

It's Not Broken—It Was Built That Way

Understanding the Economics of the Medical Industry

By Merle Herr

We live in an age of unprecedented healthcare. Helicopters swoop down to the accident scene and whisk away the seriously wounded to trauma hospitals. Advanced imaging equipment spots early-stage diseases, enabling better diagnoses and early treatments. New medical breakthroughs bring hope, healing, and extending life. Modern medicine with its centuries of learning and discoveries is a precious gift of God's sovereign grace. On one hand, we feel gratitude. On the other hand, a growing frustration is felt, particularly in the last decade. Something has shifted—or drifted from its moorings.

The American healthcare system offers world-class medical care but simultaneously feels like a broken economic machine. Medical prices have skyrocketed over the past several decades, outpacing average inflation rates by approximately 150%.¹ If you're like many, you live with a sense of fear should you need hospital services because of the economics of the system. However, investigative journalists like Marshall Allen and surgeons-turned-advocates like Dr. Marty Makary argue a more sobering thesis: the system isn't broken at all. It is functioning like it was designed—as a sophisticated revenue-extraction engine.

Evolution of an Extraction Engine

In his seminal work, *Never Pay the First Bill*, Allen notes that the complexity of the system is its greatest feature for those who profit from it. When we call healthcare "broken," we imply an unintended malfunction. But for the insurance conglomerates and hospital monopolies, the lack of transparency and obscure costs are the very gears that drive high profits.

While the title of this article might imply the system was intentionally "built" to be broken, it's likely an unintended consequence. Most people don't typically set out to be ill-motivated or explicitly selfish. But due to passively choosing to not push against the tailwinds of self-interest and greed, people end up building something worse than they intended. In this sense, the medical system evolved over time with the push and pull of various forces molding it into its current twisted shape. The net result is a stealthy financial extraction by an industry that historically was a non-profit endeavor.

¹ Bureau of Labor Statistics; January, 2000 to June, 2023.

The Mirage of Pricing Transparency

The foundation of any functional market is the ability of the consumer to know the price of a service before purchasing it. In healthcare, this logic is inverted and keenly felt by most patients. The calls for reform have reached the highest levels of government, with Robert F. Kennedy Jr. emphasizing the systemic nature of the problem, stating upon his appointment to Health and Human Services, "We need a radical revolution of healthcare transparency!"

As Allen highlights, the price for a simple MRI can vary by thousands of dollars within the same ZIP Code, or even within the same building, depending on who is paying. This isn't an accidental variance; it is a calculated strategy. Without a fixed price, there is no ceiling on what can be charged to the uninformed. Dr. Marty Makary, in his book *The Price We Pay*, exposes the "chargemaster"—the internal, inflated price list used by hospitals. Makary writes, "The chargemaster is a list of phony, high prices that no one actually pays, except the most vulnerable—the uninsured and those who accidentally go out-of-network."² This dual-pricing system creates an environment where the least capable of paying are billed the most. Research published in *Health Affairs* has shown that some hospitals mark up their services by more than 1,000% over the actual cost of care,³ a practice that would be considered price gouging in any other sector of the economy.

The Self-Pay Discount: A Deceptive Deal

For those in the self-pay world, a specialized form of opaque pricing exists. Hospitals often present a "self-pay discount" of 50%, 60%, or even 70% as a gesture of goodwill. However, when the starting point is a chargemaster rate inflated by 1,000% over the actual cost, a 50% discount isn't a bargain—it's just a slightly more polite form of price gouging. It's like marking a \$20 toaster up to \$200, then offering it to a neighbor for the "special price" of \$100.

A stark example of this can be found with a large healthcare system in the Mid-Atlantic region of Pennsylvania, specifically aimed at the large concentration of the Anabaptist community. They market a "Plain Community Discount Program" specifically targeting Amish and Mennonite families. The program is presented with high-touch marketing, including a published annual booklet featuring an Amish quilt on the cover. While it offers a straightforward 45 to 50% discount from the chargemaster, it is a strategic maneuver to harvest inflated prices from a group that is conscientious about paying their bills.

As Makary notes, such "discounts" are sometimes higher than the rates negotiated by big insurance companies. For the self-pay consumer, the hospital is not always offering a deal; they are simply anchoring the negotiation to a phony price so that the final bill—even after a "Plain Community" discount—may still represent an exorbitant profit margin. In

² Makary, M. (2019). *The Price We Pay*. Bloomsbury Publishing, p. 18.

³ Bai, G., & Anderson, G. F. (2015). "Extreme Markup: The Fifty US Hospitals With The Highest Charge-To-Cost Ratios." *Health Affairs*, 34(6).

this "stunted, irrational cash market," the patient is thanked for paying a price that would be considered extortion in any other industry.⁴

Medical Billing Comparison: The Illusion of the 50% Discount

Service	Medicare + 50% (Brotherhood's Rate)	Hospital Chargemaster (500% Markup)	50% Discount from Chargemaster
CT Scan	\$975	\$3,250	\$1,625
ER Visit	\$570	\$1,900	\$950
Lab Work	\$210	\$700	\$350

Balance Billing

Balance billing is designed to reclaim the "lost" profit when a medical sharing plan pushes back against the elevated chargemaster pricing by paying a fair price using Reference-Based Pricing (RBP)—a method where payments are set against an objective benchmark like Medicare rates rather than a hospital's arbitrary chargemaster.

The balance bill relies on two tactical maneuvers:

- **The Rejection of a Generous Price:** After the patient's sharing plan issues a payment based on pricing benchmarks (Medicare plus a generous margin), the provider ignores the legitimacy of that Reference Price. They treat the fair payment as a mere deposit rather than a paid-in-full transaction.
- **The Acceptance of Partial Payment:** Once the provider has accepted the fair and reasonable payment, they send a secondary bill directly to the member to make payment for the "balance." This is an attempt to make the case that the original elevated price was a legitimate price and only partial payment was made.

This is not a clerical error. Balance billing is an unprincipled practice that ignores the reality of fair economic exchange. As Marshall Allen notes, the patient is not expecting the balance bill while on the gurney. By the time the bill arrives, the service is rendered, and the hospital claims the debt is owed. Dr. Marty Makary describes this as a moral decoupling where "the surprise bill is the dividend of a predatory investment."⁵

For the members of Anabaptist Brotherhood, this is the moment where stewardship meets advocacy. To quietly pay a balance bill is to deny the call to stewardship. True stewardship requires standing on the truth of what the Scripture calls a "fair weight and measure." Once a true, reasonable, and generous payment has been made based on objective pricing data, the "balance" is a phantom debt.

⁴ Makary, M. (2019). *The Price We Pay*. Bloomsbury Publishing, p. 142.

⁵ Makary, M. (2019). *The Price We Pay*. Bloomsbury Publishing, p. 86.

Predatory Debt

Medical debt is a leading cause of bankruptcy in the United States, yet it is unique among debts. Unlike a mortgage or a car loan, medical debt is often non-consensual. One does not typically shop for the best price while experiencing a myocardial infarction.

The industry has leveraged this lack of choice. Investigations have revealed that nearly 100 million Americans are saddled with medical debt, often due to aggressive collection tactics.⁶ Hospitals have transitioned from sanctuaries of healing to aggressive creditors. "The predatory nature of medical billing is a moral crisis disguised as an economic one," Makary argues.⁷ The system relies on the fact that patients are too sick, too tired, or too intimidated by billing complexity to solve the problem.

The Physicians' Dilemma: Good Hearts in a Bad System

It is a mistake to conflate the greed of the medical-industrial complex with the intent of the individual clinician. The majority of doctors and nurses enter the field driven by a genuine desire to heal, only to find themselves as cogs in a machine that uses billing practices that are not ethical.

Many good-hearted doctors are the loudest critics of this economic structure. Dr. Makary emphasizes that physicians are often just as victimized by the lack of pricing transparency as patients. "Most doctors hate the billing games as much as patients do. They went into medicine to treat people, not to be the front-office for a debt-collection agency."⁸ Many doctors in the private primary care sector are operating with fair, transparent pricing. Some have moved entirely away from outside pricing structures by using a transparent fee for service.

Reforms and Progress

We live in a country that still grants religious freedom and fosters free-market enterprise. Political leaders like Robert F. Kennedy Jr. (Health and Human Services) and Dr. Marty Makary (recently appointed as FDA Commissioner) are calling the medical industry to embrace free-market pricing reforms. Change is occurring. Pockets of economic innovators are creating true pricing transparency; companies like MDSave.com, CashMD.com and CadetCare.com have recently innovated pricing tools to reveal actual prices. Hospitals and outpatient facilities willing to set themselves apart from the mainstream can join what Kennedy calls the "radical revolution of healthcare transparency."

In addition, several communities of Anabaptists have accomplished a radical change in a quiet, non-political, yet faithful way. Plain Church Group Ministries (Amish-operated) in northern Indiana has worked relentlessly within a 30-mile radius. As a third-party bill

⁶ Kaiser Health News (KHN). (2022). "Diagnosis: Debt." Joint investigation with NPR.

⁷ Makary, M. (2019). *The Price We Pay*. Bloomsbury Publishing, p. 210.

⁸ Makary, M. (2019). *The Price We Pay*. Bloomsbury Publishing, p. 114.

management service serving hundreds of Anabaptist church sharing plans, they have achieved the unthinkable after nearly ten years of effort. They hold mutual agreements with hundreds of hospitals and outpatient facilities that have agreed to reject inflated chargemaster pricing in favor of Reference-Based Pricing (RBP) at a rate slightly above Medicare or "flat Medicare"—meaning pricing is based on Medicare rates without an additional percentage added.

Vernon Beachy, the administrator, notes that they didn't accomplish a flat Medicare rate overnight. Years ago, they shifted to Reference-based Pricing by paying bills at Medicare plus 35%. Gradually they earned the trust of local providers and moved the price down to current affordable rates. In 2025, they managed \$71 million in medical expenses for the Plain community. Ohio Medical Aid Services (the main Amish sharing plan for the state of Ohio) has also shifted away from the deceptive discounts of inflated chargemasters. Using RBP, they have achieved an average rate of Medicare plus 20% to 25%. Managing nearly \$70 million in 2025, Ohio Medical Aid Services has reached a remarkable pricing milestone.

Both of these Amish-led organizations are active reformers, leading a much-needed quiet economic change in their respective spheres of influence. Meanwhile, grassroots Anabaptist medical aid plans like Weaverland Medical (Weaverland Conference) are extending noble efforts in the Mid-Atlantic area of Pennsylvania. They are humbly requesting an end to exorbitant chargemaster pricing and the associated "Plain Community" discounts. In the past several years, this effort has required patience, hard conversations, and persistence. This is understandable because millions of dollars are at stake for hospital systems if they cooperate with the Anabaptists' quiet determination to shift medical pricing to a transparent pricing model of Reference-based Pricing.

Conclusion: Reclaiming the Truth

As Marshall Allen argues in *Never Pay the First Bill*, the first step toward reform is to stand in the gap and not accept the status quo as "broken." If we passively shrug our shoulders and say "it is what it is," we are left with plagued consciences by doing nothing. The Amish medical aid organizations mentioned above have started a graceful, yet corrective movement that others should follow.

Borrowing heavily from the economic innovation the Amish have accomplished with their medical aid plans in Ohio and Indiana, Brotherhood is modeling its nationwide efforts on the same premise. Rather than playing the hospital's game of arbitrary self-pay discounts from exorbitantly priced chargemasters, Brotherhood has pivoted away entirely. By using objective benchmarks—such as Medicare rates and the hospital's actual cost basis—Brotherhood bypasses the inflated 10x chargemasters to arrive at a reference-based price that is both true and reasonable—even generous—for the provider.⁹

Furthermore, Brotherhood recognizes that the balance billing problem is far too complex for an individual to navigate alone. By providing strong member advocacy, they

⁹ For an in-depth understanding of Reference-Based Pricing, see article in this newsletter.

step into the gap, negotiating directly with providers on the members' behalf using advanced pricing data to reach the truth about fair pricing. This advocacy is backed by data-informed negotiations and financial tools to ensure that providers are paid a reasonable price by an organization that understands the complexities of the industry's economics.

The medical system may have been unintentionally built by industry leaders, but its result is widespread frustration and economic complexity. We have an opportunity for a Christian response! Through truth, transparency, and collective advocacy, we can respond and be a beacon of Christ's light to an industry that lives in economic shadows. Anabaptists are a people committed to godly stewardship of resources. Sometimes it's hard to face the truth: the self-pay discount from elevated chargemasters has silently bled our communities economically. Suffering is an appropriate posture, and so is a humble appeal for "fair weights and measures." Whether we suffer or appeal, the hymn we often sing comes to mind: "Rise up, O men of God!"
