

# Forbes

## **Employers Could Slash Their Health Costs Overnight. So, Why Don't They?**

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I am often asked if the free market can work in health care. My quick reply is: That is the only thing that works. At least, it is the only thing that works well.

Show me a health care market where there is no Blue Cross, no Medicare and no employer. I'll bet it's a market that works a lot like the markets for other goods and services.

In *Overcharged: Why Americans Pay Too Much for Health Care* (Cato: 2018), law professors Charles Silver and David Hyman make this same point in spades.

After several decades of trying everything from managed care to value-based purchasing, employers need to sit up and take note. The authors say the only thing that really holds down costs is giving money to the employees and letting them buy their own health care. "There is no health care cost crisis in the retail sector," they write, and there "never has been."

The most striking examples to start with are the markets for cosmetic and LASIK surgery – two areas where third party payers have never been involved. In both fields there is price transparency and price competition. Patients never wonder what they are going to pay. A package price covers doctor, nurse, anesthetist, the facility and anything else that might be involved. There is no \$100 aspirin tablet showing up as a surprise on the final bill.

In both markets the real price has been falling over the past two decades, even as the real price for every other kind of surgery has been rising. And this despite a huge increase in demand (cosmetic surgery has grown tenfold over the last decade) and despite major technological innovations – the type we are told increases costs everywhere else in medicine.

Can other health care markets work as well? According to Silver and Hyman, they can and they do.

Take walk-in clinics. As the name suggests, MinuteClinic (owned by CVS Health) knows your time is valuable as well as your money. A price list tells patients what they will pay and prices are typically 40% to 80% less than the next best alternative. If there is a wait, some stores hand out electronic beepers so that customers can shop in the meantime. The quality is high. Studies show that MinuteClinic nurses following computer protocols stick to best-practice medicine as well or better than traditional primary care physicians.

People like it. Half the US population lives within 10 miles of one of CVS Health's 1,135 MinuteClinics, making CVS "arguably the country's biggest health care company."

Traditional primary care physicians are responding in kind. In 2007, HealthCare Partners Medical Group, California's largest private physician practice, posted prices for 58 common procedures online. A chest X-ray costs \$61. A physical exam for a middle-aged patient is \$140 to \$160.

Another example of what Silver and Hyman call "retail medicine" is the concierge doctor, or what is often called direct-pay medicine. This service – once available only to the very rich – has become the best buy for primary care you are likely to find anywhere.

Atlas MD in Wichita, Kansas, for example, provides just about every service you can get at a primary care doctor's office for \$50 to \$75 a month for adults (depending on age) and \$10 for a child. Doctors are available by phone or email 24/7. Drugs cost less than what Medicaid pays. Medical tests are cheap. A cholesterol test is \$3, a tiny fraction of the charge that the lab they deal with bills to insurers. An MRI scan costs \$400 instead of the typical third party charge of \$2,000.

What about expensive hospital care? That too can look like retail medicine if you know where to look. The Surgery Center of Oklahoma (SOC), founded by Drs. Keith Smith and Steve Lantier, posts prices for 112 common surgical procedures. They deal mostly in cash and they don't take Medicare or Medicaid or negotiate prices with insurance companies. One of SOC's competitors is Integris Baptist Medical Center in Oklahoma City. The contrast couldn't be starker, as the authors note:

Integris charged \$33,505 for a complex bilateral sinus procedure, which helps patients with chronic nasal infections. This bill covered only hospitalization; the fees for the surgeon and the anesthesiologist were extra. At SOC, the all-inclusive price for the same operation is \$5,885. Not surprisingly, Integris's bill was loaded with overcharges, including \$360 for a steroid available at wholesale for just 75 cents, and \$630 for three doses of a pain killer called fentanyl citrate, which altogether cost the hospital about \$1.50."

New developments in retail medicine are almost always the product of entrepreneurial thinking. Sometimes the entrepreneurs are medical doctors. Sometimes they are business types with a strong interest in eliminating the many inefficiencies in traditional health care.

Previously, I wrote about MediBid, a company that is creating a market for surgical procedures, where doctors bid for the patients who need their services.

I recently became aware of Ameriflex, a company that helps employers set up a platform for employees to connect with concierge doctors – bypassing insurance companies altogether.

According to a poll I just saw, health care costs are the top concern for business managers these days. My suggestion: Do something about it.