

Primary Care Cures

Episode #24 – Dr. Keith Smith

- Ron Barshop: You know, most problems in healthcare are fixed already. Primary care is already cured on the fringes, reversing burnout, physician shortages, bad business models, forced to buyouts, factory medicine, high deductible insurance that squeezes the docs and is totally inaccessible to most of the employees.
- Ron Barshop: The big squeeze is always on for docs. It's the acceleration of cost and the deceleration of reimbursements. I want you to meet those on this show that are making a difference. With us Ron Barshop, CEO of Beacon Clinics. That's me.
- Ron Barshop: Ray Dalio is maybe the greatest investor of the century worth an estimated \$18 billion just on doing deals alone. And he just claimed on MSNBC that capitalism is nearly dead and needs a dramatic retooling, denying the American Dream to the 90%.
- Ron Barshop: There's a different take on it from a financial perspectives. Peter Shift said simply yeah but capitalism isn't the problem. It's the Government essential bank intervention that has failed us.
- Ron Barshop: And Dave Chase has a different take on it that comes more from my perspective as well. He started Microsoft, a health division that grew into a billion and did it a second time and then built a third company that he sold on his own to WebMD very quickly. And now he has started the Health Rosetta. Health Rosetta's job is to make sure there's transparency in the benefits field.
- Ron Barshop: And he has a different take in that healthcare stole the America Dream and he makes a very elegant case for that if you look at the Dave Chase TED Talk. Warren Buffet calls healthcare the tapeworm in our economy. And Bill Gates says healthcare is stealing our education and state budgets. And generals are saying that our state of emergency is nothing more serious than their healthcare system producing obese Americans.
- Ron Barshop: So that's a lot of smart people recognizing that healthcare is busting up our economy and our military and our schools and on and on. And it's stealing the American Dream, so what to do and who to blame? Well big

healthcare gets a lot of flack for the blame and historically it had a record run in the stock market since Obama Care in 2009. So then the shareholders are really the only winners big time and they that seems like an easy target for that reason.

Ron Barshop: The not winners category would be patients and employers and doctors, so pretty much all the rest of us. The healthcare lobby outspends Wall Street, Silicon Valley, Big Defense, and Big Oil combined. So they're protecting the game. But there's really good news, it's really not big healthcare, it's employers. And it's all changing from the fringes and it's improving day by day, minute by minute, by movement that includes the transparency movement.

Ron Barshop: The promise of this show is that you're going to meet the entrepreneurs and doctors and thought leaders that are at the heart of this change.

Ron Barshop: So today I'm very proud to introduce you to Dr. Keith Smith. Dr. Smith is a board certified anesthesiologist in private practice since 1990. Seven years later, he co-founded the Surgery Center of Oklahoma, which is now an outpatient service center in Oklahoma City owned by 90 of the top physicians and surgeons in central Oklahoma. Dr. Smith serves as its Medical Director and CEO while managing an active anesthesia practice.

Ron Barshop: And in 2009 he launched a website displaying all inclusive pricing for various surgical procedures. A move that's gained him and the facility national and even international attention. Many Canadians and uninsured Americans have been treated at the facility. And medical tourism has a whole new definition, you don't have to go to Mexico, you can go to Oklahoma City and get excellent pricing and excellent service and excellent healthcare.

Ron Barshop: His most recent effort is to launch the Free Market Medical Association, which is a new platform where those looking for affordable healthcare can find free market minded providers, both physicians and facilities. And that's getting harder and harder to find as hospitals and corporations are now owning basically two thirds of all physicians.

Ron Barshop: So operations in this free market medical practice, the standard for all who have embraced this practice approach, has gained the endorsement policy makers and legislators nationally and locally and many more self funded insurance plans are taking advantage of Dr. Smith's pricing model. Resulting in some pretty significant savings to their health plans. His hope is that as many facilities as possible start adopting transparent pricing model. Which think about it, when's the last time you needed to go and get care and you could get a price ahead of time? It's just not happening right

now. So he believes that this is going to lower cost and improve quality of care.

Ron Barshop: He's made appearances on all the major media that you could think of and continues to make appearances because he's making waves. And Forbes is the most recent one, they wrote articles featuring Dr. Smith's revolutionary approach and uncompromising free market principles. So Dr. Smith, welcome to the show.

Dr. Keith Smith: Thanks for having me. I appreciate being on.

Ron Barshop: What started this for you? What got this movement going?

Dr. Keith Smith: Oh I've always been a believer in the free market. And right after I started my practice in 1990, I realized I might not actually be part of something that most people would call the free market. And began to question everything around me. And finally came to the conclusion that I was an accessory to a financial crime. Now on a daily basis where patients were really being bankrupted by the price gouging hospitals where I worked.

Ron Barshop: Well you know hospitals are allowed to charge 4X, but an independent can charge across the street for a test or a procedure because they treat the poor. How do you feel about that?

Dr. Keith Smith: Well it's ... Of course all the fingers point to the Federal Government. We're exactly right to call these cronies to account. I call what the cronies do in the health industry as a financial or economic terrorism. But we've always got to remember, it's the Federal Government that's driving the getaway car for all of these thieves. All of these schemes that where you have not for profit, so-called not for profit hospitals, you have hospitals owning physicians, all of these things are fueled by legislation that has created the most perverse incentives and driven the prices through the roof.

Ron Barshop: How do you compete then with a lobby that outspends the next four biggest lobbies combined?

Dr. Keith Smith: Yeah I mean the health lobby, it's insane. It's a return on investment. So these lobbyists show up and they bribe all the various legislators and it's worked out pretty well for them. The Unaffordable Care Act is the latest in a series of cronyism that lined all of the carriers pockets as you pointed out in the intro. They've all done very well in the stock market since the passage of the Unaffordable Care Act. The only blip on their stock price radar was when and they thought that Justice Roberts might actually declare it unconstitutional, that he came through for them.

Ron Barshop: So there's a hospital transparency bill that's out in the ... It's not even on the Senate floor, it's not even out of committee. To get something out of committee, let's say you have to have seven or eight votes. How do you even get something out of committee when most of the senators or most of the congressman are relying on healthcare lobby money to get re-elected next year? It's the biggest pot of money, it's the easiest pot of money. You just have to agree to vote or kill a few votes.

Ron Barshop: There was a recent vote in Ohio, 100% of the legislator was voting for transparency for hospitals. 100%. So both sides of the aisle, and Governor Kasich vetoed the bill.

Dr. Keith Smith: And that's why I encourage people to not look to Washington D.C. or really even to state government, the movement that is really changing things is a grassroots movement where employers who are self-funded, are buying from free market, price transparent providers. And looking to Washington or to government at any level to help solve the problems they've created, I think is not logical.

Ron Barshop: So it seems impossible if I'm a sergeant, to publish my prices because I've got uncertain rehab costs afterwards. I've got uncertain complications. So what kind of fool am I to publish my prices when there's such a wide variance in what the surgery could cost?

Dr. Keith Smith: Well if the surgeon has a wide range of outcomes, then they should not be part of the free market movement. If you are running a restaurant and you had a wide range of outcomes with the food that you cooked, then you would probably go out of business. So what I tell people is if you really want a harbinger of quality, look for someone who is willing to post their prices because they probably know what they're doing or they wouldn't have taken the risk of posting their prices in the first place.

Dr. Keith Smith: So there's not that much uncertainty, there is some and that's what insurance is for. But the vast majority of what people receive in the United States or anywhere else that we would call medical services, the price for that can absolutely be known upfront.

Ron Barshop: Well so in Oklahoma City when you started this movement, you've had I think 40 other physicians have joined and published their prices as well. Is that accurate?

Dr. Keith Smith: Well I actually publish all of their prices on our website, it's just all bundled. So if you look at a knee arthroscopy is \$3740 at Surgery Center of Oklahoma. That includes the surgeon. So actually the surgeon fees are included in and so are the anesthesia fees and pathology and radiology and the rest of it. So it's cash out the door pricing. There are 107 surgeons that

work here now and all of their professional fees are banked into the fees you see listed on my website.

Ron Barshop: So you're threatening the hospital monopoly on doing surgery. Are you getting punished or treated badly in any way by either insurance plans or regulators? Or is there any pressure that's being put upon you, either subtly or in an obvious way?

Dr. Keith Smith: Yes. The hospitals and insurance carriers work very closely together. It's very common for a hospital to tell an insurance carrier, we're going to give you this pricing or these discounts off of our charge master. But in return, you need to exclude from your network these various physicians and facilities. So we don't have a carrier contract at the Surgery Center of Oklahoma and haven't had, except for a very brief time a few years ago, we have not had a carrier contract since we opened in 1997. And it's all because of pressure from the hospitals. And also because the insurance carriers profit off of the skim, off the spread pricing from their phony discount game. And with our online pricing, that opportunity is foregone for them.

Dr. Keith Smith: But we have survived countless legislative attacks from both sides of the aisle, primarily the republicans in the early days. That has changed, and the republicans now like us here in the state of Oklahoma. But the democrats were our biggest defenders when we first started doing this in 1997 because they saw us as the underdog and they saw the big hospital systems and the carriers as the cronies they are.

Ron Barshop: So when you're talking openly about this, again insurance companies don't like hearing this, you really sort of have to be brave. You've been brave for 20 years we're talking now and you faced the pressures now for 20 years. Why would a doctor living in Tulsa or living in Houston want to shift over to publishing their prices and dealing with all of the headaches and bullying, the schoolyard bullying, that you've been subject to?

Dr. Keith Smith: Well it's so refreshing, you know most doctors I know, they went into this business to help people. And they want to be a patient's medical advocate. And once they realize they can also take some control and be the patient's financial advocate rather than being an accessory to the crime, they want to take advantage of that if they can.

Dr. Keith Smith: The other reason that so many others are following this free market movement is that they've been victimized by it. So some people are attracted to it just because it's the right thing to do and it's the golden rule. It's mutually beneficial exchange between buyer and seller. There's another group that has come along because they see patients leave their home town and fly to Oklahoma City and have their surgery. And that's a

scary thing even for a large hospital system. So you look at if you will do an internet search for UCLA cash pricing, you'll see a website that is an exact copy of mine where University of California in Los Angeles actually stole our website and they put prices online. And they didn't do that because they really wanted to do the right thing, they did that because of market pressure. So that really is the two camps that are involved here.

Ron Barshop: Mostly transparency is almost like a, I don't want to use the word virus, that's a bad word. It's got pejorative terms, but it's a healthy virus that's spreading because you can't compete anymore if you're not publishing transparent prices. Would that be the goal or the dream as in every major metro, there's a person like you that's making sure the world knows what costs should be?

Dr. Keith Smith: Yeah and it's like Murray Rothbard, the Austrian Economist, has talked about the power and the beauty of the market. And you know these states that are in these cities that have these big hospital systems that think they're immuned, are discovering that the world is smaller than they thought. And people are voting with their feet. I'm at the Surgery Center right now and we have three patients right now that are asleep, having surgery that are not from Oklahoma. So the pressure and the discipline that the free market will inflict on the price gougers will become more intense. And all the price gougers know this, all these so-called poor mouthing, not for profit hospitals, they know they're day is coming where they are not going to have money to buy ads during the Super Bowl and buy out physician practices and buy competing hospitals and make all this money and claim they're going broke. And I think they know the days of that are numbered.

Ron Barshop: Yeah here's what I don't understand is that they're allowed to price everything four times what the guy across the street charges. They have no taxes to pay, no income personal property or property taxes to pay. They are the largest property owner often in the city, so they're getting free fire and free police services for no cost. They're also getting hospital taxes in most cases. They're also getting Federal Large S if they're a teaching hospital. Every one of those \$60,000 residents is being funded by the Federal Government and they bill them out at about \$2.4 million on average. So they don't need to save \$60,000, they're collecting more than that on these residents.

Ron Barshop: And furthermore, the 50 of the most successful fundraisers in America, 40 of them are hospitals. So not only do they have the big healthcare lobby behind them, not only do they get discounts and extra pricing, but 20% of the insurance plans in any given city are actually owned by the hospitals.

Ron Barshop: So a friend of mine got pressured by, he quit sending me his patients, he had 400 patients a day and he quit sending them to the local dominant hospital and suddenly his Aetna and Cigna contracts were kind of canceled. He didn't know that the hospital owned those contracts in that city. So there's no disclosure.

Dr. Keith Smith: Yeah we've discovered that the price spread between what we have listed online and what the hospitals charge is about 10X. It's not 4X, it's about 10X. What the Federal Government pays the hospitals is multiples of what they pay independents. And so I just encourage people to keep their eye on the ball, that as gross as all of these price gouges are, they are fueled by Uncle Sam. I mean Uncle Sam is kind of the arms dealer in this healthcare mess, is kind of the fast and furious that people need to remember who the real villain in this is. Because otherwise, they'll turn to the very villain to solve this, who caused it. So those are the two mistakes I think people make is to think the Government should be involved in fixing this when it is so corrupt and has caused it.

Dr. Keith Smith: And then the other focus I think that's incorrect is people are too focused on coverage when they really ought to be focused and dialed in on the prize.

Ron Barshop: So let's talk about a perfect world. I like to think the market-based solution to this Government arms dealing problem. What if there was a Surgery Center of Nebraska and a Surgery Center of Louisiana and a Surgery Center of Texas? What if there's an example of you in every state in America so that again, everybody doesn't have to do medical tourism, they just have somewhere to go locally? Would that solve the problem?

Dr. Keith Smith: Yes I think so. And the good news is that's actually happening. The Free Market Medical Association just had our annual conference in Dallas and there were people there from 35 states. So this is happening. And you know Government maybe has a role, not to swing a bat, and hit people with sticks, but the Government has employees. State Governments have employees. And for a short period of time, the state of Oklahoma purchased surgery for its employees at the Surgery Center of Oklahoma at our website pricing. And a \$200 million savings was forecast for the state for making that decision. And all of the patient's out of pocket was waived to steer them to the more affordable solution.

Dr. Keith Smith: And of course-

Ron Barshop: For such a short time, what happened?

Dr. Keith Smith: Well the hospitals came in and pressured them to stop. And they did stop. They didn't stop in an obvious way. They just told me that they needed

40% off of my website prices to continue buying from me, and so I fired them.

Ron Barshop: Yeah.

Dr. Keith Smith: But Government at the state level could actually create the conditions and the environment for copycats of mine to form all over the country by simply using their muscle as a buyer in the marketplace. And doing exactly what the state of Oklahoma did for just a short period of time.

Ron Barshop: Well I believe the state of California is also doing the exact same thing. They're going to purchase Pharma and a group basis, I think Los Angeles County just joined them, but they're not putting up with these Pharma prices anymore. They're not even going to go through a PBN, they're just going to go directly to the Pharma companies and sort of demand, although they'll be the biggest buyer of Pharma in the country when they band together.

Dr. Keith Smith: Yeah and that concept economists refer to and businessmen is disintermediation, where you remove all the middlemen who just profit from the dysfunction rather than facilitate the exchange between the buyer and seller. So disintermediation is really a good word to know. It basically encompasses the entire concept of direct purchases of anything. But direct primary care is a good example of disintermediation, what we've done at our facility is. If the state Government decides they're going to cut out all the middlemen and buy directly and remove all of those who jack up the charge on the way, that's all good.

Ron Barshop: Yeah.

Ron Barshop: Well so let me ask you a question, and Dr. Smith, if you had to describe the mood at the Free Market Association meeting, is it helpful, patriotic, hopeless, I mean what's the general mood when you all get together?

Dr. Keith Smith: There were so many people that remarked on the way out that they've never been to a medical meeting where everyone was laughing and smiling and inspired and even just tears of joy because the answer is obvious. The answer to any sort of economic exchange is mutually beneficial exchange in the free market. And not just the bounty that the market renders, but also it's discipline.

Dr. Keith Smith: So the mood of the meeting is joyous and it's very optimistic, because these are not just ideas and theories. This has been going on now for a decade. I've had my prices online for a decade. And now there's the Texas Free Market Surgery Center and the Pacific Surgery Center up in Seattle, they were just profiled on FOX. There's an outfit in Torrance, California.

There's Monticello's Surgery Center, Dr. Bill Grant. Dr. [Cuvie 00:22:21] in Peoria, Illinois. These facilities are popping up all over the place with this business model in mind. It actually even some improvements over what I've done. I'm learning from them.

Dr. Keith Smith: So it's a wonderful mood. Very optimistic. And there are a lot of people that really taking notice of this and some of them are scared to death. And others realize it really is a potential solution to everything that ails us in this industry the Government has destroyed.

Ron Barshop: I have this image of a Texas based Boston Tea Party where all of your associates go into Lake Dallas and dump black boxes into the water and say no more black box pricing.

Ron Barshop: That would make the news, bunch of doctors throwing black boxes in the lake.

Ron Barshop: So let's talk about this, is there a way to expand what you're doing with other platforms like podcasts, like speaking? What's the fastest way you can expand this idea?

Dr. Keith Smith: Well social media has been the wave that we have gotten this word out. I've been very fortunate to have appeared on many national television shows and been on John Stossel twice. And O'Reilly and Varney and MSNBC have had me on. So we've been in Time magazine and New York Times, Wall Street Journal, so more and more people are talking about this. But you know it's just like a huge tanker. There's a lot inertia, there are a lot of people who make a lot of money from this dysfunctional system who do not want to see any change. And so it's been a real travel upstream. It's been an uphill journey, but we are really at this inflection point.

Dr. Keith Smith: We all noticed when we were in Dallas last weekend, there really is something that is going on in the United States. People are sick and tired, they're fed up. They realize many times their broker has lied to them, if they run a self-funded company. They realize that the Government is duplicitous and that for all of the we care about you, what we really want to do is inflict Joseph Stalin's Utopian Dream of Medicare for all of you. And people are beginning to wake up and realize they've been lied to.

Dr. Keith Smith: So this atmosphere is conducive to more and more news and media attention given to these ideas. And there are all these good news stories of cheaper and better as a result of embracing these free market principles. It's a very exciting time and I think there are more and more people in the, even in the main stream media, that are interested in what's going on.

Ron Barshop: Are there any authors publishing books about this so that we can learn more?

Dr. Keith Smith: Yes. Charles Sauer, S-A-U-E-R has got his book out. Marty Makary, the famous pancreas surgeon from Hopkins has his book, his new book out. I think Dr. Doug McGuff and Austrian Economist Robert Murphy have a book called Primal Prescription that is just required reading for anyone who's interested in this movement.

Ron Barshop: If you could have a banner flying in an airplane over all of America, what would that banner say?

Dr. Keith Smith: It would probably say ... I don't know, I have to think about that. Probably reduce government at all levels. I mean they are the problem in this industry. Or maybe it should say price not coverage, so people really realize that focusing on getting insurance and making sure everyone has insurance coverage. Keep in mind, the first patients that arrived at the Surgery Center of Oklahoma after posting our prices online were Canadians.

Dr. Keith Smith: And they've all got coverage, they just don't have access to the care that many of them require. So coverage is not the focus really. I mean we focus on the price, and in order to focus on the price, you have to know what the price is. And there're incentives out there that would work. And carrots, not sticks.

Ron Barshop: Yes.

Ron Barshop: What is the best way to find you on either social media or the web?

Dr. Keith Smith: Well we are on Twitter @SurgeryCenterofOklahoma. We are on Facebook. The Free Market Medical Association also has their Facebook page. Our website is surgerycenterok.com. And there's lots of links to videos and other information there. And that's the best way to find us.

Ron Barshop: Well I want to thank you for your service to America and I want to thank you for your service to healthcare. If we had more people like you, we'd be in much less of a fix.

Dr. Keith Smith: Well thank you. Thanks for having me on your show.

Ron Barshop: Thank you for listening.

Ron Barshop: You want to shake things up, there's two things you can do for us. 1, go to primarycarecures.com for show notes and links to our guests. And number

2, help us spotlight what's working in primary care by listening on iTunes or wherever you get your podcast and subscribing and leave us a review.

Ron Barshop:

It helps our mega fund more than you know. Until next episode.