

The Big Five:

A Comparison of the Major Health Care Reform Proposals in CA



Insure the Uninsured Project

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The Big Five

1. Governor Schwarzenegger's Health Care Proposal
2. Speaker Núñez's "Fair Share Health Plan" (AB 8)
3. President Pro Tem Perata's "California Health Care Coverage and Cost Control Act" (SB 48)
4. Senator Kuehl's Single Payer - "California Health Insurance Reliability Act" (SB 840)
5. Senate Republican Caucus' "Cal CARE"

And...Assembly Republican Caucus' 18 Health Care Reform Measures (described further in handout)



Overview of Presentation

- Who is covered and how?
- Who pays?
- Financing
- Affordability, accessibility and cost containment

Gov. Schwarzenegger's Health Care Proposal-*Universal Coverage*

- All children, regardless of residency status
 - Of those under 300% of FPL
 - 0-100% of FPL: Medi-Cal
 - 101%-300% of FPL: Healthy Families Program (HFP)
 - Those over 300% FPL: Additional enrollment in employer-sponsored coverage and private insurance

Schwarzenegger-*Universal Coverage*

- Uninsured legal resident adults-Individual Mandate
 - 0-100% of FPL: no-cost Medi-Cal
 - 101%-250% FPL: state purchasing pool operated by MRMIB with premium contributions based on income and state financial assistance through the pool
 - Above 250% of FPL: employer-based coverage and individual coverage

Schwarzenegger-*Universal Coverage*

- Uninsured adults without a green card
 - Employer sponsored coverage (4%)
 - Individual coverage (16%)
 - County provided health services and services covered under emergency Medi-Cal
- Knox-Keene benefits and prescriptions with maximum deductible of \$5,000 and maximum out-of-pocket limit of \$7,500 per person or \$10,000 per family

Schwarzenegger-*Shared Responsibility*

- Individual mandate: all Californians, including kids, required to maintain a minimum level of coverage; individual contribution to cost based on income
- Employer mandate - “*pay or play*”: non-offering employers must spend at least 4% of payroll for employee health insurance. Excludes firms with less than 10 employees
- Providers: Fee on hospitals (4% of operating revenues) and physicians (2% of operating revenues)
- Counties: Redirection of \$2 billion in funding for indigent medical care, incl. realignment
- Federal government: Additional federal reimbursement for Medi-Cal and HFP expansion and Medi-Cal rate increases

Schwarzenegger-*Financing*

Employer contributions	\$1 billion
Employee and individual contributions	unknown
Federal funds and redirection of safety net funds	\$5.5 billion
2% fee on physician revenues and 4% fee on hospitals revenues	\$3.5 billion
TOTAL = \$12 BILLION	

Schwarzenegger-*Affordability and Cost Containment*

- Increased Medi-Cal reimbursement will decrease uncompensated care
- Tax incentives:
 - Employers required to establish “Section 125” plans so employees can use tax-sheltered income for health expenses and saves employers additional FICA contributions
 - State tax conformity on Health Savings Accounts to allow pre-tax contributions
- Insurance market reforms:
 - Guaranteed individual coverage with rates based only on age and geographic area
 - Health plans, insurers and hospitals must spend 85% of premiums and health spending on patient care

Schwarzenegger-*Affordability and Cost Containment*

- Cost containment
 - Reduce regulatory requirements for health plans
 - Reduce regulatory barriers to less expensive health care delivery models
 - “24-Hour Coverage” pilot program combining workers’ compensation and traditional group health coverage
 - Require health plans to offer “health actions” rewards and incentives in benefit packages
 - Promote health information technology (HIT) and patient health records (PHR)
 - Link future Medi-Cal provider and plan rate increases to performance
 - Change seismic safety standards for hospitals to adopt a “worst first” system
 - Data reporting and quality monitoring
 - Health promotion and wellness

Núñez's "Fair Share Health Plan" - *Coverage for Children and Working Californians*

- First step (by 2008): All children under 300% of FPL regardless of residency status through expansion of Medi-Cal and HFP for all families under 300% of FPL
- Next step (within 5 years):
 - Working adults (including part-time and seasonal workers) and their dependents in firms of two or more are required to take up coverage if offered, otherwise obtain coverage through the California Cooperative Health Insurance Purchasing Program (Cal-CHIPP) administered by MRMIB. Employees and dependents eligible for Medi-Cal/HFP who have primary coverage through their employer will receive supplemental coverage to ensure Medi-Cal/HFP benefit levels
 - Self-employed adults can purchase through Cal-CHIPP or individual market
- By 2012: Intent to cover unemployed single adults not currently eligible for public programs
- Benefits to be determined by MRMIB

Núñez – “*Fair Share*” Responsibility

- Individual responsibility:
 - Employees contribute to employer sponsored coverage provided their fair share of costs does not exceed a reasonable percentage of their income
 - Employees of non-offering businesses pay a defined percentage of income and obtain coverage through Cal-CHIP
- Employer mandate – “*pay or play*”: employers required to provide employee health coverage or pay a fee based on “fair share” percentage of payroll towards employee purchase of coverage through the pool. Excludes firms with less than two workers or firms with a payroll of \$100,000 or less and certain newly established businesses (less than 3 years)
- Government responsibility: increase federal funds to support Medi-Cal and HFP expansions

Núñez – *Financing*



- Employer contributions
- Employee contributions
- Federal funds (Medicaid and SCHIP)
- Surcharge on health insurance premiums (to finance high-risk pool)
- State will seek a federal waiver to cover adults up to 300% of FPL, likely using county health funding for the uninsured as match
- **Total cost unknown**

Núñez - *Accessibility and Affordability*

- Health insurance market reforms
 - Prohibits exclusion of coverage for minor health conditions
 - Standard application form
 - Restructures the state's high-risk pool to include all people excluded from health coverage for predetermined health conditions as defined by MRMIB. Funded by a surcharge on health insurance premiums
 - Requires insurers to offer uniform benefit designs in and outside of Cal-CHIPP

Núñez - *Accessibility and Affordability*

- Cost containment
 - Disease management in state health coverage programs
 - Pay-for-performance for state-funded health coverage programs
 - Uniform benefit designs will include primary and preventive services
 - Simplify benefit designs
 - Require plans and providers to utilize PHR
 - Centralized technology assessment
 - Healthy lifestyles programs to promote safe workplaces, healthy employer practices and individual efforts to improve health

Perata's "California Health Care Coverage and Cost Control Act" - *Covering Children and Working Californians*

- All children up to 300% of FPL regardless of residency status through an expansion of Medi-Cal and HFP
- Working Californians and their dependents through employer-sponsored coverage, a partially subsidized purchasing pool (the "Health Insurance Connector"), individual coverage and Medi-Cal expansion for working parents from 100%-300% of FPL
- Remaining uninsured population covered by the current safety net
- Benefits: Several standardized options with varying out-of-pocket costs to be determined by MRMIB



Perata – *Shared Responsibility*

- Individual mandate: working Californians and their dependents required to have a minimum health coverage policy enforced through the tax code. Employees of non-offering employers will contribute an unspecified percentage of payroll to the Health Insurance Trust Fund
- Employer mandate – “*pay or play*”: all employers, including self-employed, required to spend a certain sliding scale percentage of payroll for employee health insurance or pay an equivalent amount to the Health Insurance Trust Fund
- Government responsibility: maximize federal funds through a Medi-Cal expansion for working parents between 100% and 300% of FPL and Healthy Families for children up to 300% of FPL

Perata - *Financing*



- Employer contributions
- Employee contributions
- Federal funds
 - Increase Medicaid for working parents up to 300% of FPL
 - Increase SCHIP for legal resident children up to 300% of FPL
- **Total = \$5 billion - \$7 billion**



Perata - *the “Connector”*

- Insurance market reforms: contracting plans required to provide guaranteed issue and community rating allowing individuals with pre-existing conditions to get coverage through the “Connector”
- Incentives for cost control
 - Managed competition through choice of health plans
 - Medi-Cal managed care buy-in
 - Cap on health plan administrative costs and profits
 - Participating plans must implement evidence-based practices that control cost growth, including preventive care, case management for chronic diseases, incentives for healthy behavior and HIT

Kuehl's California Health Insurance Reliability Act - *Single Payer Coverage for All California Residents*

- Automatic comprehensive coverage for all California residents under a single-payer program termed the California Universal Healthcare System, administered by a newly created California Universal Healthcare Agency. Residency based on physical presence with the intent to reside and includes undocumented immigrants.
- Comprehensive benefits including 100 days of post-acute skilled nursing care, but excluding long-term nursing care. State may expand or reduce benefits.

Kuehl - *State as Single Payer*

- Universal tax-funded health coverage will replace the employer-based system, private health insurance and existing county, state and federal public programs
 - Redirection of all federal, state and county monies currently spent on health care
 - State health taxes will replace out of pocket costs (premiums, deductibles, and co-pays)
 - Individual premiums, deductibles and copays will be means based and contribution requirements will follow guidelines for existing public programs
 - Employers will make “reasonable” mandatory contributions that reflect their current health care spending

Kuehl – *Financing*



- \$90 billion is as-yet-unspecified taxes on individuals and employers (according to 2005 study by The Lewin Group)
- Transfer of county, state and federal program dollars

Kuehl - *Improve Quality and Outcomes*

- Coordination of patient care
- No co-payments or deductibles for preventive care
- Public education on disease prevention, personal health maintenance, and improved physician-patient communication
- Monitoring of provider quality and related reimbursement changes; and public access to quality information
- Electronic medical records and electronic referral system



Kuehl - *Cost Containment*

- Streamline administrative costs and limit to 10% of system costs in first 5 years; 5% after 10 years
- Leverage state purchasing power to obtain lower prices for prescription drugs and medical equipment
- Sets controls for capital expenditures
- Physician reimbursement rates
- Capped health budget with statutory spending limits and provisions to control costs if expenditures are expected to exceed revenues
- State regulation of hospital budgets

Senate Republican Caucus' "Cal CARE" - *Health Care Accessibility for Californians*

- Incentives
 - Tax incentives for individuals to purchase coverage
 - Employers encouraged to establish "Section 125" plans and other incentives to offer health coverage such as flex-time
- Expansion of child enrollment in Medi-Cal and HFP using redirection of First Five dollars
- Prioritize Medi-Cal provider rate increases in budget over next 8 years
- Expand clinic care by allowing hospitals to offer preventative services only coverage; allowing nurses to run clinics; expansion of services at primary care clinics; incentives and support for clinic expansion using DSH funding

Senate Republicans - *Financing*

- Federal government pays for care to undocumented immigrants (\$2.2 billion)
- State and local government
 - Reallocate substantial portion of \$2 billion in DSH hospital payments to fund expansion of primary care clinics
 - Savings from realignment of Medi-Cal benefits to mirror private benefits will fund Medi-Cal reimbursement rate increases
 - Prop. 99 to fund MRMIP waiting list
 - Reallocate First Five dollars to expand coverage for kids (\$500 million)
 - Reallocate substantial portion of \$300 million spent on state-only health programs

Senate Republicans - *Affordability*

- Increased availability of HDHPs and HSAs with state tax conformity for employers and employees that use HSAs
- Increased flexibility in coverage for plans and insurers and greater rate flexibility in the small group market
- Tax credits for hospitals and physicians who purchase HIT and low-interest loans to assist non-profit hospitals and medical providers in purchasing HIT
- Send the federal government the bill (\$2.2 billion) for cost of care to undocumented immigrants