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## **TCCRI RELEASES HEALTH AND HUMAN SERVICES REPORT: Medicaid Waivers and Health Savings Accounts Top Recommendations**

**AUSTIN** – The Texas Conservative Coalition Research Institute (TCCRI) today issued recommendations to help improve the state’s health care system and laid out a vision for continued reforms of government health care policy in its report *Improving Health Care For All Texans*, a detailed report issued after more than 12 months of meetings, work groups and research by Phase III of the Institute’s Task Force on Health and Human Services.

“We must continue to challenge fundamental assumptions about health and human services and health care policy,” said Rep. Carl Isett, R-Lubbock, who chaired the Task Force. “Texas must move from a government-mandated system to a consumer-directed, patient-oriented system. That is where the future lies,” Isett added.

The report recommends public policy changes that could help improve the state’s delivery of vital health care programs, such as Medicaid. Nearly 34 percent of the state’s budget can be attributed to health and human services, which includes Medicaid and the Children’s Health Insurance Program (CHIP). For the 2004-2005 biennium, the Legislature appropriated almost \$40 billion to Article II.

“Health and human services remain a constant challenge for state leaders,” former state Rep. Wohlgemuth and TCCRI board member said. “I concur with the Governor’s assessment that Medicaid is in long-term trouble unless substantive changes are made to the program.”

The first major recommendation is for the state to apply for a section 1115 waiver from the US Department of Health and Human Services to make an innovative design change to Medicaid. The program called “Cash and Counseling” has been tried with great success in three states, including Florida.

“We are interested in encouraging the Legislature to explore the promise of the ‘Cash and Counseling’ program, which has received strong reviews and was implemented by New Jersey, Arkansas and Florida. The impact of this innovative program can be tremendous,” suggested Isett.

The purpose of the ‘Cash and Counseling’ program is to evaluate how Medicaid beneficiaries (consumers) would fare in a system that allows them to buy their own personal and community-based services, assisted by a consultant, with a defined contribution from their state’s Medicaid program.

Two of the benefits of the program are that it moves Medicaid away from its traditional bias in favor of institutional care toward home care, and engages Medicaid beneficiaries in their own health care decisions.

The report also recommends that the state implement an optional, pilot health savings account program for the Employee Retirement and Teachers Retirement System. In 2005 an estimated \$1.579 billion will be paid to cover health care costs for state employees. The state pays out \$1.25 billion for premiums of its state employees.

“Health Savings Accounts are vital to empowering patients with critical decisions that will affect their care and lower the overall cost of health care,” said Isett. “It makes sense to allow citizens to have control – and responsibility -- over their health care expenditures.”

HSA's were created in Medicare legislation signed into law by President Bush on December 8, 2003. Contributions to an HSA can be made by the employer or the individual, or both – if made by the employer, it is not taxable to the employee (excluded from income and wages).

Whole Foods, a national grocer based in Austin, was spending more on employee health care than it was taking in premiums; \$7 million more until the company put health reimbursement accounts (similar to HSA's) to a vote with its employees. The plan was implemented in 2002. During its first year, costs dropped by 42%. Of all employee accounts, a total of \$14 million in unused funds rolled over to the next year<sup>1</sup>. Both the company and the employees have benefited from the consumer-driver health plan in this, just another example of the cost savings that come with putting the consumer in control of his own health care.

Studies by insurers such as Aetna and ehealthinsurance.com, and studies from the U.S. Department of Commerce show that the new incentives offered by HSA's are viewed favorably by employers as tools that educate and empower their employees.

In addition, the TCCRI report recommends:

- \* Ensure that the Pharmaceutical and Therapeutics Committee, which develops recommendations for the preferred drug lists and adoption by HHSC, meets in open public meetings;
- \* Strengthen existing licensure regulation governing distribution of pharmaceuticals in order to protect the state's drug supply and ensure consumer safety; and,
- \* Continue to allow parents a conscientious objector option for childhood immunizations, and reject mandates that undermine parental choice.

“Once again, I am very pleased by the work of the Health and Human Services Task Force,” said Rep. Warren Chisum, President of the Research Institute. “I know TCCRI will continue to be engaged in formulating sound recommendations in this critical policy area.”

*The TCCRI is a public policy organization founded on the conservative principles of limited government, individual liberties, free enterprise and traditional family values.*

**(Endnotes)**

<sup>1</sup> Sally Pipes, “How Whole Foods Can Help Wal-Mart Beat Scrooge Rap”; letter in Investor's Business Daily, December 14, 2005