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WHO RUNS THE WORLD?

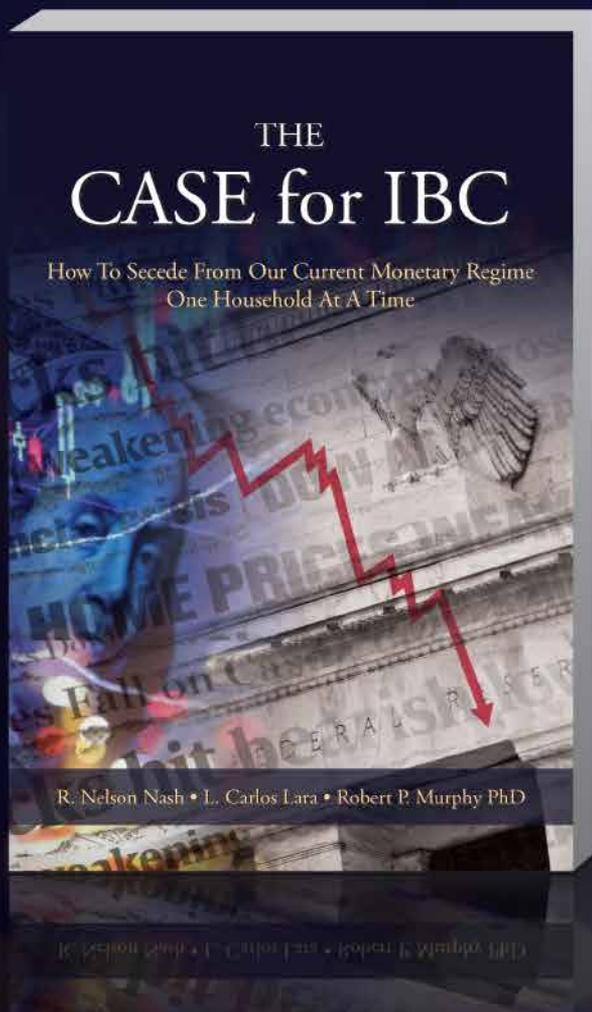
PART I

by L. Carlos Lara

WHO BENEFITS FROM GIANT MEDICAL BILLS?

Interview with Keith Smith, MD

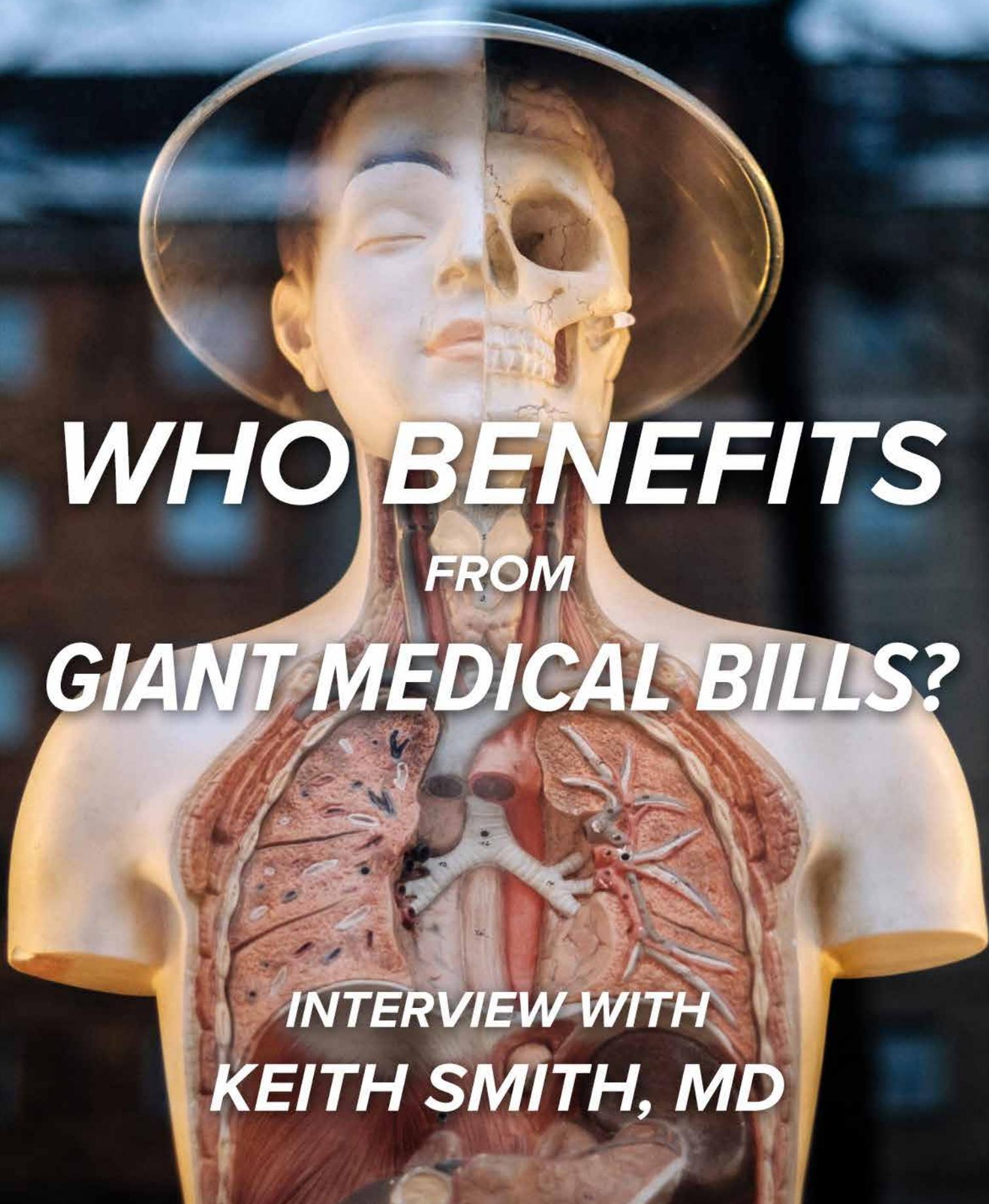
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WHO BENEFITS
FROM
GIANT MEDICAL BILLS?

INTERVIEW WITH
KEITH SMITH, MD

Dr. G. Keith Smith is a board certified anesthesiologist in private practice since 1990. In 1997, he co-founded The Surgery Center of Oklahoma, an outpatient surgery center in Oklahoma City, Oklahoma, owned by over 90 of the top physicians and surgeons in central Oklahoma. Dr. Smith serves as the medical director, CEO, and managing partner while maintaining an active anesthesia practice.

In 2009, Dr. Smith launched a website displaying all-inclusive pricing for various surgical procedures, a move that has gained him and the facility international attention. His most recent effort is the launch of the Free Market Medical Association, which provides a platform where those seeking to obtain high quality and affordable health care can find free market-minded providers, both physicians and facilities.

Dr. Smith has appeared on the John Stossel Show, CNBC, Huffington Post, The O'Reilly Factor, Capital Account, The Ron Paul Channel, NBC Nightly News, and has been featured by Reason Magazine's TV division. The New York Times, Time Magazine, ABC news, Forbes, and many others have written articles featuring Dr. Smith's revolutionary approach to the pricing of health care and uncompromising free market principles.



Note: The economists and financial professionals interviewed in the LMR are given the freedom to express their views, without necessarily implying endorsement from the editors.

LARA-MURPHY REPORT: How did you discover Austrian economics?

KEITH SMITH: My father heard Lew Rockwell on the David Gold radio show years ago and relayed how funny and hard hitting he was. Shortly afterward, I watched Lew debate/annihilate the Postmaster General on William Buckley's "Firing Line." I

subscribed to the "Rockwell Rothbard Report" and began my re-education with layman-friendly Hazlitt, Bastiat, and Leonard Read. After attending an Austrian Scholar's Conference in Auburn, I was hooked, realizing that much of what I had seen and observed in the dysfunctional medical industry was easily understood and explained with just the basics I had learned.

LMR: Can you tell our readers about the Surgery Center of Oklahoma, and some of your success stories?

KS: The Surgery Center of Oklahoma was founded in 1997 with an eye toward price transparency and a decision to never accept a dime of money from the government. We began with ten surgeons and now have 112. Patients began calling us asking for pricing the first week we were open and we started quoting “cash out the door” bundled pricing. Almost without exception the prices on our website today are identical to those we quoted in the late nineties and represented then 20% or less, as they do now, what the so-called “not for profit” hospitals are charging patients. We posted our all-inclusive pricing about 11 years ago now and have changed them four times, in all instances lowering them.

Patients use our pricing to leverage their home-town hospital with threats of traveling to Oklahoma City for their care. One man in Georgia was quoted \$40,000 for a procedure we had listed for \$4,000 and his hospital matched our price. He told me, “You saved me \$36,000 and you didn’t even perform the surgery.” The first patients to arrive following the posting of our prices were Canadians, a lesson for anyone who thinks “coverage” for all is the answer. We’ve decided that “price” is the answer, as the competition resulting from obvious and visible pricing lowers prices to levels that more people can afford.

LMR: You’re also the co-founder of the

Free Market Medical Association (FMMA), where its recent conference motto was, “Burn the ships!” What’s that all about?

KS: While there are many individuals involved in this medical free market movement, many are just getting their feet wet, afraid to take more bold steps, steps Jay Kempton



“After attending an Austrian Scholar’s Conference in Auburn, I was hooked, realizing that much of what I had seen and observed in the dysfunctional medical industry was easily understood and explained with just the basics I had learned.”

and I believe are necessary to get to a truly free market model. Self-funded employers (who pay employee medical expenses out of operational revenue, rather than buy insurance from a big carrier) remain very afraid of the big corporate players in the industry, the insurance carriers, in particular. Whenever an employer buys directly for the benefit of their employees, sidestepping the big carriers who might be administrating their self-

funded plan, the opportunity to “skim” this transaction is foregone.

The skimming of false discounts is a large revenue source for the [big health insurance] carriers and they maintain this shell game by ensuring that none of the multiple parties they ostensibly represent can ever see the other’s contract with the carrier. If you are shaking your head right now, but enabling this scam with your participation, we argue for walking away—“burning your ships”—as Cortez did when he arrived at the mainland. Physicians have a hard time distinguishing between risk and uncertainty and they would much more accurately assess their situation when contemplating bold moves concerning their medical practice.

LMR: To an outsider, it seems hard to believe that your operation and others like you are able to so drastically undercut the “official” prices charged by hospitals for routine procedures. We can understand why government programs would overpay, but why would private-sector health insurance companies pay a hospital \$40,000 for an operation that your organization would do for \$4,000? Does this just show capitalism and medicine don’t mix, as Paul Krugman alleges?

KS: Lew Rockwell was kind enough to publish my “Anatomy of a Cartel” on his site a few years ago where I explained in some detail who benefits from what I call a GHB (giant hospital bill). Hospitals bill, say, \$100,000 for a procedure knowing they’ll only receive \$20,000 from an insurance car-

rier. They then claim they “lost” \$80,000, using this accounting sleight of hand to maintain the fiction of their not-for-profit status. Uncle Sam kicks money back to these hospitals to the extent that they claim these losses in the form of “uncompensated care” payments. The insurance carriers ride in to the office of the employer for whom they are



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providing this “coverage” and exclaim, “Look what we saved you!”

Per the terms of the agreement, the carrier is due a commission or override or whatever they call it that week, to the extent that these “savings” are achieved. When you think through this, you can obviously see that the hospitals want to issue giant bills to which a discount will be applied and the insurance companies want to receive these giant bills,

as this forms the basis for their skimming. This was an epiphany for me, as until an industry insider explained this to me, I had no idea why the carriers wouldn't want access to "cheaper and better" like any other rational market actor. Hospitals also demand that certain insurance carriers refuse to contract with certain facilities and with adequate market share they can usually pull this off. All of this insanity is downstream of favors granted to the industry by Uncle Sam, who is driving the getaway car for the cronies who are easy to despise. This is no failure of the free market. This is an absence of the power



"All of this insanity is downstream of favors granted to the industry by Uncle Sam, who is driving the getaway car for the cronies who are easy to despise. This is no failure of the free market."

and discipline the market brings to almost all other industries.

LMR: What is your prediction for U.S. health care over the next decade? Do you see it getting worse or better?

KS: I've never been more optimistic, actually. Those who say the market won't work in medical service delivery are beginning to re-evaluate. There are cracks developing within the cartel, plain for all in the industry to see and the ideas we are promoting and our practice model has caught the attention of the mainstream in the industry and the media, an astonishing development, in my opinion. Medical service delivery is far too important to entrust to the federal government, to paraphrase the late Harry Brown, and as this becomes apparent, ideologists of all stripes are acknowledging that cheaper and better through open and honest pricing and competition, is preferable to the crony mess dominating the industry currently. Many patients have come to my facility for care, informing me that they couldn't disagree more with my [political] views (about which I make no secret), but they want great care for their child or family member at a fair price. I'd like to think that we have helped people rethink their coercive leanings and believe we have.



References

1. Keith Smith's article "Anatomy of a Cartel" with diagram is available at: <https://surgerycenterofoklahoma.tumblr.com/post/21088997187/anatomy-of-a-cartel/amp>.



The Lara-Murphy Show



Episode 33: Carlos and Bob Read the Intel Report on Russian "Hacking"

JANUARY 9, 2017

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Carlos and Bob read the declassified version of the 25-page report issued by the US intelligence community on the alleged intrusions and interventions of the Russian government in the US election. As it turns out, there's not much there. Carlos still has every right to be skeptical of this whole enterprise to convince Americans that "Putin picked our president."

Mentioned in this episode:

- The official intelligence report: https://www.dia.ic.gov/~/media/Document/ICA_2017_014.pdf
 - DIA Chief James Clapper says Assange not credible: http://www.dia.ic.gov/~/media/Document/ICA_2017_014.pdf
 - Same James Clapper caught lying to Congress in 2013 about NSA spying on Americans: <http://www.washingtonpost.com/news/energy-environment/wp/2013/07/13/clapper-lying-to-congress-about-nsa-spies-on-americans/>
- Carlos and Bob make a reverse "trade" from a brokerage firm making just that year. Among other problems, the analysis misunderstands the role of the stock market.

Mentioned in this episode:

- [Financially astute explaining the 10%](#)
- [Murphy explains the moral hazard of price deployment](#)
- [How revisited Banking Weekly Stocks, Chapter 4.1 \(1/1/17\)](#)
- [Samples from the Lara-Murphy Show](#)
- Other Carlos and Bob's book, [BURN FINANCIAL BANKING BULLY BIRDS](#)

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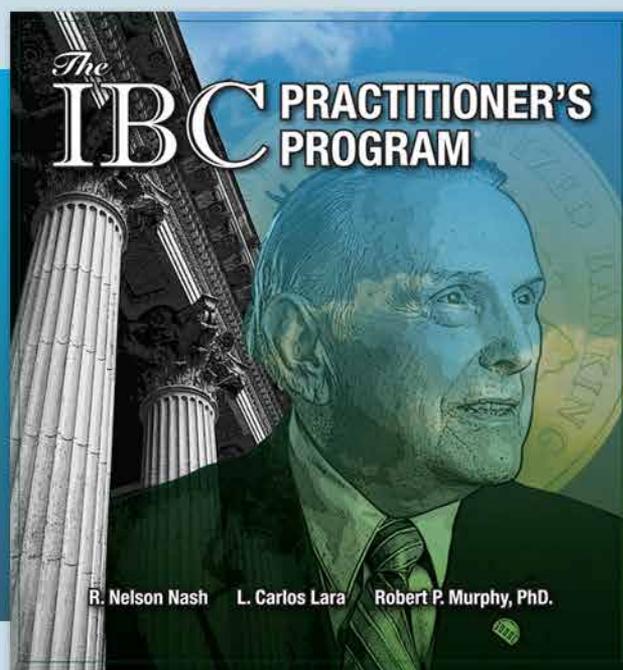
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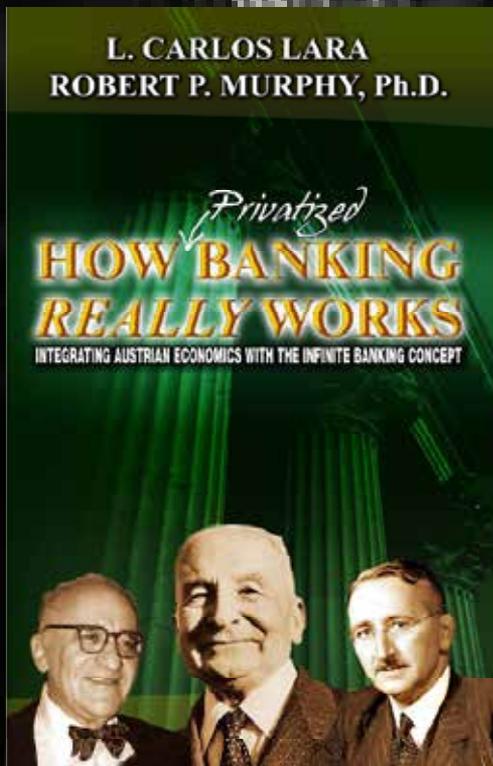
R. Nelson Nash



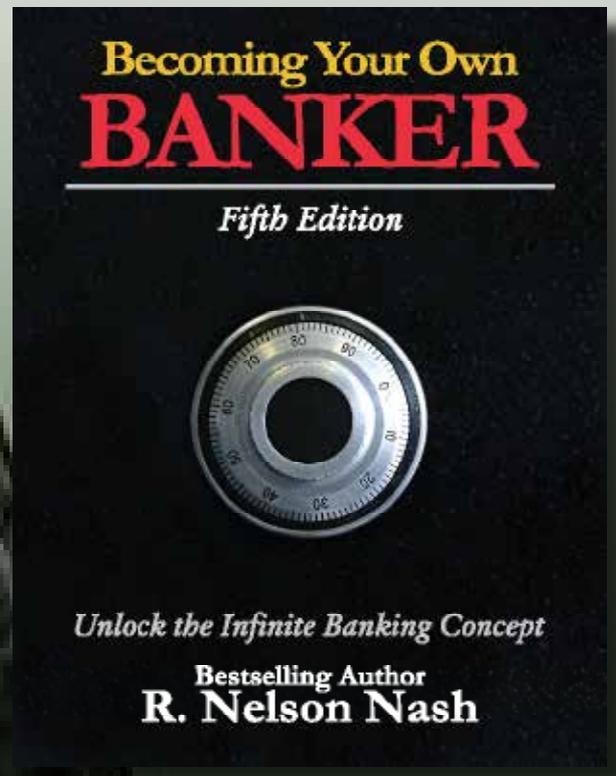
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