Pioneer in Medical Practice Award
December 10, 2006 Speech

I would like to thank Consumers for Health Care Choice for recognizing my contributions to consumer empowerment and healthcare freedom with this Award.

I am honored that you would invite this country doctor from the foothills of Tennessee to share the same podium with the likes of Patrick Rooney (from whose company I bought an MSA in early January 1997) and John Goodman (whose NCPA email update I read daily).

I would also like to thank Greg Scandlen for holding this ceremony and for bringing together various talents from all across the country, catalyzing them into CHCC – an organization that stands for consumer sovereignty in healthcare and against single payer national health insurance that would eventually destroy it. After all, consumer driven is the antithesis of government run.

Whole Foods CEO, John Mackey, has said, "I not only believe consumer-driven health plans are the best solution to our healthcare crisis, it's probably the only sustainable solution that's not going to lead to a single payer system."

For being the head pioneer of this venture, I would like to salute Greg for the great job he has done.

Physicians such as I who refuse to sign contracts with third party payers work for the patient and for the patient alone. This is only right since it is the patient's health and ultimately the patient's money (even if it is spent pre-tax by his employer). He or she should control both.

If a physician accepts payment from a third party – be it a commercial insurer, the government, or an employer – he necessarily works for the payer. After all, "He who pays the piper calls the tune." Over the last few decades, the medical profession has become a finely tuned instrument in the hands of third party payers. Two's company; but three's a crowd. It is time to remove these intruders from transactions involving everyday healthcare. Doing so will help restore the

sanctity of the doctor patient relationship in which one person entrusts his or her person to another qualified to give medical care – a relationship which many Americans still consider second in importance only to family.

To the credit of these other men on the podium, you in the audience, and other pioneers in healthcare freedom who are not present here, the MSA concept was given a new birth of freedom in late 2003 not by simply changing the "M" to an "H" but by eliminating the politically imposed limits of 750,000 policies.

Some of you might recall that at the beginning of the Congressional debate over HSA's about one month before President Bush signed them into legislation, the *Wall Street Journal* featured our clinic on the center of its front page with an article entitled, "Pay-As-You-Go M.D. … The Doctor Is In, But Insurance Is Out…Maverick Physicians Skip Red Tape and Cut Charges; Blood Work for $20."

Perhaps the printing of this article at that opportune time played some small part in helping the HSA bill to pass. Here was a real, live non-government subsidized, free-market solution to the problem of the uninsured on the front page of a major national newspaper that was providing affordable, quality medical care to the very group of persons single payer advocates had been shamelessly exploiting to justify a government takeover of healthcare. Maybe the article temporarily silenced them and their annoying claims to moral superiority, as if chanting "health coverage for all" incessantly is a sufficient substitute for providing hands on medical care. I have observed that people such as they who clamor most vociferously for government control over healthcare are the least likely to be found actually caring for them personally – an observation, by the way, confirmed by Arthur Brooks in his new book, *Who Really Cares?*

Besides, single payer people don't seem to realize that "health coverage" does not equal health care. No country with so-called universal health coverage has universally guaranteed timely, quality medical care.

Even Canada's Supreme Court had to admit that "access to a waiting list is not access to health care" and that "patients die as a result of waiting lists for public health care." Freedom is stirring even in Canadian healthcare where physicians are beginning to defy the government's monopoly by accepting private payment, some even doing so publicly.

Many states are now experimenting with expanding their own government's role in healthcare. The Tennessee legislature recently passed Cover Tennessee, a voluntary collaboration with employers and their employees designed to insure many persons who were disenrolled from TennCare. The State, the employer, and the employees will each contribute $50 toward a $150 monthly premium. Now we all know that $150 is not going to buy a lot of health insurance.

Governor Bredesen even admitted as much saying, "[The uninsured] are not interested in spending $50 or $100 a month against the possibility of a $20,000 hospital bill five years down the line." This struck me as a little paternalistic, even insulting. Many of my uninsured patients are responsible, forward-looking persons such as farmers and local retailers who want real insurance to protect their assets and earnings from large medical claims. Not only that, we just don't need insurance for routine medical care, a point I have made repeatedly in the Memphis Commercial Appeal and Nashville Tennessean, but a point that he has thus far ignored. To my knowledge, he's never mentioned any consumer driven approaches for Tennessee's uninsured.

Anyway...had the HSA bill not passed, we most likely would not be meeting here tonight to celebrate the increasing popularity of consumer directed health plans. And the evidence shows that Americans ***are*** increasingly purchasing these plans. The problem is that even though these new healthcare consumers are now all dressed up, there are not many places at present for them to go ...at least places where they can realize the savings promised by these new plans.

Direct pay medical practices are beginning to dot the landscape, but they are not increasing fast enough to keep up with the growth of consumer driven health plans. Most physicians are not embracing them. They are waiting to see if they are a passing fancy or a long term trend. HSA's throw a monkey wrench into the way doctor's collect payment.

I've notice a few with patients with HSA's coming to my clinic, but not nearly enough to keep me in business. I did not start this clinic in response to or in anticipation of this new movement in consumer driven healthcare. I started it to care primarily for the uninsured and anyone else in my community willing to pay directly for my services and let the chips fall where they may. Quite unintentionally, my clinic became somewhat of a poster child for consumer driven healthcare because it was a ready-made project to show that there were places these new consumers could drive to save money with their new policies. In addition, my philosophy fits well with the new movement, because I am inherently suspicious of and have a visceral aversion for abusive power. I have never seen any situation where increasing government power did not lend itself to abuse.

My practice has shown patients they can save money doing direct payment. It has shown other primary care docs they can make a living without signing insurance contracts. And it has shown policy types that the whole country could save a boat load of cash if there were more clinics like mine

We opened our doors January 10, 2001 – ten days before George Bush's first inauguration. Last month we passed the 7000 patient mark (most family practices have about 2500 patients). This means that the equivalent of over $1/10^{th}$ of our county's population has been treated at our clinic. Increasingly there are some days we are so busy we have had to turn new patients away so that we don't keep our established patients waiting too long. My income over the last two years has been about equal to the average earned by primary care physicians in the U.S., and that despite spending 20% fewer hours seeing patients than the average physician. You see… I've been doing my own agitating on behalf of consumer driven healthcare while joining with you in the battle against the single payer leviathan.

While working in a local ER the fall before we started, I had been thinking about opening a part-time clinic to serve the cash paying population at some vague point in the future. Due to being more vocal than perhaps I should have, the hospital administrator gave me the opportunity to realize this dream full time. Rather than finding another ER job, I decided to step out in faith, and the practice was up and running within 12 days after I had been fired.

I was ill prepared for that first year. I did not have time to prepare a business plan and ended up financing a very expensive learning curve. The building was too large and I had too many employees. My office manager at that time managed to embezzle most of the savings I used to bootstrap the venture, and she was savvy enough to retain a former law partner of the district attorney so that the case, despite being a class B felony, was never investigated.

That was a bad start. In order to file an accurate return with the IRS, I had to reconstruct the practice's financial records from scratch since my former office manager hadn't been kind enough to leave the financial books or even the monthly bank statements. It took me about 300 hours over a period of a year and a half to do this, time that could have been better spent serving patients, growing the practice, and demonstrating the benefits of consumer driven healthcare. My wife was very understanding…as we had to live on near resident-level wages for the first several years.

But there were other competitive disadvantages beyond my ignorance and inexperience that deserve mention, because other physicians considering starting such a practice might learn a thing or two from my experience.

By deciding to remain in the community to which we had moved 4 years earlier, we unwittingly situated the clinic in a very inauspicious market. Greene County is one of the poorest and most sparsely populated counties in a state that at the time had 10% uninsured and 23% Medicaid – one of the worst combinations for a cash clinic of any state in the country. Four state subsidized clinics were already operating within 15 to 20 miles of the practice. In addition, I was competing directly against the $10 to $20 co-pays of tax-excluded, employer-based health insurance.

So, despite our initial setbacks and miscalculations, our little demonstration project is now thriving, which goes to show that if I can do it, so can any physician with half his brain tied behind his back. Or… perhaps God protects not only little children but also foolish physicians who don't know when to quit. Or…maybe as Jesus said, a grain of wheat must fall to the ground and die before it brings new life.

One of the problems impeding the acceptance of consumer driven plans is the lack of pricing transparency – both from doctors and hospitals. How can the new healthcare consumer make informed decisions in a free market without knowing the price? Pricing transparency has never been a problem with me. My prices have been public from day one.

They are writ large on a sign in front of the clinic and have appeared on billboards next to major thoroughfares. They appeared in flyers we distributed to local businesses all over town - $30 for poison ivy, $40 for simple infections – around the price charged at these new medical kiosks - except they are staffed by nurse practitioners while my practice is staffed by a physician double boarded in Internal and Emergency Medicine with years of experience working in busy ER's. I treat much more complex medical problems than they and handle many things other physicians refer to the ER such as complex lacerations, for which I charge around $200.

Physicians haven't been the only ones reluctant to provide pricing information. Hospitals have as well. This past May I wrote a letter to the board of one of our local hospitals requesting pricing information. It began as follows:

> "As you are probably aware, the number of direct paying patients in our community has been increasing, primarily due to the TennCare disenrollment and people choosing higher deductibles to reduce the cost of their insurance premiums."
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> "In order for these citizens to make more informed decisions about their care, it is essential that hospitals make the pricing of their routine, outpatient services available to physicians and their patients so that together we can plan cost effective diagnostic strategies and treatment options."

The following month they wrote back.

> "While Laughlin Memorial Hospital wants to be forthright with our pricing, at the current time it is difficult to provide updated charge listings to each physician office…We do not want to release lists that are subject to misinterpretation concerning what is included and not included. As you are well aware, each patient is unique and the costs of supplies, etc. associated with any particular procedure/test can vary from patient to patient. For these reasons, we will not be able to satisfy your request for a specific charge list at this time."

One would expect a non-profit to demonstrate a little more good will in keeping with the privileges afforded it by the taxpayers, such as exemptions from taxes on income, purchases, and

property as well as the ability to tap into tax exempt credit markets, which according to Laughlin's 2004 990 tax return was about $25 million. Admittedly its has been well managed, having accumulated nearly $90 million in liquid assets. This represents 60% of its total assets. But for what purpose? Why do they have so much in cash yet refuse to assist my practice in finding another physician especially when it has done so for other local practices?

With the board's response, one might question the wisdom not only of the tax exclusion for health insurance promulgated in the 1954 Internal Revenue Code but its provision for non-profit exemptions as well. Those of us who choose not to presume upon other taxpayers through 501c3 incorporation are faced with an unlevel playing field.

From several prospective surveys, I have found that 60% of our patients have no health insurance. Many of the 30% commercially insured have high deductibles; so, like the uninsured they have to pay out of pocket for routine medical care. Since we began, we have provided roughly 20,000 office visits for these two groups. This translates into a savings of about $1 million had they gone to the local urgent care and about $5 million had they used one of the local ER's. How about that, Governor Bredesen and Governor Romney, for a solution that provides affordable quality medical care to the uninsured while not presuming upon employers or any other taxpayers to foot the bill?

I was going to regale you tonight with cost data from this past year, but I have decided to spare you the details. I'm saving them for the meeting tomorrow afternoon just to tempt you into attending. I have compared my costs with those of practices providing similar services but that accept insurance as compiled by the Medical Group Management Association. Suffice it to say that 3rd-party payment requires 3 more employees and 3 times the operating cost per physician for 3rd-rate service.

Another way to look at it is this: The amount my clinic saves per office visit is roughly equal to the amount Medicare compensates physicians for a level 3 or average office visit for an established patient. In other words, my practice shows that physicians who bill Medicare and don't try to mass produce the doctor-patient encounter receive just enough to pay for the

privilege of billing Medicare. And it is only going to get worse for physicians who accept Medicare.

Consider the potential national implications of the cost savings of my practice extrapolated to the entire healthcare system. I estimate that if payment for all routine medical care in this country were settled at the time of service, we would save about $75 billion in administrative costs on the doctor's side alone, which even by Washington standards is not chump change. If you were to add the reduced cost to third party payers and employers of eliminating the processing of all small medical claims along with the savings that would accrue by eliminating moral hazard, I believe the cost savings nationally could exceed $200 billion a year.

Let's now extrapolate the personnel savings of this model to the entire healthcare system. Saving three employees per physician would free up over 1 million Americans from medical practices alone to perform work that is more productive than settling scads of medical claims for relatively insignificant amounts of money. Add to that personnel savings for employers and third party payers, and perhaps over 2 million people could be redeployed to more meaningful work such as direct patient care. Eliminating such unnecessary jobs is not trivial considering that the *Monthly Labor Review* predicts a need for more than 1.2 million new and replacement nurses by 2014.

It seems that the uninsured, by being prototypic consumers of routine healthcare, might lead us all to a more rational, efficient healthcare system by demonstrating the benefits of direct payment. Consumer directed practices like mine, by serving arguably "the least of these" in our healthcare system, might in fact become healthcare's next "disruptive innovation" – a term coined by Harvard Business School professor Clay Christensen to describe those enterprises that are "a cheaper, more efficient way of doing something directed at the low end user that eventually catches on in the mainstream and comes to dominate the market." Perhaps in sublime irony, the meek really shall inherit the earth.

I just pray that folk within the beltway, normally so impressed with power and position, will dispense with realpolitik and place their faith in "free peoples and free markets" that summon

ingenuity and charity while diffusing power through multiple layers of accountability. They need to step aside and not constrain third party free physicians, who are already serving healthcare's "low-end users."

Just give us the freedom to do what we have been called to do – care for patients and innovate.