

How Can There Be a Low Price but High Quality?

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While many patients are attracted by the low prices at Surgery Center of Oklahoma, others are put off. “There is simply no way a facility could provide quality care at those prices,” many say. Facilities who want no part of healthy competition also commonly say this, in an attempt to cast aspersions on our quality.

First, I would like to point out that we could have posted prices twice as high as we did and still be the cheapest surgical option in this region (if not in the country). Perhaps even triple. One reason we didn’t do this is because we meant to maximize access to care, listing prices that most individuals (sometimes with the help of their family and friends) could afford. Additionally, we wanted everyone to know that we were profitable at these prices, as low as they are, to better expose those claiming to “not make a profit” while charging multiples of our online prices—sometimes more than 10 times as much.

How did we arrive at the prices? We used our actual cost as our starting point, then added a marginal profit that allows for equipment upgrades and repairs. This is how every other business does business.

Many times, the amount charged (and paid) for an item indicates quality. This is largely true when market discipline is present and consumer preferences rule the day. This is absolutely not the case in health care, and outrageous prices are one of the more powerful pieces of evidence that market discipline does not rule this industry. In fact, the price/quality relationship in the health care syndicate is distorted to the point that it is actually inverse! That’s right. In all likelihood, the lower the price, the better the quality. This counterintuitive point deserves an explanation.

If you are confident in your ability to provide extreme value, you are not only willing to compete, but you are eager for competition, as this provides the ultimate opportunity to put your service, product, or skills on display. This is yet another reason that those who are most willing to embrace the discipline of the free market are the ones who are also the most confident in their abilities and not at all afraid to embrace price

transparency. In short, if you are willing to compete, your prices are....well...they are competitive!

If prices are ridiculously high and a facility is still busy, it is probably engaging in abusive, cartel-like practices, and has more than likely created barriers to entry—such as “certificate of need” requirements—for potential competitors in your locale, with the help of corrupt legislators. Under such circumstances, it is not necessary to care what patients and customers think about prices—or quality. After all, “what choice do they have?”

Large health systems, having bought their referral sources (physician practices, usually) don’t have to compete, and their quality suffers as a result. The prices charged by these same hospital systems are ridiculously high, just as you would expect. The patients will keep rolling in as the doctors who work as the facility’s employees must refer “their” patients within this same hospital system or face the wrath of the administration. Physicians could be terminated from their job or their contract. Worse, the hospital, through a process of sham peer review, could even terminate their career, thus eliminating a potential source of future competition.

Services rendered at these hospital systems don’t have to be good, and they don’t have to be reasonably priced, as the patient referrals are guaranteed. Lacking any sources of comparative information, patients may not be aware that better prices or quality are possible. Physicians owned by the hospital are unlikely to risk their livelihood to inform them.

Lower healthcare prices signal an absence of cartelization of health care and the presence of some level of competition. Physicians and facilities that strive to keep their prices down are indicating a desire to satisfy patients’ needs and demands—a desire to help them rather than bankrupt them.

Patients should never assume that costlier means better. Instead, they should challenge physicians and facilities to justify the difference.

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