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Drowning in health care costs? Texans deserve lifeboats off the health care Titanic

Texas

BY CHRIS PATTERSON

One of four Texans lack health insurance and one of five children live below the federal poverty threshold. For financially-strapped Texans, health care is a daunting challenge.

Many legislators seek to give Texans relief by expanding Medicaid and the Children's Health Insurance Program. Because state-subsidized health care is unsustainable, this "relief" spells disaster.

Economists say Medicaid and CHIP will bankrupt every state, including Texas, by 2014. Signs of the impending crisis are evident in health care cost over-runs and budget short-falls.

A little over 26 percent of the state budget is devoted to Medicaid, a portion that exceeds average national investment by 21 percent. By the end of 2004, \$17 billion will be invested in Medicaid, covering 3,000,000 Texans and an additional \$808 million will underwrite CHIP, covering 407,000.

Because the price of government health care is expected to double within the next ten years, no state - not even Texas - can bankroll Medicaid and CHIP.

Before expanding enrollment and making more Texans dependent on a sinking program, it would be useful to look at Tennessee. Ten years ago, Tennessee lawmakers offered a government-subsidized health care program to residents not covered by

other insurance.

Today, TennCare covers nearly 25 percent of the state's population and consumes nearly 33 percent of Tennessee's budget. Tripling costs forced lawmakers to institute draconian controls and now Tennessee ration medical care - 12 doctor visits per year and 6 prescriptions per month. Anticipating a \$650 million deficit in funding for TennCare in 2005, Democratic Governor Phil Bredesen is proposing to jettison the program.

Although Texas is traveling the same route as Tennessee, there is an alternative. Health Savings Accounts pair a major medical insurance policy - for big medical expenses after a deductible is met - with a tax-exempt savings account that pays for routine medical expenses such as preventive care.

HSAs first became available on January 1, 2004. Although new, there

is solid information about how HSAs work, based on experience of their predecessor, Medical Savings Accounts.

HSAs are affordable. Most participants pay less than \$100 monthly, an amount that is almost half the cost of a conventional health insurance. With HSAs, participants can tailor health spending to avert expensive care - participants invest in about 30 percent more preventive care than used by individuals with conven-

tional plans. Flexibility allows HSAs to meet the needs of the old and young (more than 70 percent are over age 40), individuals and families (more than 75 percent are families with children), and people in all income brackets (nearly half earn family incomes of less than \$50,000 and 27 percent have a net worth of less than \$25,000). High rates of re-enrollment suggest people prefer consumer-centered health care over conventional insurance.

For Texans struggling to make ends meet, HSAs offer an affordable alternative to conventional health insurance. For employers, HSAs offer a way to furnish health benefits to employees at a reasonable cost. Some companies have reduced health care costs by 11 percent in replacing conventional health insurance with HSAs.

For lawmakers, HSAs offer a way to control government health costs. Securing a federal waiver to expand Medicaid vouchers (now used for acute and long-term care in Texas), HSAs could be provided for Texans enrolled in government health programs.

For the uninsured, HSAs offer the most promise. Over the past year, HSAs have reduced the number of uninsured Americans. Texas could reduce its uninsured population by establishing a clearinghouse of information about consumer-centered health care alternatives.

The upcoming legislature will consider tax hikes to erase budget deficits caused by health care cost over-runs and increase funds for expanding the passenger list of the Medicaid-CHIP Titanic.

Recognizing that socialized health care cannot work any better in Texas than it has in Tennessee, Canada, and Europe, some legislators will propose an alternative: HSAs offer reliable, affordable lifeboats for all Texans

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