TEXAS HEALTH POLICY TASK FORCE

TEXAS HEALTH CARE ★ NEW DIRECTIONS

EXECUTIVE SUMMARY

HE WHO HAS HEALTH

HAS HOPE

AND HE WHO HAS HOPE

HAS EVERYTHING

AN ANCIENT PROVERB

TEXAS HEALTH POLICY TASK FORCE

November 1992

Dear Reader:

This document represents an Executive Summary of the final report of the Texas Health Policy Task Force.

The members of the Task Force worked diligently for more than ten months to study the state of health care in Texas and recommend changes. For a full understanding of the true nature of the problems facing Texas and the comprehensive reforms recommended by the Task Force, you are encouraged to read the final report in its entirety. The last four pages of this summary are the cross reference guide to the final report.

Copies of the full report may be obtained through the Task Force office or in the Office of the Governor.

333 Guadalupe Street Post Office Box 149133 Austin, Texas 78714-9133 512/463-6473 Fax 512/463-6459

Dr. Shirley Chater -- Chair
James Fields – Executive Director

THE HEALTH

OF THE PEOPLE

IS REALLY THE

FOUNDATION UPON WHICH

ALL THEIR HAPPINESS

AND ALL THEIR POWERS

AS A STATE DEPEND.

Benjamin Disraeli,
Earl of Baconfield
1877

INTRODUCTION

When it comes to problems facing the American people, few create the intense care and concern evoked by health care issues. Health care problems in this country are so pervasive and so perplexing that they fully deserve the term "crisis."

The health care crisis assumes many forms. It is a young couple without insurance staring at a mountain of health care bills so overwhelming that they risk losing their home. It is an elderly couple on a fixed income whose medical needs have outstripped their meager Social Security and Medicare resources. It is a small business owner who faces potential bankruptcy if she tries to offer health insurance to her employees. It is a young expectant mother who has neither the time nor the financial resources to seek out prenatal care. It is a child who comes down with measles and faces serious complications because she has never been immunized.

Texas has not been spared serious health care problems. As in the rest of the country, the health care crisis threatens the well-being of families, businesses and individuals throughout our state.

THE CHARGE

Recognizing the enormity of the health care crisis, Governor Ann Richards, Lt. Governor Bob Bullock and Speaker of the House Gib Lewis requested a comprehensive, well-documented study that would result in specific recommendations to assure that all Texans have access to affordable health care. On November 13, 1991, Governor Richards created by proclamation the *Texas Health Policy Task Force.* The Task Force was composed of 29 members; Dr. Shirley Chater, president of Texas Woman's University, served as chair.

In her proclamation, Governor Richards charged Task Force members with six basic tasks:

- ★ Define a basic health care service package for Texans that emphasizes both primary and preventive care.
- ★ Propose a basic health insurance benefits package or other health care financing mechanism — not necessarily tied to place of employment — that includes recommendations for state regulation of health insurance or other financing plans.
- ★ Provide a range of options for small businesses to assist with health care benefits for their employees.
- ★ Recommend cost containment and financing options for health services.
- ★ Recommend a coordinated health care delivery system, with special emphasis on rural health services and trauma care.
- ★ Define the responsibilities and commitments of consumers, providers, insurers, employers and government at the local, state and federal levels to ensure the delivery of high quality, affordable health care to the citizens of Texas.

HEALTH CARE PROBLEMS IN TEXAS

While many Texans have access to the most sophisticated medical technology in the world, millions of other Texans do not receive the primary and preventive care that can keep minor health problems from turning into major ones. "I put off taking my children to the doctor for check-ups and immunizations," an East Texas woman told the Task Force. "I put off going to the doctor myself, and my husband never goes." The reason? "We just can't afford routine medical care," she explained. This family's plight is all too common in our state.

Texans were spending approximately $30 billion on health care in 1988. Just four years later, this figure rose to $44 billion. In 1980, Texans spent an average $1,063 per person, per year on health care. In 1990, they were spending $2,566. By the year 2000, the people of Texas can expect to spend an average of $5,712 per person, per year on health care alone.

While health care costs are rapidly increasing, health insurance is offering less and less protection. It is becoming more expensive, more difficult to obtain *and* less predictable in its benefits. The Task Force heard from a man who lives in the Panhandle whose health insurance dilemma is not unusual. His wife has been a diabetic for 30 years, he told the Task Force, but is in good health and takes good care of herself. Even without hospitalization, the couple's insurance has increased three times. And just this past January, their premiums shot up 81%. According to this man's testimony, they are now trying to raise their deductible to $5,000 just so they can afford to maintain coverage. "They say I can't do this without cancelling my present policy and writing a new one," the man told the Task Force. "The catch? The new policy would no longer cover my wife's diabetes."

According to a 1990 estimate, approximately 19% of Texans are without health insurance. An additional 19% are *underinsured*, meaning their coverage has such high deductibles and co-payments — or such low caps on benefits — that a major health problem would deal them a crippling financial blow.

The Task Force discovered that, contrary to popular belief, the majority of the uninsured do not come from the stereotypical "disadvantaged" family. More and more are from single- and two-parent working families who live above the poverty level.

Business owners also face a health-insurance crisis. A small business owner in Central Texas told the Task Force that until 1980, he paid full health premiums for all nine of his employees. During the next 10 years, he had to change insurance plans four times because of skyrocketing premiums. By 1990, the cost exceeded monthly profit after expenses. "Finally," he said, "we had to cancel insurance, not only for my employees, but for my family. That's the most painful announcement I've ever had to make."

The Task Force was most alarmed by the lack of health care for Texas children. Medicare ensures that the majority of the state's elderly population has access to health care. No such guarantee protects children. Every year more than a million Texas children go without any kind of health coverage.

Children who aren't regularly seen by a doctor or some other health care provider do not receive consistent health care. As a result, they often fail to receive treatment for routine illnesses or injuries. Many Texas school children also go without basic immunizations. Studies reviewing the immunization records of urban kindergartners point out that only 10% of surveyed children in Houston, 30% in Dallas and 40% in El Paso receive the recommended number of doses of basic vaccines by the time they are two years old. Immunization and health care deficiencies can sometimes leave children with serious complications. The result is not only debilitating for these children and their families, but for the state as a whole.

This policy of neglect is "penny wise and pound foolish." Whereas the cost of one dose of measles-mumps-rubella vaccine is $20, the cost for one day in the hospital for a patient with measles, pneumonia or encephalitis is $3,000. The Task Force also found that every $1.00 spent on pertussis (whooping cough) vaccine saves $11.10 in potential health care costs.

Currently in Texas, one in four pregnant women is not covered by health insurance. One-third of Texas women receive no prenatal care during the first three months of pregnancy. The Task Force heard from a woman in the Rio Grande Valley who got up at 3 a.m. on the days she was to visit a clinic for prenatal care. She had to walk to the clinic, and if she was not there by 4 a.m., the line would be too long. Clinic hours, which were 9 until noon, would be over before she could be seen.

When prenatal care is either unavailable — or difficult to obtain — the result is likely to be low-birth-weight babies and high infant mortality. According to the Task Force report, every dollar spent on prenatal care saves approximately $3 in newborn infant intensive care costs. The total average cost for providing prenatal care for a pregnant woman is about $600; the average hospital stay for a premature baby costs $2,500 — a day. These figures emphasize that the benefits of prenatal care far outweigh the cost.

TASK FORCE RECOMMENDATIONS

The people of Texas are insisting on major changes designed to control costs and improve access to health care. Ideally, comprehensive, universal health care would best be handled at the national level because federal laws prevent states from regulating major sectors of their health care markets. But the fact is, Texas cannot afford to wait; to do so might plunge our state into a major economic disaster. For this reason, the Task Force has identified several areas for statewide reform.

These reforms require a dramatic shift in focus. The new direction outlined by the Task Force requires us to turn away from a system that concentrates resources on expensive treatments, high-technology procedures and specialty care and move toward a system that concentrates on the prevention of illness and injury and meeting the basic health care needs of all.

THE TEXAS CHILDREN'S HEALTH PLAN (TCHP)

The children of this state are our greatest treasure. Throughout its deliberations the Task Force has been reminded over and over that our children must be our top priority. Therefore, the Task Force's principle recommendation is development of a statewide system for financing and ensuring access to high quality, comprehensive health care for all children through the age of 18 and for all pregnant women. Participation would be voluntary for children and pregnant women, and Texans would continue to have the freedom to choose their own health care providers.

Greater access to preventive and primary care will reduce long-term health care costs and produce four major benefits:

- ★ Families no longer will need private insurance for children or maternity services.
- ★ Health care providers will be more fairly compensated, reducing the current practice of shifting costs to private payers.
- ★ Employers' costs for providing health care coverage will be lowered.
- ★ Because health care will be provided for their children, parents motivated to provide for their children's health care needs by filing malpractice claims should be less likely to do so.

Texas should establish a *Children's Health Board* under the umbrella of the Health and Human Services Commission to develop and implement this plan. Using federal funds, it is now possible for states to finance approximately 65 cents out of every dollar on health programs for all children and pregnant women.

Texas has a long history of failing to take advantage of available federal dollars. Texans send more than a dollar to Washington for every dollar the state gets back. Other states send less and receive more. Texas cannot afford to ignore federal funding resources to meet the needs of the state's most vulnerable and valuable population.

To aid in developing the TCHP, the following recommendations are made:

- ★ Utilize both physicians and other health care providers to aid in convenient, cost-effective delivery of services.
- ★ Establish negotiated, uniform rates for health care services.
- ★ Standardize billing.
- ★ Limit administrative costs.
- ★ Integrate a quality assurance mechanism and utilization review process into the plan.
- ★ Establish a data collection system to serve as a basis for planning on other ways to reduce costs of services and improve quality.

REFORMS TO THE CURRENT SYSTEM

In order to extend coverage to those who are uninsured or underinsured and to expand the infrastructure required to provide health care coverage to all Texans, the Task Force makes the following recommendations aimed at reforming the current system.

Reforms in Access to Coverage

- ★ Maximize participation in Medicaid to increase the number of clients served and the number of services offered.
- ★ Develop initiatives to encourage health care providers to accept Medicaid and Medicare patients.
- ★ Require private insurance coverage to reflect a shift in emphasis toward primary and preventive care. Seven specific recommendations are made:
  - (1) Eliminate deductibles for the following preventive services: immunizations, pap tests, mammography, colo-rectal screening, and prostate screening.
  - (2) Create purchasing pools to enable small groups to band together to purchase health care coverage at more affordable rates.
  - (3) Ensure guaranteed issue for health care coverage to all Texans; protect insurers and health maintenance organizations (HMOs) from absorbing a disproportionate number of high-risk clients by the establishment of a reinsurance pool.
  - (4) Prohibit the permanent exclusion of a pre-existing condition; limit individuals with pre-existing conditions to a single waiting period (assuming they have not gone uninsured for more than a brief grace period).
  - (5) Guarantee portability of health care coverage.
  - (6) Impose limits on increases in premium rates for health coverage and develop a regulatory mechanism to prevent annual increases from exceeding inflation.
  - (7) Establish a predetermined maximum level of spending on overhead in the health care coverage industry.

Reforms in Provider Services

Although the backbone of health care is its providers, an adequate number of primary care and family practice physicians are simply not available. Therefore, many Texans find it difficult to get the primary and preventive care they need. The term "providers" is not limited to physicians but also includes advanced nurse practitioners, physician assistants, nurses, emergency medical personnel, therapists, dentists, dental hygienists, technicians, case managers, aides, volunteers and others. More effective use of these providers produces both increased access to health care and heightened quality of care.

The Task Force makes the following recommendations for improvements in the education of health care providers:

- ★ Aggressively promote preparation of students for the health care professions beginning in elementary school.
- ★ Encourage representation of rural, border, poor inner-city residents and minorities in the health care professions.
- ★ Develop specific screening techniques to identify students likely to return and work in underserved areas.
- ★ Urge institutions that provide health care education to refocus their priorities to encourage students of health care to enter primary care and to work in underserved areas.
- ★ Increase both the numbers and the utilization of health care providers other than physicians. Strategies to do this include:
    - (1) Increasing the salaries and the number of faculty members educating these providers.
    - (2) Creating financial incentives to encourage providers to work in medically underserved areas - for example, loan forgiveness programs.
    - (3) Removing barriers that hinder advanced nurse practitioners and physician assistants from participating to the full extent of their ability and granting them fair and equitable reimbursement for the services they render.
- ★ Change policy at The Texas State Board of Medical Examiners (TSBME) in order to:
    - (1) Provide additional assurance to physicians that they will not be held liable for good-faith reporting of substandard practices.
    - (2) Strengthen the reporting requirement regarding substandard practices.
    - (3) Speed up the hearing process for substandard and/or impaired physicians.
    - (4) Increase the number of consumer (non-physician) members on the TSBME.
    - (5) Retain more and better qualified legal and investigative staff for the TSBME.
    - (6) Establish practice standards for enhancing the evaluation process of medical liability claims.
- ★ Prohibit providers from referring patients to facilities in which the provider has a financial interest (with waivers for underserved areas).

Reforms in Infrastructure

The infrastructure of the health care system may be defined as the foundation that underlies health care delivery. It includes facilities, equipment, health care services and the coordination within and among these elements. The following changes are recommended to improve coordination in the development and apportionment of the infrastructure:

- ★ Create a network of hospitals and/or primary care facilities in rural areas with larger support facilities located elsewhere.

★ Increase the funding, availability, accessibility and services of the *Primary Health Care Program* administered by the Texas Department of Public Health and phase in certain new services.

★ Develop new and expand existing primary care delivery sites in areas of need.

★ Increase utilization of school-based health care services for children and their families. School-based clinics should be created only with the consent of local school districts, and services provided only with the consent of parents. Funding for school-based clinics would not be assumed to come from already-strained school district funds.

(1) Develop a state-level interagency group to provide technical assistance with the establishment of school-based health service programs.

(2) Provide a defined package of services for school-based clinics and aggressively support the enrollment of school districts as Medicaid providers in recognition of the cost associated with such clinics.

★ Reform regulations and reporting requirements related to the provision of charity care by private, non-profit hospitals.

(1) Require private, non-profit hospitals, which are exempt from federal, state and local taxes, to provide an amount of charity care commensurate with the economic benefit conferred by those tax exemptions, taking into account the needs of the community.

(2) Make charity care plans and financial statements regarding charity care available to the public, both for individual hospitals and on an aggregate basis.

★ Develop a state-wide comprehensive trauma care system.

(1) Explore options to secure funding to fully implement the trauma system plan developed in 1989 by House Bill 18.

(2) Develop a comprehensive school/public health trauma prevention campaign. Prevention is recognized as the most cost-effective way to reduce expenditures in trauma care.

(3) Implement an enhanced 911 system to provide automated routing of the closest emergency personnel to the location of an incoming call.

(4) Develop a cost-based Medicaid reimbursement mechanism to more accurately reflect the true costs of ambulance service in rural areas.

(5) Conduct ongoing assessments of the epidemiology of trauma.

★ Implement a state-wide transportation network to increase access to all health and human services.

★ Coordinate and expand projects using technology to improve access to health services, such as Telemedicine, InfoMed and MEDNET.

★ Establish a mechanism for state and regional prospective planning for the supply and distribution of facilities, providers, high-tech equipment and health care services.

Reforms in Cost Containment

Costs can and must be contained without sacrificing quality of care. One practical way of containing costs is to encourage individuals to assume responsibility for their health. Health care coverage should include incentives to promote healthy practices and activities.

★ Establish a mechanism to ensure negotiated rate regulation for all providers.

(1) Enact legislation that would require the collection of data on the rates charged by health care providers.

(2) Include the full spectrum of providers, businesses, insurers, and consumers for effective and equitable rate regulation.

(3) Establish expenditure limits based on data collection within a specified geographic area.

★ Regarding pharmaceutical costs: (a) identify promising cost containment approaches, (b) develop pilot programs to test their effectiveness, and (c) include pharmaceutical charges as a part of rate negotiations.

★ Reduce administrative waste in health care by standardizing and streamlining benefits and management.

(1) Require health coverage providers to offer no more than five standard benefits packages with the gradual reduction to one policy within ten years. A limited number of optional coverages — such as private rooms — could be added. In addition to the reduction to one standard benefit package, it is recommended that all health coverage plans be required, insofar as possible, to use: (a) one common claim form, (b) one billing form, and (c) one application form.

(2) Initiate an electronic clearinghouse for health coverage claims and billing.

★ Make changes to improve the public's knowledge of competitive markets since consumers must be well informed to make appropriate decisions about their health care.

(1) Collect, analyze and report to the public prices, fees and other pertinent information regarding all providers of care, including hospitals, physicians, laboratories, clinics, etc.

(2) Collect data in order to define and measure outcomes of care.

(3) Refund to consumers 20% or more of any overcharges they find in their health care bills.

★ Initial indications are that medical malpractice costs are not a high percentage of total health care expenditures in Texas, but the lack of factual information and conclusive evidence surrounding medical malpractice has been noted. In order to accumulate this missing information, the following recommendations are made:

(1) Standardize definitions regarding medical malpractice claims information, and report such information in a uniform and timely manner.

(2) Consider expanding the House Bill 18 indemnification program to hospitals.

(3) Commission studies: (a) to develop ways of encouraging mediation or alternative dispute resolution in the claims handling process, and (b) to determine whether

passage of a "John Doe" statute, allowing attorneys to retain the right to file claims without initially naming all possible defendants, would help to reduce the number of claims that are closed with no indemnity paid.

(4) Commission a study to define and quantify "defensive medicine" and to determine whether legislation could have a significant impact on this problem.

(5) Stress effective patient communication in health provider education to help decrease the number of claims resulting from poor communication (rather than from negligence or malpractice).

A DIRECTION FOR THE FUTURE: THE TEXAS HEALTH PLAN

Inasmuch as federal laws prevent states from regulating major sectors of their health care markets, the solution to the health care crises should ideally come from the national level. However, in the short term it is not possible to depend on the passage of a national plan. Therefore, the Task Force suggests a long-term direction, known as the *Texas Health Plan (THP)* that would replace the state's current inefficient and inequitable system of financing and coordinating health care. The THP would adhere to three basic principles: universality, accountability and expenditure limits.

Universality implies that all residents would be covered equally. *Accountability* would require a single entity — an individual or body — that accepts ultimate responsibility for the plan's oversight. *Expenditure limits* would be met because the THP would work within the strict confines of a budget that defines the maximum number of dollars to be spent on health care.

The health care system in Texas would still consist of both public and private providers and health care facilities; government would not become the sole provider. The new system would neither own hospitals nor employ health care providers. Texans would still have the freedom to choose the health care services they need. Under the new system, however, health care would be more affordable, more efficient, and more responsive to the needs of every Texan.

To further study the viability of the THP, a final recommendation is made.

★ Compare the cost implications of the Texas Health Plan with the current financing approach.

At least five areas of health care will directly benefit from the eventual implementation of the THP. First, all Texans would be guaranteed comprehensive, quality health care. Second, providers would be allowed to do what they do best — provide care. Third, a coordinated infrastructure would become a reality. Fourth, the upward spiral of health care costs would be controlled. And finally, a more responsible system of finance would be developed. ★

A CROSS REFERENCE GUIDE TO THE RECOMMENDATIONS

THE RECOMMENDATIONS	PROBLEM SECTION	RECOMMENDATION SECTION	APPENDIX
RECOMMENDATION #1			
★ *Establish a statewide system for financing and ensuring access to high-quality, comprehensive health care for children (birth through age 18) and all pregnant women. This plan would be known as the* ***TEXAS CHILDREN'S HEALTH PLAN (TCHP).***	***pp. 19-22***	***pp. 73-80***	***A-1 (p. 75)***
BENEFITS		p. 74	
• Families would no longer need private insurance for children or maternity services.			
• Provider's uncompensated care would be reduced.			
• Employer health care coverage costs would be reduced.			
• Malpractice claims based on unavailable care, which are filed by parents on behalf of their children, should be reduced.			
RECOMMENDATIONS FOR DEVELOPMENT		***pp. 76-80***	
★ ESTABLISH A CHILDREN'S HEALTH BOARD			
★ Obtain approximately 65% of financing through the federal Medicaid program.		pp. 76-77	
★ UTILIZE BOTH PHYSICIANS AND OTHER LICENSED PROVIDERS		p. 78	
★ MAKE COST CONTAINMENT REFORMS IN 5 AREAS		pp. 79-80	
★ Establish uniform rates.			
★ Utilize standardized billing.			
★ Limit administrative costs.			
★ Integrate a utilization review process.			
★ Establish a data collection system.			
NOTE: Prior to development of the *Texas Children's Health Plan*, the Task Force voted to recommend extensive reforms designed to expand health care coverage and availability for the entire population. These reforms, which maximize participation in federally-funded health care programs, apply to coverage for all Texans. They are discussed in the section titled *Reforms to the Current System*. They are included in the TCHP cost containment section because they are an integral part of this program as well as the reform recommendation section.			

THE RECOMMENDATIONS	PROBLEM SECTION	RECOMMENDATION SECTION	APPENDIX
SUGGESTION			
★ *Consider the **TEXAS HEALTH PLAN (THP)** as the optimal long-term direction for the future of health care in Texas and initiate a study to compare the financial benefits of the THP with our current health system.*	***pp. 19-67***	***pp. 127-133***	***A-5 (p. 130)***
RECOMMENDATION #3			
★ *Compare the financial benefits of the THP with our current system.*		p. 128	
BENEFITS		pp. 131-133	
★ There would be guaranteed, universal access and coverage.			
★ Greater utilization of providers would be achieved.			
★ There would be a coordinated infrastructure.			
★ Cost escalation could be brought under control.			
★ The THP would provide a responsible system of finance for Texas health care.			

Not printed at taxpayer's expense

printed on recycled paper