



Market Medicine
Guest: Charles Sauer
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Charles Sauer is executive director of the [Free Market Medical Association](#).

WOODS: So you have a brand new, free-market medical organization. There already is the Association of American Physicians and Surgeons. How are you guys different?

SAUER: I am an economist, and so I tend to look at things that way. We are definitely not competitors with the Association of American Physicians and Surgeons, and I work with them through another business. But the AAPS is focused on really creating physicians that will opt out of the system and become third-party-free. And through the Free Market Medical Association what we're looking to do is bring in the physicians that are third-party-free and some that are looking to become third-party-free, or at least host their prices and link them up with also the buyers and purchasers and the other people that are looking to work in the health-care market. So we are working with doctors like Keith Smith, the co-founder of the Surgery Center of Oklahoma. We're also working with Jay Kempton, who is the head of the Kempton Group. But they are a third-party administrator. So they work with a bunch of banks and self-insured businesses throughout Oklahoma and Texas, and they do the insurance administration, and so they work with a lot of the Keith Smiths and the other free-market physicians in the area to give their businesses a better deal. So we are kind of the umbrella for the health-care free market.

WOODS: The website is [marketmedicine.org](#). Is this an organization primarily for physicians, then? Or is it somewhere that just a layman who is interested in free-market medicine might get information?

SAUER: It's an all-of-the-above organization. I'm in Washington, D.C., and for the past 10 years I've been walking the halls of Congress trying to convince members and staff that free-market health care is the way to go. If you give the patient money, and they give that money to the physician, you end up getting more access to care and higher-quality care, and almost at every turn they keep saying that free markets just won't work in health care. The free market is not happening in health care. And I knew that to be untrue. I knew that there were doctors who were out there doing it, and statisticians always talked about them. They were called islands of excellence. So our goal here is to kind of give up on Congress for the time being and build the

free market, so that is the Joe Everybody on the street, the Main Street guy who is searching for health care by himself, or as Sean Parnell calls him, the self-paid patient. That's also working with the self-insured company, and then the service providers within that, and the doctors. So it's kind of everybody. Our focus right now is on self-insured business and healthcare providers.

WOODS: Now when you say third-party-free, of course, you're talking about physicians who want to get out from under the insurance companies and just deal directly with the patient. Am I understanding that correctly?

SAUER: Correct.

WOODS: Okay, now isn't that going to become a dying breed in the age of Obama, in which people are going to be penalized if they as patients are third-party-free?

SAUER: There's a kind of a weird opt-out that I think is where we're going to see a lot of growth in the market, and where we're going to see a robust argument and defense against Obamacare grow and that's the self-insured businesses. For a lot of people it makes economic sense to go ahead and pay the fine in Obamacare and insure themselves or become a self-paid patient. And that actually comes from the fact that it was believed politically expedient to just not raise the fine high enough to where it would make economic sense to not pay the fine and get an Obamacare plan that doesn't provide as much access to cheap care as just insuring yourself would. But since the economics of that are actually on the margins, there's not a lot of people that I see that are going to drive a free market in individual health care. However, there are a lot of self-insured companies out there, and those self-insured companies have a lot of employees, and just them alone, we can drive the numbers that we need to prove that free markets work. So for instance, one of my favorite stories recently is Oklahoma County, an actual government entity in Oklahoma—they are a self-insured county, and their third-party administrator talked to Dr. Smith, and so then he made an arrangement. It was about two months ago. And in the first three weeks of their contract Dr. Smith has saved Oklahoma County \$140,000. So the key here is being able to get numbers like this and drive numbers. Jake Jason saved his small businesses that he worked for I believe \$1.2 million in the first quarter of 2013. As these numbers start building, the federal government to local governments and individuals and business owners won't be able to stop the growth of the free market.

WOODS: Now I can understand why looking at society in general we might want to avoid the third-party system because it seems to impose fewer burdens on society, fewer misallocations, fewer distortions in our decision-making about the kind of health care we need. But why is it, from the point of view of the individual physician, that it would be a good thing to get out from under the system? You might think that in catering to people, or firms, or whatever, who aren't dealing in the whole third-party system, I'm artificially limiting my market?

SAUER: Yeah, well, there's an interesting—it has to do with how do you want to practice medicine. Do you want to practice medicine for the patient, or do you want to practice medicine for a company or a third party? My favorite doctor on this—there's Dr. Juliette

Madrigal Dersch. She's outside of Austin, Texas. And she gives discounts to patients if they come in with spurs. If you get cancer, she treats you and your family for free. She'll make house calls. And all of this is legal because she doesn't participate, or she doesn't bill CMS, which is what the actual law is on that, but she calls it slavery. If she couldn't run her business the way that she wanted to, or charge the price she wanted to, then it wouldn't work. And you see that going through the system. Third parties dictate how the doctors have to run their practices, how much they can charge their patient, and how much they can charge their patients also means how long they can stay with them. So Dr. Madrigal gets to spend more time with her patients. She gets to really learn what their problems are, what their issues are, and take care of them. And that money does other things, too. When you directly pay your doctor, they have a higher incentive not to have you wait. Dr. Smith has almost no waiting time. If you call him today, you can get in tomorrow for a surgery. That's starting to become untrue as he becomes more popular, but he's speaking then of raising his prices or expanding the practice. Both choices become a possibility. So yeah, in some ways in the current market, which is why economically they are called islands of excellence because some of the decisions have to be outside of the economics. They have to be personal for a doctor to opt out now. But the joy that you see once a doctor has opted out that they actually get to take care of the patients and restore the patient-physician relationship is just something that almost no amount of money can buy. Doctors are not rationing by prices. They are rationing by lines, and so no matter what, every doctor is just running circles if they have a third-party practice nowadays. They just don't get enough money. They are forced to run circles while they are at work.

WOODS: What is your sense in terms of where the average physician stands on this? Has there been an evolution in thought among a lot of physicians? Are many of them too busy really to think about fundamental questions like this? Is there a slow but sure movement in your direction? What do you think the trend is?

SAUER: Oh, it's an interesting question. I think that the people that are going third-party-free right now are the entrepreneurs. The people that are all right with taking the risk and going out, and if they go out and take the risk, it's happening, but you see older physicians are seeing the continual encroachment of government and are opting out or retiring, but the newer ones it is happening much less frequently, but it's still happening. When you talk to the medical students sometimes when they are at an AAPS conference or even one of ours it's the first time they hear that there is free market of medicine, and it is robust enough to maintain their business. One of the newer groups, that's Atlas MD in Wichita, Kansas, they are a concierge practice, but they are in the middle of Wichita, Kansas, so they are not catering towards the rich. They charge \$10 a month, I believe, if you're under 18, and for most adults it's \$50 a month. This is a different type of care, but it's what they did when they came out. I don't know if entrepreneurs are 1% of the population or 3% of the population. It's a low percent of the population and the people that are willing to take a risk and get out there on the edge, and so that's the group that we're seeing doing it. I think that as the argument builds, as they see that through Obamacare prices will continue to increase and access will continue to be limited, more physicians – who

become physicians because they want to take care of people – will figure out ways to take care of their patients, and that will be through the free market.

WOODS: Can you tell us just very quickly what a concierge service is?

SAUER: A concierge service is you pay a set price, and for that set price you get access to your doctor. It's often called direct pay. In Atlas MD you pay \$50 a month, and now you have access to—one of their doctors is Dr. Doug Nunamaker. If your doctor is Dr. Doug Nunamaker, you can call him, Skype him, Twitter him, Facebook him, show up to his office. You can ask him to show up to your house as many times as you want in a month. With Atlas MD, they will give you different tests, EKGs, and whatever, in their office for free. I think that they do some blood tests for free, and then they give severe discounts on medicine that can go down to like \$2 a month, because they'd buy their medicine in bulk. So a concierge practices, you pay a set fee, and you get access to your doctor's services almost unlimited. So there's no three-month wait, like in my plan.

WOODS: Charles, what do you say to people who say that before we got Obamacare, which is, of course, being phased in, we had the kind of approach that you and the people at your institute are proposing, that we had a free market already and we saw that it didn't work? It yielded such high prices that anybody in the country, practically, would be ruined by one adverse health situation. So how can you possibly favor going back to that?

SAUER: Well, if I talk to anybody that says we had a free market before Obamacare, I generally just move on, because they weren't paying attention to the health-care market. The health care system before Obamacare was just a little bit less socialist or a little bit less government-controlled than what Obamacare is. Obamacare is a big shift towards government-controlled health care, but it's just another step along the line. So there was no free market in health care. There were people, there were actors that were acting in a free market way within the health-care system, but the government is heavily subsidizing care and providing tax incentives to non-profit hospitals that cause other incentives in the market, and the incentives are to raise your prices and negotiate down to the lowest amount for a hospital. For a doctor, there is no incentive to list their prices. For a doctor's office, there's no incentive to treat the patient as a client because the patient wasn't a client before Obamacare. And that patient is not a client now. The insurance company is the client, and the government is the client. So what we're looking to do is shift that.

One of the problems here is that this isn't a partisan issue. This is a bipartisan issue on Capitol Hill. Both parties have agreed that at least some level of government interference in the market is needed, and until we switch that and at least one party says the government is not needed, we're going to continue on this track towards more government health care. So our goal is to build the market so that Congress can eventually provide a robust argument. Of course, that's the secondary goal. Our first goal here is always going to be to provide more access in higher quality care to patients, and we see that across the board where somebody starts lifting their

prices and starts treating the patient as the client, they get higher quality care at lower prices almost every time.

WOODS: Now, Charles, of course, when we say third-party-free, most people are thinking in terms of insurance companies. You're getting out from under that whole system. But another third party would be the government. So for example, when you have Medicare, Medicaid, the third party in that case is the government itself. Now, you're talking about being committed to increasing the quality of care, the availability of care, the affordability of care, and yet it would seem counterintuitive to many people that you could do that by ignoring the largest welfare state programs of them all, namely in medical care. How can this seeming paradox be resolved?

SAUER: I am going to take that in one direction. If I am climbing the mountain, and I can't reach the top until I take that last step on the top, but if I start up the mountain, you can say, well, he's probably going to try to climb the mountain. So I think that those programs are off in the distance. It's going to take the most arguments to take off Medicare, to take down Medicaid, but my wife is actually on Social Security disability. She had a Medicare plan, and it gives her almost no access to any doctor. We have still a Medicare Advantage plan for her, and that doesn't have much access to anybody, and that's supposed to be better than a normal Medicare plan. So once you get a robust free market in under 65 and above whatever poverty level that Obamacare set at this point, then we can take on the government plans, and that's kind of already in our works. Dr. Smith, whom I keep coming back to, he's actually a co-founder of the Free Market Medical Association, but he's interesting because his was the first surgery center to post his prices online. He does a lot of charity work, though.

One of my favorite charities that he does is cochlear implants. I think that the price for a cochlear implant at a hospital is \$20,000. It might actually be \$100,000. Either way, he does it for about 20% of what the so-called non-profit hospital does it for, and so this is where we can see the government getting involved. This is a non-profit hospital that is supposed to be given this tax incentive from the government to provide better, cheaper care to people, and yet they don't, and Keith does. The cochlear implants—he buys the cochlear implant and does that at no cost, and then they do the surgery at a severe discount, and they are available to do I believe it's five to one at his center. So once we build a free market, I think Medicare and Medicaid will fall quickly. This government top-down—they force EMRs on the doctors. Now, electronic medical records, EMR, can be a good thing. They can help doctors out. But if you're forced with a one-size-fits-all, with a certain checklist that doesn't fit a patient, or doesn't fit your practice, and yet you have to check boxes every single patient, we see a lot of errors. So where we see a doctor, and their first priority is the client, which if you're a business owner, you understand that. The client's your goal. They don't just go out and buy a random EMR. They buy an electronic medical record that will help them treat their patients better and more effectively, and we have to get out from under the government's control to have any of those market actions take place.

WOODS: All right, as we wrap up here, I'm sure I've got some physicians in my audience. I've got a pretty sizable audience here. So make your 30-to-60-second pitch to them as to why they in particular should join the Free Market Medical Association at MarketMedicine.org.

SAUER: We are creating an association that is aimed at providing more care and more access to patients across America, and we're doing that by actually creating a robust, free market in health care and proving that it exists. So if you're already a free-market doctor, we're showing people that the free market exists. If you haven't joined the free market, and you're thinking about it because the third parties are putting pressure on you to perform health care in a way that you're not comfortable with, we're the group to join and to put your services out on. If you're a self-insured business, we're here to save you money. If you're a doctor, we're here to drive patients to you. And the more money and the more patients that you make and see, and the more money that self-insured businesses save and the people that they can hire, the better we are. So our incentives are to make everybody more money and more healthy, and I think that that's a great way to drive health care forward.