

HON. RON PAUL OF TEXAS IN THE HOUSE OF REPRESENTATIVES March 27, 2003  
HMOs and Federal Health Care Regulations vs. Freedom of Contract

Mr. Speaker, I am pleased to introduce the Quality Health Care Coalition Act, which takes a first step towards restoring a true free market in health care by restoring the rights of freedom of contract and association to health care professionals. Over the past few years, we have had much debate in Congress about the difficulties medical professionals and patients are having with Health Maintenance Organizations (HMOs). HMOs are devices used by insurance industries to ration health care. While it is politically popular for members of Congress to bash the HMOs and the insurance industry, the growth of HMOs are rooted in past government interventions in the health care market through the HMO Act of 1973, tax code, the Employment Retirement Security Act (ERISA), and federal anti-trust laws. These interventions took control of the health care dollar away from individual patients and providers, thus making it inevitable that HMOs would emerge as a means to control costs.

Many of my well-meaning colleagues would deal with the problems created by the HMOs by expanding the federal government's control over the health care market. These interventions will inevitably drive up the cost of health care and further erode the ability of patients and providers to determine the best health treatments free of government and third-party interference. In contrast, the Quality Health Care Coalition Act addresses the problems associated with HMOs by restoring medical professionals' freedom to form voluntary organizations for the purpose of negotiating contracts with an HMO or an insurance company.

As an OB-GYN with over 30 years in practice, I am well aware of how young physicians coming out of medical school feel compelled to sign contracts with HMOs that may contain clauses compromising their professional integrity. For example, many physicians are contractually forbidden from discussing all available treatment options with their patients because the HMO gatekeeper has deemed certain treatment options too expensive. In my own practice, I have tried hard not to sign contracts with any health insurance company that infringed on my ability to practice medicine in the best interests of my patients, and I have always counseled my professional colleagues to do the same. Unfortunately, because of the dominance of the HMO in today's health care market, many health care professionals cannot sustain a medical practice unless they agree to conform their practice to the dictates of HMOs.

One way health care professionals can counter the power of the HMOs is to form a voluntary association for the purpose of negotiating with an HMO or an insurance company. However,

health care professionals who attempt to form such a group run the risk of persecution under federal anti-trust laws. This not only reduces the ability of health care professionals to negotiate with HMOs on a level playing field, but also constitutes an unconstitutional violation of medical professionals' freedom of contract and association.

Under the Constitution, the federal government has no authority to interfere with the private contracts of American citizens. Furthermore, the prohibitions on contracting contained in the Sherman antitrust laws are based on a flawed economic theory which holds that federal regulators can improve upon market outcomes by restricting the rights of certain market participants deemed too powerful by the government. In fact, anti-trust laws harm consumers by preventing the operation of the free-market, causing prices to rise, quality to suffer, and, as is certainly the case with the relationship between the HMOs and medical professionals, favoring certain industries over others.

By restoring the freedom of medical professionals to voluntarily come together to negotiate as a group with HMOs and insurance companies, this bill removes a government-imposed barrier to a true free market in health care. Of course, this bill does not infringe on the rights of health care professionals by forcing them to join a bargaining organization against their will. While Congress should protect the rights of all Americans to join organizations for the purpose of bargaining collectively, Congress also has a moral responsibility to ensure that no worker is forced by law to join or financially support such an organization.

Mr. Speaker, it is my hope that Congress will not only remove the restraints on medical professionals' freedom of contract, but will also empower patients to control their health care by passing my Comprehensive Health Care Reform Act. The Comprehensive Health Care Reform Act puts individuals back in charge of their own health care by expanding access to Medical Savings Accounts and providing Americans with large tax credits and tax deductions for their health care expenses. Putting individuals back in charge of their own health care decisions will enable patients to work with providers to ensure they receive the best possible health care at the lowest possible price. If providers and patients have the ability to form the contractual arrangements that they find most beneficial to them, the HMO monster will wither on the vine without the imposition of new federal regulations on the insurance industry.

In conclusion, Mr. Chairman, I urge my colleagues to support the Quality Health Care Coalition Act and restore the freedom of contract and association to America's health care professionals. I also urge my colleagues to join me in working to promote a true free market in health care by putting patients back in charge of the health care dollar by supporting my Comprehensive Health Care Reform Act.

