

California has one of the highest percentages of uninsured in the nation at 18.5% of the state's population. In addition, the number of uninsured in California has increased to nearly seven million due to the recession's rising unemployment rates, 11.9% in California. Despite common misconceptions, the majority of uninsured are young adults, US citizens and full-time employees. Almost half of the uninsured report poor access to care.

Public Programs

California has a mixed system of private and public insurance, including the following:

- *Medi-Cal* covers 6.8 million individuals with one of the nation's lowest per beneficiary spending. Parents and children over age 6 are covered up to 100% FPL; children under age 6, disabled and elderly are covered up to 133% FPL; pregnant women are covered up to 200% FPL for pregnancy related care; undocumented residents are covered for emergency care and pre-natal care only; no coverage is available for MIAs (medically indigent adults) without federal matching.
- *Healthy Families* and *AIM* (Access for Infants and Mothers) cover pregnant women and infants up to 300% FPL children up to 250% FPL; subscribers choose among competing public and private plans.
- *County health* provides care to low income adults, not eligible for federal matching
- *Medi-Cal managed care models* vary by county and include County Organized Health Systems, two plan models, and geographic managed care.

With the help of public programs, California has achieved success in covering pregnant women (97% insured births, 3% uninsured births) and children (94% insured, 6% uninsured).

Workforce Coverage

California businesses have a higher rate of offering coverage (70%) compared to the national average (63%). However, few lower wage firms offer coverage in California (27%), citing high cost as the key reason. The flex workforce has low rates of job-based coverage and high rates of uninsured since employment-based coverage is constructed around the full-time, full-year, and more permanent workers; individual coverage is usually too expensive and too often inaccessible.

Underwriting and Purchasing Pools

In 1992, California adopted underwriting reforms to improve availability and stability of coverage for small employers. The Health Insurance Plan of California, HIPC/PacAdvantage, was a statewide purchasing pool for small employers, which covered as many as 150,000 employers and initially created competition in the market. In 2007, the pool had to close its doors after adverse selection eventually turned it into a non-competitive, high priced, bad risk pool. Fewer underwriting controls apply to health plans in the individual market.

Cost Containment

California was an early exponent and practitioner of HMO and price competition models for reducing rising health prices. Currently, over half of both insured employees and Medi-Cal subscribers are enrolled in an HMO, which is twice the national average. In 1982, California changed state laws to encourage price competition. Several large commercial health plans and a number of large hospitals have changed from non-profit to for profit status. In 2008, California

employer premiums increased at twice the national rate, four times faster than inflation between 2002-2008, and 30% more for small employers. Regional variations reveal that competition works best in urban areas as opposed to rural and other regions with a single dominant hospital or hospital chain.

Uncompensated Care and Safety Net Institutions

California has five distinct types of safety net institutions, including public hospitals, public outpatient clinics, non-profit community and free clinics, private hospitals in low income neighborhoods, and public managed care plans. There is wide inter-county variability in their funding and access to care for the uninsured. Many California clinics and hospitals experience heavy burdens of uncompensated care for uninsured patients, leading some to close vital services, such as emergency rooms.

Building Block Initiatives and Infrastructure

Local pioneering safety nets and public plans have tested and developed new designs for covering the uninsured in communities throughout the state. Children's Health Initiatives (CHIs) include 30 county-wide initiatives for uninsured children. These are potential local building blocks for the federal reform efforts.

ABX1 1 (Nunez): A Bi-Partisan Effort

In 2007-2008, a bi-partisan effort led by Governor Schwarzenegger and Assembly Speaker Nunez sought to extend coverage for all Californians. The measure was defeated in the Senate Health Committee after facing strong opposition from single payer and 'no-new-taxes' advocates. Features of the bill were similar to those now being discussed at the national level. ABX1 1 (Nunez) was premised on shared responsibility, including individuals, employers, government, plans and providers. The plan called for a set of minimum benefits, prevention and wellness, insurance reforms, affordability, value purchasing, and quality improvements.

Recommendations from the Board and the Field

ITUP gathers federal reform recommendations from our advisory board and from nine regional workgroups. Recommendations include:

- Rely on state (rather than federal) exchanges to improve coverage for the uninsured, small employers and individual purchasers and better meet the needs of California's diverse local markets;
- Adopt consistent payment reforms with coordinated delivery system incentives to improve quality, patient outcomes and cost efficiency;
- Use the exchange to create a new, effective model for coverage of flex workforce;
- Expand and give increased flexibility to existing building blocks such as California's local health plans, pioneering local safety nets and Children's Health Initiatives;
- Assure adequate risk adjustments inside and outside the "Exchange" to prevent adverse selection.