Thank you Mr. Secretary for being here today. I want to express the same gratitude to members of the Legislature with us today, all of whom have a key role in shaping healthcare policy. It is a real honor to have the national leader of the healthcare reform debate with us today. Without any further adieu, let me turn over the podium to Health and Human Services Secretary Mike Leavitt to share his thoughts.

Thank you Mr. Secretary. In the coming weeks I will be announcing various healthcare initiatives that are centered on improving access to quality healthcare for millions of Texans. There is no doubt that Medicaid reform is the biggest healthcare challenge we face. Medicaid costs doubled from 1994 to 2004 without any significant expansion of coverage in Texas. The fact of the matter is, unless innovative measures are taken, Medicaid is on course to bankrupt the states. The discussion I had with Secretary Leavitt last week centered around allowing states flexibility to manage populations and benefits in order to control costs. We greatly appreciate his willingness to work with us in trying innovative policies that can control costs and improve the delivery of healthcare services.

I have several goals. First, we must have the flexibility to tailor different plans for our diverse Medicaid population. Medicaid benefits cannot be sustained with a “one size fits all” approach. About 70 percent of Texas Medicaid recipients are children with relatively low healthcare costs. They account for only 30 percent of the cost. On the other hand, while the elderly and those with special needs are only 21 percent of the Medicaid population, they account for about 60 percent of all Medicaid costs. Another 9 percent of the Medicaid population is relatively healthy adults, most of whom are pregnant women. Pregnant women and healthy children do not need the same benefit plan as elderly Texans who need long-term care. I would like to create Medicaid benefit packages that target specific groups, such as a plan for healthy children and adults, a separate plan for children with special needs, and a third plan for adults with disabilities and long-term care needs.

Second, we must work to move as many people as possible into the private insurance market. Forty-two percent of the Texas Medicaid population has some earned income. We are in the process of crafting a plan.
that provides insurance for the working poor, many of whom have children on CHIP and Medicaid.

Third, we must make Medicaid and healthcare in general more responsive to consumer choice. Healthcare is the only major sector of the economy where consumers don't know the prices they pay nor do they have much of an incentive to care. When prices are undisclosed, consumers are insulated from medical costs, and doctors are forced to practice defensive medicine, it is a recipe for runaway healthcare spending. For some Texans, the answer can be health savings accounts or health opportunity accounts, both of which give patients a financial incentive to control their healthcare costs. I want to also thank the secretary for approving $4 million to fund the electronic health passport project for foster care children. This innovative program will ensure doctors have a full treatment history for a vulnerable population of children who often have special healthcare needs and who have seen an array of doctors because of changing circumstances. This will provide them continuity of care even as their life circumstances change.

When Secretary Leavitt spoke to a number of Republican governors in Miami last November, I took careful notes. He talked about four benchmarks for excellence in healthcare: moving to electronic records to reduce medical errors, implementing clear standards of medical care, providing cost measures so patients can comparison shop, and creating incentives to make healthcare more accessible for more people. His goals are our goals. If we act on these goals and reform Medicaid, healthcare can be more accessible and more Texans will live healthier lives.

To share his thoughts on this subject is the Lieutenant Governor of Texas, David Dewhurst.