

Health Care Reform: A Comparison of the Major Proposals in California



Insure the Uninsured Project
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Status: Still in Play

- Governor Schwarzenegger's Health Care Proposal
 - Still not in bill form
 - Negotiations with Legislature will likely begin in August
- AB 8 (Núñez/Perata): "Health Care Coverage"
 - Merged with SB 48 (Perata)
 - Senate Appropriations
- SB 840 (Kuehl): Single Payer Plan
 - Passed the Senate
 - Financing companion bill, SB 1014, did not pass
 - Will likely be vetoed by the Governor
- AB 1 (Laird), SB 32 (Steinberg) "All Kids"
 - Senate Appropriations



Status: Did Not Pass

- SB 236 (Runner): Cal CARE
 - Did not pass the Senate, common provisions in Governor's approach
- Assembly Republican Caucus
 - 2 of 18 bills passed the Assembly
 - Hospital seismic standards (AB 1304) and merit based admission to nursing programs (AB 1559)
 - Common provisions in Governor's approach

Source: Official California Legislative Information, leginfo.ca.gov

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Overview of Presentation

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

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



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

Source: Governor's Health Reform Proposal, January 2007

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Schwarzenegger - *Coverage for Adults*



- Uninsured legal resident adults subject to individual mandate
 - 0-100% of FPL: no-cost Medi-Cal
 - 101%-250% FPL: state purchasing pool with subsidized premiums 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

Source: Governor's Health Reform Proposal, January 2007

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Schwarzenegger - Coverage for Adults



- 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
 - Maximum deductible of \$5,000
 - Maximum out-of-pocket limit of \$7,500 per person or \$10,000 per family

Source: Governor's Health Reform Proposal, January 2007

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Schwarzenegger - Shared Responsibility



- Individual mandate
- Employer mandate -“pay or play”: non-offering employers must spend at least 4% of payroll for employee health insurance
- 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 and safety net care pool
- Federal government: Additional federal reimbursement for Medi-Cal and HFP expansion and Medi-Cal rate increases

Source: Governor's Health Reform Proposal, January 2007

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Schwarzenegger - *Financing*

- Total public insurance spending up by \$2.6B
 - State share: \$1.3B
- Total cost of pool is \$5.1B
 - State share: \$1.2B
 - Federal share: \$1.3B
 - Employers spend \$1.3B
 - Enrollees spend \$1.4B
- *Total state cost: \$2.5B*
- Payroll assessment raises \$1B
- **TOTAL** (including other elements) = **\$12 BILLION**

Source: Gruber, May 16, 2007

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Schwarzenegger - *Affordability*

- Increased Medi-Cal reimbursement will decrease uncompensated care
- Tax incentives:
 - Employers required to establish “Section 125” plans
 - 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

Source: Governor's Health Reform Proposal, January 2007

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AB 8 (Núñez/Perata) - Coverage for Children and Working Californians



- Covers all children up to 300% of FPL regardless of residency status (July 2008)
 - Expand HFP to all children 133-300% of FPL
 - Expand Medi-Cal to children 6-18 up to 133% of FPL
 - Expand Medi-Cal to parents up to 133% of FPL
 - Establish “benchmark” plan to parents 133-300% of FPL

Source: CalHealthReform.org

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AB 8 - Coverage for Children and Working Californians



- Employed adults (including part-time and seasonal workers) and their dependents in firms of two or more
 - Required to take up coverage if offered,
 - Otherwise obtain coverage through the California Cooperative Health Insurance Purchasing Program (Cal-CHIPP) administered by MRMIB (July 2010)
 - Wrap around Medi-Cal/HFP benefits for eligible employees and dependents eligible for Medi-Cal/HFP
 - Self-employed adults can purchase through Cal-CHIPP or individual market
- Benefits to be determined by MRMIB

Source: CalHealthReform.org

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AB 8 – Shared Responsibility



- Individual responsibility
 - Employee contribution to employer sponsored coverage
 - Sliding scale premium contribution not to exceed 5% of family income if below 300% of FPL
- Employer mandate – “*pay or play*”
 - “Play”: Employers required to spend 7.5% of Social Security wages on health care, or
 - “Pay”: 7.5% of Social Security wages to Health Trust Fund
- State government responsibility: increase appropriation of state funds for HFP expansions
- Federal government responsibility: increase federal matching funds to support Medi-Cal and HFP expansions

Source: CalHealthReform.org

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AB 8 - Financing



- Employer contributions
- Employee contributions
- State funds
- Federal funds (Medicaid and SCHIP)
- **TOTAL = \$8.3 BILLION**

Source: CalHealthReform.org

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AB 8 - Accessibility and Affordability



- Connector/Purchasing Pool
 - Cal-CHIP administered by MRMIB (January 2010)
 - At least 3 uniform benefit packages
 - Maximum contribution of 5% of family income for families earning less than 300% of FPL
 - Sliding scale premiums set by MRMIB

Source: CalHealthReform.org

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AB 8 - Accessibility and Affordability



- Health insurance market reforms
 - Guarantee issue and community rating for individuals without serious medical conditions (2011)
 - State high-risk pool includes all people excluded from health coverage for predetermined health conditions as defined by MRMIB
 - Funded by a surcharge on health insurance premiums (AB 2, Dymally)
 - Small group market rules applied to midsize employer market (51-250 employees)
 - Standardized underwriting and application form
 - Requires insurers to offer 3 uniform benefit designs in pool and private market

Source: CalHealthReform.org

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Universal Coverage for Kids - *AB 1 (Laird) and SB 32 (Steinberg)*



- All children, regardless of residency status
- 0-133% of FPL: Medi-Cal
- 133%-300% of FPL: Healthy Families Program (HFP)
- Program simplification and streamlining

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SB 840 (Kuehl) - *Universal Coverage for All Californians*



- All residents, regardless of residency status
- All benefits, except long term nursing home care
- Financed by payroll taxes on employers (8% of wages), employees (3-4% of income), replacing insurance premiums, copays and deductibles
- Replaces employer-sponsored coverage, private insurance, Medi-Cal and Healthy Families with public coverage (like Medicare)
- Caps future growth in health spending

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