

SENATE COMMITTEE ON
LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON LABOR

SENATE TESTIMONY

WILLIAM J. RAND, M.D.
Director
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Over the years Dr. Rand has provided education on health care matters and served as an advisor to both Republican and Democratic leaders. He is committed to maintaining excellence in medical care and a patient's right to have access to the doctor of his or her choice.

Dr. Rand has had individual meetings with most of the key senators and congressmen involved in the health care field. He was asked to review the health care plan for the Bush administration.

Dr. Rand was invited to testify before the Senate Committee on Labor and Human Resources, Subcommittee on Labor regarding the causes of decreasing quality of health care under managed care arrangements.

We thought you might find the update of the speech he presented at the United States Senate of interest including his proposal for a simplified affordable national health care system that covers everyone. For that reason we are making it available to our patients.

Please feel free to show this to anyone in the hope that it will illuminate one of the most important issues of our time, preserving the excellence in health care.

TESTIMONY of WILLIAM J. RAND, MD

UNITED STATES SENATE

My name is Dr. William J. Rand, and I am a board certified ophthalmologist. I enjoy a reputation as a leading eye surgeon and as an innovator in my field. I am the Founder and Director of the Rand Eye Institute, in Pompano Beach, Florida, a center of professional excellence and one of the largest eye surgical centers in the country.

I have participated in the development and improvement of some of today's most innovative technology for sight restoring cataract surgery, including small incision sutureless cataract operations, instantaneous vision restoration, and the new intravenous analgesia technique that frees patients from the risk of ocular injections, the Rand-Stein Protocol. I am one of the most experienced eye surgeons in the country. I have 15 times a lifetime of experience in caring for patients in their hour of need, restoring eyesight, in many cases to those deemed hopeless by other physicians with the same title, but with less experience. My patients come not only from Florida, but from all over the country and from many other countries around the world.

Many patients have sought my services, gladly bearing all of the costs of travel and medical care, even though they could have received so called "identical care" offered totally free of charge by their own country's universal health care system. I have operated on leading physicians and surgeons from these countries as well. For ten years, I was the course director for the highly regarded Southeast Regional Cataract Microsurgery course. I have had the privilege of teaching thousands of American and foreign eye surgeons.

I serve without salary, as a director of the Diabetes Research Institute Foundation, at the University of Miami School of Medicine. I am a substantial financial contributor and I actively raise funds for the Diabetes Research Institute's intensive research program that we expect will actually cure and eradicate diabetes.

I am the father of a diabetic son, who has required at least four insulin

injections every day to keep him alive, since he was 14 months old.

My father suffered from Alzheimer's disease, with progressive mental deterioration. We took care of him in our home for five years, with around the clock caregivers, at great expense. I learned how it feels, to be the head of a household with massive non covered health care expenditures. I know what it is like to worry about a brilliant and beautiful diabetic son who would not be alive without the ongoing care he receives from our medical system. I know first hand what it means to be dependent upon future medical technology innovation.

I believe that all this has given me a unique perspective on health care issues, and uniquely qualifies me to render opinions with an expertise that few can match. Senator Metzenbaum knows me and the Rand Eye Institute, and what a dedication to excellence is all about.

In Washington, if you can throw around statistics you look like an expert. I'm just a doctor. I'm not going to give you statistics. I'm here to try to give you common sense, tempered by my expertise, because I am intimately involved in every aspect of the health care system. And I am 100% committed to excellence in my field.

Senator Metzenbaum, the reason I accepted your invitation to appear before this prestigious panel, is because I want to tell you that our nation's noble effort to provide universal access to our health care system is going astray.

I believe that we share a common goal. We all want to assure that each American has access to the high technology medical system that so many of our citizens enjoy. Those of us that are among America's most outstanding clinicians have not been heard from. We are the segment of the medical profession that the public seeks out when they simply must have the best. We are the great innovators and we provide our patients with an additional level of care.

I am sorry Senators; there is no provision for excellence in the current health care reform proposals.

The enactment of managed competition legislation has created compelling incentives for venture capitalists, insurance companies, physicians and hospitals to form managed care relationships that are a perversion of the legislative intent. It is acquiring a life of its own. It is becoming a breeding ground for mediocrity and the instrument of the physical and mental abuse of its captive audience, patients and doctors alike.

In the world of managed care, skilled public relations specialists contrive terminology and linguistic euphemisms to create the illusion that the new world of managed care is even better than the great American health care system that exists today. Terms such as excellence in health care, quality care, competitive pricing, full service, choosing a doctor of your own choice, primary care physician and friendly gatekeeper, are merely the public relations jargon of a system in which only profits matter. Managed care has become a patient distribution system, brokered by middlemen. Corporations are skimming off 30 or 40% of the patient care dollar right before your eyes.

Managed care has become a euphemism for "brokered" care. A new middleman layer of health care brokers is being developed. Ostensibly, these HMO's or managed care plans are paid for their expertise in managing the health care efficiency and assuring quality care for a group of assigned patients. But in reality these brokers do little more than administer the distribution of contracted blocks of patients to the same local doctors and hospitals where they were cared

for before. They either contract with doctors for reduced fees, ridiculously reduced fees, or payment by capitation arrangements.

These “robber barons” virtually extort 30 or 40% of every health care dollar, every day, every year now and forever. All this for having originally matched patients and doctors, and for continuing to allow the doctors to see their patients. No matter what they say about quality control, all they do is broker care.

Where 100% of the patient care dollar once went to pay for the time and labor inherent in quality patient care, now only 60 or 70% can reach the provider. Next year it will probably be 50%, and who knows what will follow. The difference is redistributed profit, not a saving to the health care system.

TPAs or third party administrators are an additional middleman layer. They actually subcontract with the large health plans for rights to a certain number of the plan’s patients and make deals with the doctors in the TPA’s local area. They may broker the “broker’s” patients, back to the same local doctors who used to take care of the same patients before their patient’s care began to be managed. The managed care plan may give up 10% to the TPAs and keeps the remaining 20 or 30%, no longer having to go out and even recruit patients.

Some TPAs function properly, as insurance agents, arranging contracts, and collecting a one time fee. Most TPAs, however, function as if they were their own managed care plan and may continue to receive 10% of the ongoing health expenditures, forever. There are some people making millions of dollars a year being a TPA.

In order to maximize profits, the managed care entity seeks out the lowest bidder, ignoring quality and humanity. They must actively engage in the withholding of services. Any unnecessary corporate expense is a loss of money. Any service that can be denied or withheld is good financial policy for the corporation.

In many managed care organizations, a doctor, euphemistically known as the gatekeeper, a general practitioner with no specialty training is given the ultimate power of triage. How could anyone without advanced training make reliably accurate decisions as to who needs a specialist and who does not? The gatekeeper is not a friendly doorman at the gates. He is not Marcus Welby. Gatekeepers are guards placed there to keep you and your family out of the hands of the more skilled professionals and specialists.

For managed care to be maximally profitable, it requires restricted access. With the newfound power of the managed health plans, an almost free hand can be, and has been used in setting rates and terms with doctors. But it gets worse. These powerful health care organizations are now routinely signing up doctors for capitation agreements on many new contracts.

Capitation is when doctors are paid by the head, per capita, in advance. The doctor receives a certain fixed dollar amount for each member that the plan binds to him. These patients can see only that provider. This, multiplied by the total number of patients assigned to the doctor, equals exactly what monthly income the doctor will derive from that group of patients, no more, no less.

On the surface, capitation makes sense. It is the one sure way to drive down health care expenses. But it does so at a terrible cost in pain and suffering for the patient, because it provides every incentive for abuse of the patient. It fosters a disincentive-to-care system. The doctor makes the same income from those patients, whether or not he sees the

patients, treats them or not, or whether he does surgery for them or not. The doctor earns more, if he spends his time on other outside income producing patients and he expends and perceives that he loses time and money every time he provides a service to a capitated patient. These capitation arrangements pay the doctor from 30% to 60% of what the normal reimbursement for time, expenses and labor would be. The insurance company or managed care organization keeps the rest as corporate profit, or profiteering.

Capitation payments to managed care providers should be illegal. Every incentive is in the reverse direction. The patient is often put in the position of begging his doctor for care and tests and treatment. I have seen many abused patients who were denied medical and surgical care. I have seen patients who have been told that at 65 years old, they were too old for “dangerous” cataract surgery. Or that one “seeing eye” was enough. I have seen eyes lost because of low technology surgery, or because of pathology that was discovered too late or not at all because the doctor gave only a two minute eye exam.

You get what you pay for. Care of a patient must not be by the lowest bidder. Care should not be a financial loss to the caregiver. It is a conflict of interests. The caregiver will find every reason to spend less on care and to provide patch jobs whenever he can get away with it.

By our failure to regulate this emerging industry, we essentially set managed care loss on our population. Now the players in this system are so strong and powerful that it will be almost impossible to stop them. It is so lucrative that everyone is buying up everybody they can. Insurance companies are buying up the venture capitalists. The bigger insurance companies are buying up the smaller ones. Bigger and bigger companies are buying up hospitals and managed care, health care networks. I am amazed how many people want to buy the Rand Eye Institute. But it is not for sale, yet. Only by abolishing capitation agreements, by law, would things ever have a chance of turning around.

On the surface, the patient does not see that he has been bought and sold. The patient is given a rosy picture of linguistic euphemisms to replace the quality in his or her care. The patient is shielded from out of pocket charges by corporate or government edict. This looks great to the healthy patient who does not have to consume health care services. But it has the effect of denying each patient the benefit of the adequate funding of his health care. In short, the government thinks it has fixed everything. The corporation gets something for nothing. The patients have the illusion that they are getting something for nothing. The doctors quickly learn how to provide less, for the little something they get.

You can find thousands of happy patients to swear that managed or restricted care is wonderful. But these are usually the healthy ones. And there are some who just do not know any better. But those who would complain the most eloquently have had their voices muted or silenced when enfeebled by the denied access and limitation of care that came into play. When in the course of human history can you get something for nothing?

Senators, this is just the tip of the iceberg. Imagine. An HMO patient cannot have the high technology surgery of the Rand Eye Institute, even if we are the only place where that patient’s eye might be saved. Is that universal access? It’s not fair.

You can say that the patient chooses whether to be in such an insurance arrangement in the first place. But these patients did not know the life shattering implications of their choice. They did not know to seek out

a plan that would guarantee them access to the best care when they were still healthy. They just did not know.

I care deeply about what kind of health care legacy we will leave to our children. Will there be freedom and incentives to create the next generation of great advances in medical technology or will misguided legislation remove the incentives to the extraordinary achievements that our health care system can provide in the future.

Health care has been referred to as the last great American Industry. Patients come from all over the world for the best medical care money can buy. The only reason there is any advanced technology in the rest of the world is because we develop it here in the United States for widespread distribution, not for the limited allocation allowed in rigidly controlled medical economies. Certainly the events in Eastern Europe and the former Soviet Union have shown us that over regulated industries fail because people fail to innovate and perform.

So I urge you to make special effort to make provision for excellence a priority, in any health care reforms you legislate. If I were a Senator, I would be writing a health care bill with some very special provisions. I have included them here with my written testimony.

It all fits on one page, costs no more than 15 billion dollars a year, and can be paid for by a nominal tax on private insurance premiums, cost free to the federal government, and it assures universal access to the best health care for absolutely everyone: Here are the main points that I would include:

- Apply anti trust, monopoly and cartel laws to medical related enterprises and stop the corporate takeover of the medical care delivery system.
- Make it illegal to enter into a capitation based health care relationship.
- Make it illegal to restrict access to a given panel of providers.
- Allow patients the right to assign insurance benefits as partial payment to more expensive providers.
- Most importantly, support research to cure tomorrow's health problems. If we fund research:
- In 10 - 15 years from now, we will not be paying for Alzheimer's disease, diabetes, heart attacks and strokes. These, now costly diseases will be a thing of the past as they yield to scientific progress.
- The projection of ever increasing medical expenses as a percentage of gross domestic product is only the first part of a bell shaped curve. Medical expenditures will fall as each disease entity is eradicated.

Leave the medical providers as free as possible so they may remain innovative and empowered to serve their patients best interest.

Regulate the insurance and health care companies as a utility. Require that insurance companies:

- Eliminate unfair selection practices and insure all comers.
- Provide a choice of defined benefit packages at uniform rates, regardless of age, health status, size of group or whether the purchaser is an individual or a group.

- Standardize simplified claim forms and computer interfaces, and create a uniform computerized health insurance card.

Establishing an inexpensive system of universal health care coverage

- Require every American to seek and obtain health care insurance, just like we require motor vehicle accident insurance.
- Those who can should pay for their own health insurance. Those with reduced incomes should receive federal assistance towards insurance on a sliding scale, commensurate with the ability to pay:
 - Full income = no federal support
 - Half income = 1/2 federal support
 - 1/4 income = 3/4 federal support
 - No income = full federal support

To encourage excellence and to assure equal access to the best care:

- Balance billing limitations should apply only to patients with a low income level.
- Balance billing restrictions should not apply to benefit those patients who do not need it.
- Utilize the same income based sliding scale to provide balance billing protection.
- Do not entitle persons to free anything if they do not have need of it.
- Enlist doctors in a patriotic effort to hold down health costs that are not necessary.
- Empower specialty societies to develop their own guidelines for efficient care.

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