

Date: August 25, 2006

To: Jill M. Peterson  
Assistant Secretary

From: Charles W. Stout III JD  
President/CEO  
Management Revenue Group

Re: File S7-11-06

Having been in business and sales while dealing with political types for more than 30 years, I would like to offer my perspective.

I have read many of the comments to the SEC and watched the noticeable lack of real results. In spite of the efforts of their "Blue Ribbon" committees, governmental agencies have failed to address the issue of healthcare accounting.

There is a complete lack of management and oversight of people and entities responsible for the provision and payment of healthcare in this country. In fact, the current system borders on criminal.

An old adage refers to our response to repulsive actions (like stealing from others). It goes something like this:

First we abhor;  
Then we tolerate;  
Then we embrace;  
Then we legislate.

When Hank Greenberg, former AIG Chairman, was forced out of the insurance empire he had built, his protestations were along the lines of, "You can't do this to me; it's how we have done it for years." This attitude reflects the tendency to "embrace and legislate" the problems that exist in today's healthcare system.

In less than one generation, we have seen the cost of healthcare in this country rise *TEN FOLD*. Medicare and Medicaid (including the state portions) collectively are approaching \$400 billion per year. No other expenses have escalated so quickly. While I will concede that certain

advancements in technology have added to costs, nothing justifies the degree to which healthcare costs have skyrocketed.

Before you ask how anyone can put a value on life or the quality of life, let me remind you that it is done every hour of every day in this country. When 9/11 took thousands of lives, the Federal Government developed a formulary to determine the monetary compensation for the untimely loss of that life. How have we managed to provide such compensation? It's simple. Everyone thinks someone *else* is going to foot the bill.

Fifty years ago, before Medicare, Medicaid, and insurance programs allowed the transfer of risk; people had to pay out of their own pockets for medical care. *Nobody* agreed to allow the system to run wild, expending resources that attempted to medicate every single itch, scratch, twitch, cough, or ache.

Now, if you have the sniffles, a cough, an ache, a pain, or E.D....or you just don't feel like you did 20 years ago...you simply cruise into the E.R., take a number, and spend somebody else's money, to track down the supposed cause. (Just check the Medicaid bill for 2006. It amounts to nearly \$200 billion!) A generation ago, we were healthy, happy, and well adjusted people. Today, fully 25% of all kids are on Ritalin and we are treating approximately 100 conditions (such as "Adult ADHD") that didn't even exist in previous generations.

We are over-medicating our society and spending ourselves into financial ruin. We continue to look to a medical system, supervised by financially interested individuals, to give us an excuse for any type of behavior and a pill--paid for by someone else--to treat it. As a result, we have no personal responsibility or liability for our own physical conditions.

How is it that some of the most profitable institutions in this country are *healthcare* operations (some of which have the tax status of *NON-ROFIT*)? I have seen numerous cases in which a corporate health plan's TPA and Insurance Broker have cost the firm *more* than they have returned in profits to shareholders. What is wrong with the system? The answer: *GREED*.

With nearly **TWO TRILLION DOLLARS** spent in this country each year on all forms of healthcare, the opportunity for outright theft is unbelievable. Two trillion dollars equates to nearly \$7,000 for every man, woman, and child in this country. Would it surprise anyone

reading this to know that two trillion dollar is more than *FOUR TIMES* as much as we are budgeted to spend this year on Defense (\$447 billion, according to the National Defense Budget Estimate for 2006), keeping people from trying to kill us, as opposed to treating minor discomfort? We have added trillions in Federal debt over the last several years. We will eventually collapse under the load, even if it represents a small percentage of GDP. In total, the amount is monstrous.

Hospital overcharges; e.g., \$100 for an aspirin, \$50 for a "mucous recovery device" (tissue), and \$25,000 for one hour in the ER to set a broken finger, cost health plans *tens of thousands of dollars*. If you and your organization, along with every other responsible division of government, do not immediately take action to hold responsible all who feast at the financial trough of free flowing healthcare, then the system will bankrupt society. Nothing will be there to assist individuals who truly have significant medical needs.

Some corporations have had to file legal actions, in order to correct problems in the payment of healthcare bills. AutoNation has filed suit against United HealthCare, alleging that the insurer has paid "improper and unauthorized" medical claims. A jury trial is set for this fall.

If the AutoNation team had reviewed the paperwork, they would have seen that the TPA/Network had been given free reign to do whatever they wanted, without accountability. Also, it was never stipulated that any provider would be held accountable to a specific price for any service provided.

Additionally, if the SEC had enforced the law, AutoNation would not have been required to expend the legal fees needed to *prove* that United HealthCare was acting improperly. In this situation, one Fortune 500 company is suing another, at the expense of the shareholders and employees.

According to many notable scholars, the human psyche is such that people will do less to improve themselves and make more money than they will do to keep others from *stealing* from them. The inaction of our regulatory entities, coupled with the complete indifference of corporate America's senior management, has allowed a vast system of lechery to entrench itself into the healthcare system.

Sarbanes-Oxley has *teeth*, as it assigns personal criminal and financial liability to those who fail to provide the level of scrutiny that a Prudent Man would exercise, if he were dealing with his own paycheck. If your paycheck were 15 to 25% *LESS* than you knew it should be, would you simply shrug off the discrepancy or *immediately demand a detailed accounting of every dime taken?* I know it would be the latter. In your oversight capacity, however, you are allowing others to ignore their responsibilities to the citizens of this country.

***Every single hospital bill contains significant errors***, which are not being caught, corrected, and eliminated. CMS, which is trying to downplay the true scope of the problem, reports an average national error rate of 9.3% in the claims paid in 2004. (Our team has found an average error rate of over 15% per hospital bill).

Even if we base our estimates on CMS's conservative figures; hospital overpayments are having a disastrous impact on our nation. 9.3% of \$2 trillion is approaching *\$200 BILLION*. This means that over \$620 is being *STOLEN* from every man, woman, and child in the country, through fraud, waste, or mismanagement. *YOU* may be rich, but my family can't afford to have someone steal \$2,500 from it every year.

You have the tools (in SOX), the resources, and the information necessary to hold corporate executives accountable to fix the problem. The choice is yours; either take action *now*, or wait for society to become focused on this issue. When people realize that thousands of dollars have been stolen from them each and every year for a generation, there will be no stopping their rage. One only needs to look at the daily news to see that society has been programmed to search for someone to blame for everything and anything.

I suggest the following:

1. Provide corporate executives and Audit Committee members with specific guidelines as to what constitutes adequate internal controls for self-funded health plans.
2. Provide a reasonable time to implement the new controls (perhaps 90 days).
3. Prosecute those who fail to implement the proper 404 controls for employee benefit healthcare accounting.

You can choose to be part of the solution or part of the problem. The time to decide is now.

Respectfully;

Charles W. Stout III JD  
President/CEO  
Management Revenue Group