no aspect of life would this make sense, yet it is the standard in the American healthcare system.

This is the predicament I was in. I needed a minor outpatient surgery and tried to weigh my options, but this was impossible without knowing the price of the surgery. If I had some idea, I could at least gauge how much I would need to save. No prices were provided at any nearby facility to someone without insurance.

Fine, I could go ahead and get health insurance through my employer. But the price was still unclear. I knew what I would pay annually for insurance (about \$3,000), I knew my deductible (about \$2,000), and I knew the percentage of the procedure's cost the insurance would cover (80 percent). I didn't know the amount of the surgery. I could at least search for average prices online and take a guess. The range was ridiculously broad, but at best, this was a \$4,000 surgery, so in short, the absolute best-case scenario was \$5,800, with me dropping the insurance after a year. I needed the surgery, but I was in no place to consider the \$5,800-and-up range. I would have to wait.

In June 2021, the Mises Institute held the Medical Freedom Summit in Salem, New Hampshire, and one of the speakers was Dr. G. Keith Smith of the Surgery Center of Oklahoma, an institution that is truly free market and receives no money from the federal government. He spoke of the successes of his business and of the simple model he and Dr. Steve Lantier established in 1997. Smith describes their first patient experience as follows:

The first week we were open, we received a call from a patient who had a mass she wanted removed, and she wanted to know how much we would charge her, as she had no insurance. This was the call we had all hoped for, the reason we had opened, and yet I had no idea how to answer her question. I placed her on hold and called our general surgeon and asked him how much he wanted for his fee. He had no idea. I told him to pick a fee or, like a Harvard professor, I'd pick one for him. He said \$500. I thought this was very reasonable so I hung up on him before he had a chance to reconsider. As an anesthesiologist, I basically bill for my time and I knew this surgery would take twenty or thirty minutes. The facility supplies were minimal. I was about to take her off hold when I realized she would want to know if she had cancer. I called a pathologist friend and asked him how much he wanted to examine the specimen. He had no idea. I pressed for an answer. Twenty-eight dollars for the pathology. I informed the patient that our price was \$1,900. "For what?" she asked. "For everything," I said. She said, "That's funny. The hospital down the street from you wanted \$19,000 for the facility fee alone." I knew we were on the right track when after the case and the supply cost was tallied, we'd made a profit. Had the pathology fees that apply to the examination of masses not increased, our price would be the same now as it was in 1997, but alas it is now \$2,365. Only three other fees have increased since we began quoting them over the phone in 1997.

In short, Smith asked his colleagues what a fair price would be for them, he cut out all the middlemen, and everyone won; the doctors profited and the patient saved a small fortune. A win-win, as is common in actual free market exchanges.

He later told the story of a Georgia man who was quoted \$40,000 for his surgery at home. The Surgery Center of Oklahoma quoted him \$4,000. Upset at having lost a patient to them already, the man's hometown surgeon decided to match the price. The patient told Dr. Smith that the Surgery Center of Oklahoma "had saved him \$36,000 and...hadn't even performed his surgery."

I was of course curious about their answer to my own problem, so I went to their website. It was simple: \$3060 out of pocket for everything. I reached out to the center and they put me in contact with the surgeon's office to set the date. Since I was coming from out of town, they scheduled me for a Monday morning consultation and surgery in the afternoon—no repeat visits necessary.

I appreciated their price estimate, but expected it to change. Sure, the folks that started the place were free marketeers, but in healthcare the price is always a loose estimate. I was wrong. The date neared, I called to pay, and it was still exactly \$3,060. My wife and I hit the road to Oklahoma City, and everything went smoothly, with no delays or uncertainty.

People like myself, and those with more serious medical issues, are flocking to the Surgery Center of Oklahoma from around America and Canada to experience economic and medical freedom. The cost of travel pales in comparison to the thousands or tens of thousands saved going to a free market medical institution. Their healthcare model easily outcompetes the one created by crony insurance companies and corrupt government-run healthcare facilities. Drs. Smith and Lantier are pioneers, heroes, and champions of liberty. They are actively fighting the government here and in Canada, and thus far have won. We can only hope their success continues. I'm proud to have participated in their efforts at least once. Hopefully, I will not need any other surgeries, but if I do, the Surgery Center of Oklahoma is the only one I would consider.

This article may be found here online:

<https://mises.org/mises-wire/how-fully-private-no-insurance-hospitals-help-common-man>

Questions for Review:

1. Why does the author say it is impossible to make proper economic decisions without knowing prices?
2. Why was he unable to estimate the cost of his surgery even after researching online and taking into account how much insurance he had?
3. How did Dr. Smith determine the price for his first patient's surgery?
4. What economic principle is shown when both the doctors and the patient benefit from the lower price at the Surgery Center of Oklahoma?
5. Why are people traveling long distances to the Surgery Center of Oklahoma for medical care?
6. How was the first hospital the author contacted able to charge drastically more for the surgery than the Surgery Center of Oklahoma? (You might not know the answer to this one, but try to guess!)
7. What lesson in this article is there for those who say something like, "Free markets are fine for many things, but some areas like health care and education are too important to be left to 'capitalism'"?