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August 21, 2006

Ms. Jill M. Peterson,
Assistant Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: File S7-11-06

Dear Ms. Peterson:

My name is Tim Wilson, I represent Calumet Partners, we specialize in healthcare cost containment for self-insured corporations and municipalities. My experience in this area along with working in the Professional Employment Organization give me a unique insight into many of the problems today's employers are experiencing in regards to health care.

In the May 10 SEC Internal Controls Roundtable, participants discussed such topics as audit methodologies and the accurate recording of accrued vacation time. Our nation's accounting and corporate governance experts also attempted to clarify the term "material weakness," as it applied to internal control systems.

The Roundtable participants did not direct their attention to a more critical issue. Every day, employees of publicly traded firms pay over \$2 million in excessive healthcare co-payments, as a result of their employers' inadequate internal controls. Because of the SEC's failure to provide detailed, specific guidance regarding employee benefit healthcare accounting; self-funded health plans and their employees consistently overpay for healthcare. In a time of skyrocketing healthcare costs, corporations and their employees are paying for healthcare expenses that they don't even owe.

In October 2005, the National White Collar Crime Center reported that healthcare fraud amounted to approximately \$170 billion per year. (This was based on GAO estimates that 10% of every healthcare bill was improper.) .

Since the last SEC Roundtable, two hospital organizations resolved Federal whistleblower actions by agreeing to repay the Federal Government over \$1 billion.

In spite of the fact that hospital bills are known to be inaccurate, the SEC has allowed corporations to use lower internal control standards in the payment of employee benefit healthcare expenses than in the payment of other corporate expenses.

Publicly traded corporations routinely pay for grossly inflated healthcare and for healthcare that hasn't even been provided to employees and retirees. In many cases, expenses are shifted from the bills of Medicare/Medicaid patients to the bills of patients covered by self-insured health plans.

Although the excessive mark-up of healthcare goods and services is a common topic of discussion, it is not being addressed in corporate America. A hospital may charge a Medicaid patient one price for a given medication and charge a self-insured corporation 1,800 times more for the same medication. In many cases, the employee's co-pay is 50 times more than the retail price of the medication.

The SEC's lack of specific guidance and SOX enforcement has resulted in a virtual "fiefdom" in the healthcare and health network industry. I am not aware of any other industry in which a client's prices are confidential.

Imagine what would happen if a convenience store charged some customers \$3.10 per gallon for regular; and charged employees of publicly traded firms \$5,580 per gallon. Of course, (a) there would be an FTC investigation into a company that charged an extra \$5,577 per gallon for certain customers; and (b) consumers would refuse to pay the ridiculous mark-up. Unfortunately, inconsistent billing is common in the healthcare industry. In most cases, the practice escapes government investigation. As a result, corporations and their employees do pay the inflated prices.

Most Third Party Administrators (TPA's) refuse to disclose healthcare pricing, as such information is deemed "confidential." TPA's simply assure clients that their health plan members will receive a discount from providers. If the pricing is not disclosed, however, it is impossible to determine whether or not the client is being charged correctly. Hundreds of CFO's have certified the adequacy of their internal controls, even though they have never seen the prices that their corporations and employees have agreed to pay.

Perhaps Ms. Thomsen should file a test case with a proactive U.S Attorney, such as R. Alexander Acosta in Miami or Michael Sullivan in Boston. Maybe a CFO should explain to a jury how he verifies the accuracy of health benefit invoices, without having access to a price list. Maybe a jury should decide whether or not the CFO's actions constitute material misrepresentations and false statements to the SEC and shareholders.

As a point of reference, U.S. Attorney Acosta and his team prosecuted and convicted 22 defendants in a single case of insurance fraud in September of 2005. The defendants had billed and received payment for \$5 million worth of fraudulent claims. In many instances, the invoices were for medical services that had not been provided.

In this single case, major insurance companies--including Geico, Allstate, Liberty Mutual, MetLife, and Federated Insurance--were defrauded of over \$5 million. Obviously, a publicly

traded firm's self-funded health plan would be far more vulnerable to such a scam, especially if corporate management did not have access to the correct pricing.

I assume that the SEC will continue to solicit comments. The Commission may even have another Internal Controls Roundtable next May. In the interim, employees in self-funded health plans will continue to be overcharged. As the issue is exposed, the more savvy employees will request itemized bills for their hospitalizations. Some will find that they have made excessive payments, e.g., \$10 co-payments for medications that retail for 36 cents. In the case of significant overcharges (and overpayments), employees may even consult legal counsel.

ERISA regulations hold fiduciaries personally responsible for damages to employees that result from fiduciary breach. Although most Board members have Errors & Omissions insurance, such policies generally exclude damages resulting from ERISA fiduciary breach. The moment an Audit Committee member has to write a personal check to reimburse employees for healthcare overpayments, the SEC will be forced to take action on this issue.

Recommendations:

1. Require all publicly traded firms with self-funded plans to have hospital and healthcare pricing (not a description of "discounts") in their possession within 60 days. Have this information readily available to employees.
2. Have the Audit Committee of every publicly traded firm with a self-funded health plan disclose the following in its SEC 10Q or 10K within 180 days:
 - a) Amount paid for hospital care in 2005.
 - b) Percentage of invoices in which billing errors were detected in 2005.
 - c) Average overcharge (as a percentage of billed charges) identified in 2005.
 - d) Healthcare-related internal control inadequacies in 2005.
 - e) Projected healthcare refunds owed to employees.
3. Provide amnesty from criminal SEC prosecution to CEO's, CFO's, and Audit Committee members who fully disclose to the SEC, within 60 days, inadequacies in their healthcare internal controls.
4. Provide amnesty from Department of Labor prosecution for all CEO's CFO's, and Audit Committee members who submit a plan, within 90 days, to provide refunds to employees who have overpaid for healthcare, as a result of internal control inadequacies in their employers' self-funded health plans.
5. Add "Healthcare Benefit Accounting" to the SEC's onsite audit plan.
6. Have the SEC issue accounting guidelines, stating that a firm with a self-funded health plan must have:
 - a) Price lists from applicable providers.

- b) A plan to ensure that healthcare providers invoice the firm according to contracted rates.
7. Have the SEC sponsor a SOX healthcare accounting guidance seminar in the next 90 days.

I hope the information I have provided you will help you formulate a better understanding of exactly the type of problems that exists in the healthcare area. I am sure with the help of you and the Securities and Exchange Commission many of these problems can be addressed and overcome in the near future. If I can be of any other service to you or should you have any questions, please do not hesitate to contact me.

Sincerely,

Tim Wilson

Calumet Partners