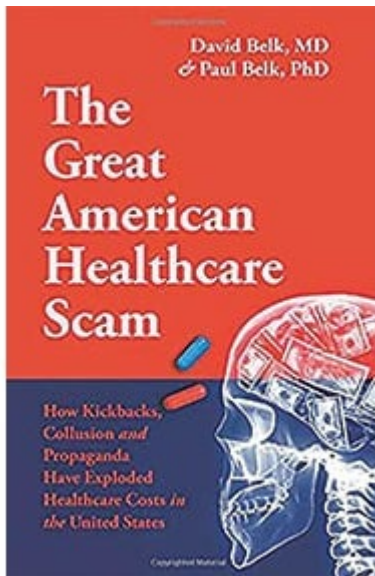




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Paying Through the Nose for Healthcare



The Great American Healthcare Scam

The Great American Healthcare Scam: How Kickbacks, Collusion and Propaganda Have Exploded Healthcare Costs in the United States, by David Belk, M.D. and Paul Belk, Ph.D., self-published, 2020.

Those at a loss to explain outrageously high healthcare costs in the United States need look no further than this book, written by brother-authors David and Paul Belk. Using everyday examples from David's private medical practice in Alameda, California, they unmask the mafia-style protection racket that private health insurance, together with hospitals, pharmacies, and medical clinics, foists on an unsuspecting public, leaving patients with bills that can reach mind-boggling proportions.

The exposé opens with a patient whose pharmacy tried to charge \$1,500 for a small supply of a generic, commonly prescribed drug for migraine headaches. David recommended trying Costco's pharmacy without filing insurance, and the bill dropped to under \$42. That's a 97-percent decrease.

Belk had learned this trick from irregularities witnessed among his own patients in both medical billing and prescription pricing. He launched a website in 2011 called The True Cost of Healthcare (TrueCostofHealthcare.org). He and Paul used that research as the basis of their new book, revealing what they call an "elaborate scam" in which patients across the United States "are routinely and systematically overcharged." Moreover, "not only do healthcare insurance companies allow" this to happen, "they actually encourage it."

Pricing secrecy is key. Say you visit the hospital for a routine outpatient surgery. Later you receive an EOB (Explanation of Benefits) from your insurance company — the paperwork that reads "THIS IS NOT A BILL" in bold letters. On it you'll see a frighteningly large charge for your operation, followed by relief-inducing discounts and plan payments that bring the "What You Owe" amount down into the realm of achievable-without-taking-out-a-second-mortgage. The original stroke-inducing amount is called the chargemaster price, a figure hospitals make up with no basis in reality.

This billing method, unknown to any other industry, makes it look like the hospital provided incredible service, and your insurance company saved you from bankruptcy. "The entire purpose of the discount is



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to keep you from finding out how little healthcare services really cost while making you think that your friendly insurance company is getting you a really awesome deal,” Belk says.

Like hospitals, pharmacies and medical clinics use similar tactics, with no penalty for overbilling. Their primary risk, if you can call it that, is of shortchanging themselves. Insurance companies usually pay only a percentage of pharmacy and clinic charges, so the more providers bill the insurance company, the more they are likely to get paid. Lower charges equate to lower payments. Higher prices don’t intimidate insurance companies. All they have to do is raise premiums, which is why yours go up every year — as do insurance company profits. This system doesn’t actually protect patients from high medical bills; it gives them representation with healthcare providers through the insurance company, similar to a Mafia protection racket.

Strictly speaking, it’s not insurance at all. You buy insurance for your car and your home, but you don’t file claims for every oil change or furnace filter replacement. True insurance is meant to protect you in catastrophic situations, not for every knee scrape and snuffle.

The Pill in the Jam

Written in a clear and casual style, the book provides a comprehensive, well-researched, and timely explanation of the fraud and deception in our nation’s healthcare industry. That part of the book deserves a five-star rating. The pill in the jam is the Belk brothers’ solution: socialized medicine. They expect the nanny state to get us out of this mess, though Big Brother actually caused the debacle.

Federal regulations set the stage for the medical cartel. For example, the U.S. Food and Drug Administration (FDA) put medicines behind the pharmacy counter in 1951, making them available only by prescription and ensuring lack of price transparency. FDA is now the exclusive drug gatekeeper of the United States, though the agency is riddled with conflicts of interest with Big Pharma. In fact, more than half the FDA’s budget comes from the companies it is supposed to regulate, due to user fees Congress allows Big Pharma to pay. The FDA even has power to provide monopolies to companies for certain drugs, which it does via bureaucratic sleight of hand. For instance, pharmaceutical companies are granted patents for new meds so that they are encouraged to develop new drugs. Over time the patents are supposed to expire so the cost of the products goes down owing to competition, but the FDA grants new patents on the same, old drugs if a pharmaceutical company makes small changes in their formulations, such as adding a time-released coating to the pill.

As to hospitals, overbilling sprang from losses incurred due to Medicare, with the red tape, overhead costs, and cutbacks of that faulty system. At its inception, Medicare paid all the bills for hospitalizations, encouraging unnecessarily long hospital stays and as much care as possible. Now, because of cutbacks, patients are routinely discharged “quicker and sicker,” as industry insiders say. And last year the *JAMA Internal Medicine* journal reported that Medicare fraud annually costs the federal government \$30 to \$140 billion and contributes to thousands of premature deaths. Another nail government drove into the coffin of competitive healthcare pricing is the disastrous “medical loss ratio,” a regulation dictating that 80 to 85 percent of every dollar collected by insurance companies in premiums must go toward actual medical expenses. No problem! To boost profits, insurance simply charges more in premiums. As the Belks note, “The insurance company just says, ‘Okay, we’ll give more money to the hospitals.’ And the hospitals say thank you. And every year, your health insurance premiums go up, just as you knew they would.”



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The Belks' book reveals that, without exception, each new government intervention has made things worse. They admit: "Very little works as intended when trying to curb the excesses of the health insurance industry." Yet the brothers still cling to the hope that socialized medicine would solve quality and cost problems — despite plenty of evidence to the contrary. Take the Veterans Administration (VA), which — to save money — does not accept all veterans as patients. The VA is regularly and justly accused of fraud, long waits for treatment, abysmal care, dangerous practices, wasting money, and other offenses.

The same is true of the Indian Health Service. As the *New York Times* noted last year in an article entitled "Fed Up With Deaths, Native Americans Want to Run Their Own Health Care," the Indian Health Service (IHS), an arm of the U.S. Department of Health and Human Services, has delivered substandard care from the beginning. Native Americans have actually been seizing control of IHS hospitals and clinics in order to end the terrible service and lower the death rates for preventable diseases, which "are three to five times higher ... than for the other races combined." To find appropriate care, Native Americans regularly visit private hospitals, and then beg the government to pay their bills — something the IHS has declined to do for over a half million Indians, costing them billions.



Social distancing? Waiting for treatment is a defining characteristic of socialized medicine, and overcrowding helps spread diseases from one patient to another. (*Photo credit: vm/E+/GettyImagesPlus*)

The same terrible government service is to be found in other countries as well. For example, the U.K.'s lauded National Health Service (NHS) holds a grim record. The government-released Atcheson report indicated that 50 years after NHS was started, inequalities in the system were the worst in its history, with survival rates of people in poor neighborhoods being much lower than those in wealthier neighborhoods.

As reported by Kurt Williamsen in his March 20, 2017 TNA five-part series on the American healthcare system, clearly "the free market is not to blame for the dysfunction in the medical marketplace." Though the Belks complain that our government has been shirking its duty — not bargaining with Big Pharma on behalf of its citizens and otherwise controlling prices, as do most foreign governments — Williamsen quotes John Goodman of the Independent Institute who estimates "that the U.S. system —



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controlled and largely run by government — is 80-percent similar to most other systems in the world.” So again, it’s government’s fault.

The Cure Is More Painless Than the Disease

For those who, like the Belks, believe that company greed is an obstacle to providing quality, inexpensive healthcare, Williamsen points to several real-life examples of free market healthcare success. Prices for non-insured cosmetic surgery have dropped during the past 20 years because doctors compete for patients who pay out of pocket. The history of LASIK surgery is similar; despite great technological advances, prices have dropped dramatically, disproving the claim that better technology means increasing costs.

Moreover, companies such as Medibid and North American Surgery, Inc., are cropping up that locate reasonably priced surgical centers for uninsured or underinsured clients. The Surgery Center of Oklahoma is one such low-cost surgical provider. It offers cash prices based on the cost of the surgery and a reasonable mark-up, and the amount customers pay is usually far below health insurance payments and deductibles.

So what are the first steps to getting our healthcare market back into the private sector? Williamsen offers several suggestions gleaned from sources such as the Independent Institute, the Center for Health Policy Studies, and the Citizens’ Council for Health Freedom. First, allow individuals to purchase insurance with before-tax dollars, just as employers do. This would make insurance both portable and affordable, and remove the senseless burden of health insurance from employers.

Americans should also be able to own tax-free health savings accounts (HSAs), which would roll over from year to year and earn interest, to pay for future medical expenses. Over time this would eliminate the need for Medicare — which is nearly bankrupt anyway — and phase government out of the healthcare industry.

Williamsen also highlights the importance of eliminating CON laws (Certificate of Need), which force communities to prove to state bureaucrats that a new hospital is necessary — and since the bureaucrats are usually doctors or beholden to doctors’ lobbies, they seldom allow new clinics to open. This move would allow the market to dictate need, and facilities such as the Surgery Center of Oklahoma to flourish nationwide.

Hospitals’ non-profit status, which shields them from taxes, should be stripped unless they clearly list cash prices for private-pay patients. This would bring back competition in healthcare and answer the public’s clamor for total price transparency. It would also significantly reduce post-operative infections, because quality is a selling point when you’re catering to cash-paying patients. (The Surgery Center of Oklahoma boasts a post-operative infection rate near zero, compared with as much as 10 percent in the general medical community.)

Coupled with HSAs, forcing hospitals into the for-profit world would eliminate the need for private health insurance except for truly catastrophic situations. Premiums would nose-dive.

Private health insurance companies should not be allowed to profit from laws such as ObamaCare, which forced Americans to buy health insurance. (Of course they lobbied for that government takeover; it guaranteed profits!)



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The corrupt and ineffective FDA should be dismantled. Williamsen offers Underwriters Laboratories as a template of a private alternative to the FDA, since that global, independent company already certifies the safety of electronics and other products. In the short term, user fees to the FDA should be eliminated, and drug patent laws need extreme and immediate overhaul.

Each of these solutions reduces government control and involvement in healthcare, restoring life and vigor to the industry. That's something to make us all breathe a little easier.

The book is definitely worth reading to find flaws in our medical billing system, but it's not good for giving fixes to the problems.



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