

Rebuilding Texas Health Care

By The Honorable Dianne White Delisi

During my decade long tenure on House Appropriations, I began to notice an alarming trend. For the first time in the state's history, the rate of growth of health care spending began to outpace the rate of growth of education spending as the fastest growing segment of our budget. Arguably access to, and quality of, health care are of vital importance, yet I believe that education should be the state's top funding priority. In the 78th Legislative session however a crisis situation in health care was beginning to derail that priority.

Four main problems contributed to the rising cost of health care: health costs in excess of 15% of GNP nationally and rising; direct to consumer advertising; the disconnect between actual costs and deductibles; and, premiums paid and bureaucratic administrative inefficiencies.

When the 78th Legislative Session convened this past January, the newly elected leadership knew we had much work to do. We knew we faced challenges that were unlike anything Texas had seen in a long time: we had a state government that had grown faster than people's incomes, coupled with an enormous budget shortfall, the likes of which Texans had never seen. Facing a \$9.9 billion shortfall and the fact that the cost estimates for two years out would have broken the state, there was no choice but to act.

The Select Committee on State Health Care Expenditures, the Public Health Committee and the Appropriations subcommittee for Article Two all put forth sweeping changes in health care, saving the Texas taxpayers billions of dollars.

HB 727 created a disease management program in Medicaid. The bill instructed TDH to enter into contracts with disease management providers for chronic health conditions such as heart disease, hemophilia, diabetes, respiratory illness, HIV/AIDS, end state renal disease and any others the department deems necessary. Managing chronic diseases helps reduce the costs over a long term period. HB 727 equaled \$8.5 million savings. HB 1735 disease management for ERS and TRS, like HB 727, directed those agencies to establish disease management programs. HB 1735 has a savings of \$3,983,142.

HB 728, which changed Medicaid eligibility back to six months from twelve, created a \$286 million positive fiscal note.

HB 1743, with a savings of \$21,394,000, established stricter guidelines for Medicaid fraud prevention, moved seizure power to the Attorney General, implemented an administrative hearing process on payment holds and allowed for prosecution of fraud and abuse crimes by the Attorney General with the consent of the local district attorney.

SB 1173, a companion to HB 1744, required ERS and TRS to provide a drug formulary for prescription drugs that will require prior authorization for coverage of the following categories of prescribed drugs if the specific drug prescribed is not included in the formulary: (1) a gastrointestinal drug; (2) a cholesterol-lowering drug; (3) an anti-inflammatory drug; (4) an antihistamine drug and (5) an antidepressant drug. SB 1173 has a savings of \$23,200,000.

HB 3436 directed long term care facilities to return certain unused medications, issued under Medicaid, to the pharmacists for restocking. HB 3486 saves \$3.2 million.

HB 2292, providing savings in excess of \$1 billion, created sweeping changes to public health and human services. It consolidated agencies, centralizes eligibility determination for Medicaid, food stamps and TANF recipients and changed the structure of CHIP.

House Bill 4, while a "tort reform" bill, has far reaching effects, including creating savings in the health care sector. By doing such things as limiting noneconomic damages for medical malpractice claims and providing immunity for charitable care clinics, malpractice rates should be reduced. This will create an overall reduction in the cost of health care delivery.

Despite the savings, fundamental changes to the health care system are still needed. We must change the way people think about health care, making them aware of the costs and giving them control over what they spend. We must work towards consumer driven care rather than bureaucratic driven care.

HB 3257 was the first step toward that goal. It established Health Reimbursement Arrangements

or HRA's, for the school employee pass through money. HRA's are a new way for employers to deliver health care benefits. This new IRS model allows employers to deposit money in special tax free accounts that are controlled by employees. These accounts can be spent on any qualified medical expense including insurance premiums, deductibles and co-pays, the purchase of eye glasses or dental services. If the money in these accounts is not spent, it rolls over to the next year. Eventually, those who are fortunate enough to have had a long run of good health become virtually self-insured. This money, which is always tax free, can even be used to pay for the cost of long term care insurance. The long term impact of HRA's in Texas will be significant.

By putting the purchasing power in the hands of the consumer we enter competition into an industry that has traditionally not dealt with competition at the consumer level. When health care providers must consider the patient as the purchaser of services, competitive pricing will be the result. Currently, with consumers paying only a fraction of the costs of their health care services and usually not seeing the amount the insurance company is picking up, there is no way for a consumer to factor in the costs of the treatment they chose, nor any personal reason for them to make choices based on price. An HRA would give individuals a fixed amount of money from their employers to spend on health care. They would know that once that money was gone, the burden would fall on them.

By slowing the growth of health care spending, the legislature dealt with a serious problem and protected education as the state's first priority. The changes made demand a watchful eye. During the interim, we must remain vigilant to ensure the savings estimated by the comptroller are achieved, and the intended reorganization is completed as new rules are written. By restructuring the way we provide many health care services, tremendous savings for the taxpayers of Texas were achieved and necessary health care will continue to be provided to those who need it most.

However, our work is not done. Despite the savings we created, there must be a paradigm shift in the delivery of health care. Our challenge for the future is to create a system in which consumers have greater control over their health care while at the same time having more responsibility for the costs.

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