



CALIFORNIA
HEALTHCARE
FOUNDATION

SNAPSHOT

SB 2: Effects on Employers and Employees



Introduction

The California Health Insurance Act of 2003 (also known as Senate Bill 2 or SB 2) creates a state health insurance coverage program for eligible workers at medium and large firms. Beginning in 2006, employers with 200 or more employees will be required to show evidence of coverage or pay a fee to enroll their employees and their uncovered dependents into the State Health Purchasing Fund, to be created by the California Managed Risk Medical Insurance Board (MRMIB). Beginning in 2007, employers with 50 to 199 employees will be required to provide coverage or pay the program fee for their eligible employees.¹

This snapshot provides an overview of:

- Current characteristics and coverage practices of private sector employers in California. (Such firms employ about 80 percent of SB 2-eligible workers.)
- Workers and their dependents who are affected and how the law is likely to change their health insurance status. (Both private and public sector workers and dependents are included in the analysis.)

This analysis is based on a database compiled from a number of different sources, which are listed on p. 19. A full description of the methodology is also [available](#).

1. Before these requirements take effect, the legislation must first survive a public referendum scheduled for November 2004.

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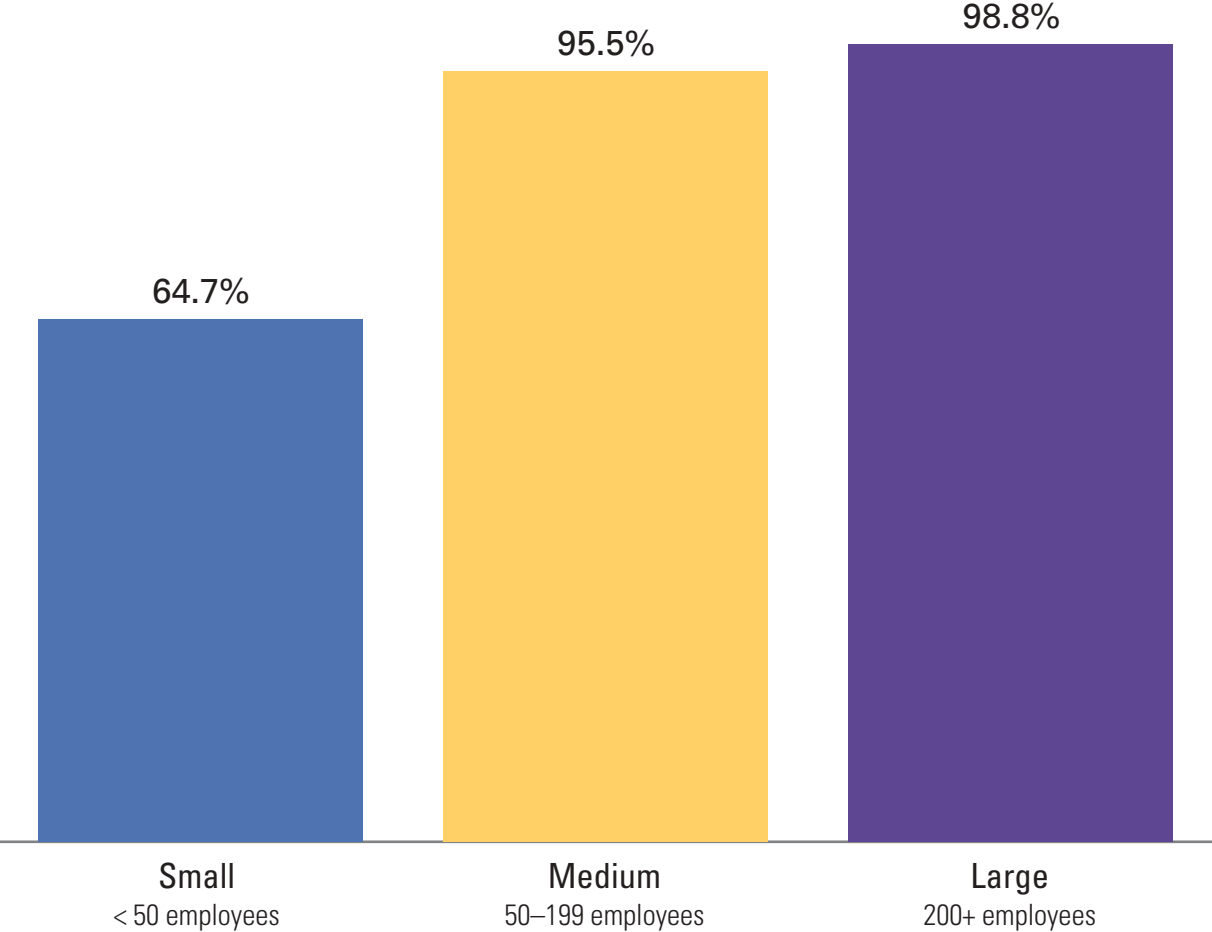
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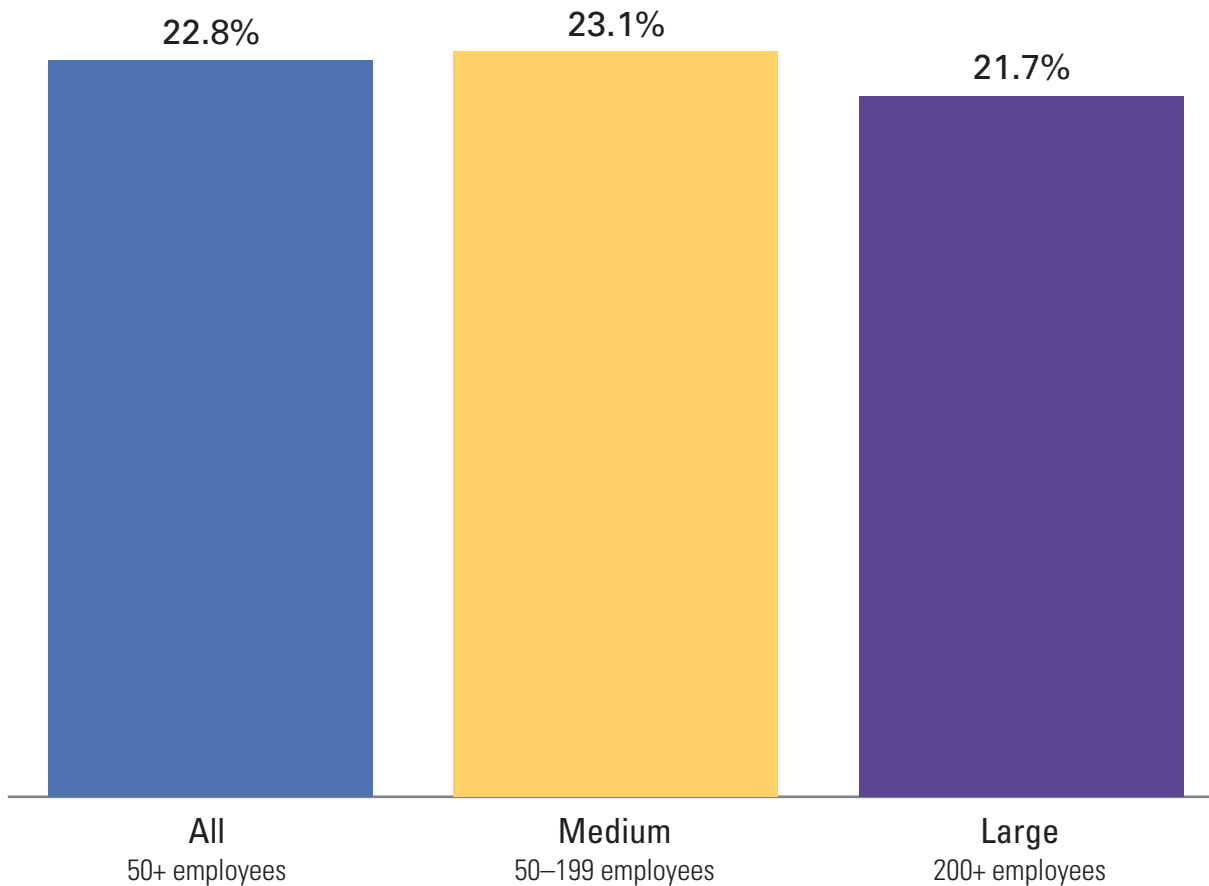
Private Employers Offering Health Insurance in California, 2003



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More than 95 percent of the medium and large employers subject to SB 2 offer health insurance to at least some of their workers, but only about 65 percent of smaller employers offer coverage.

Private Employers Requiring Workers to Contribute More Than 20 Percent of the Premium

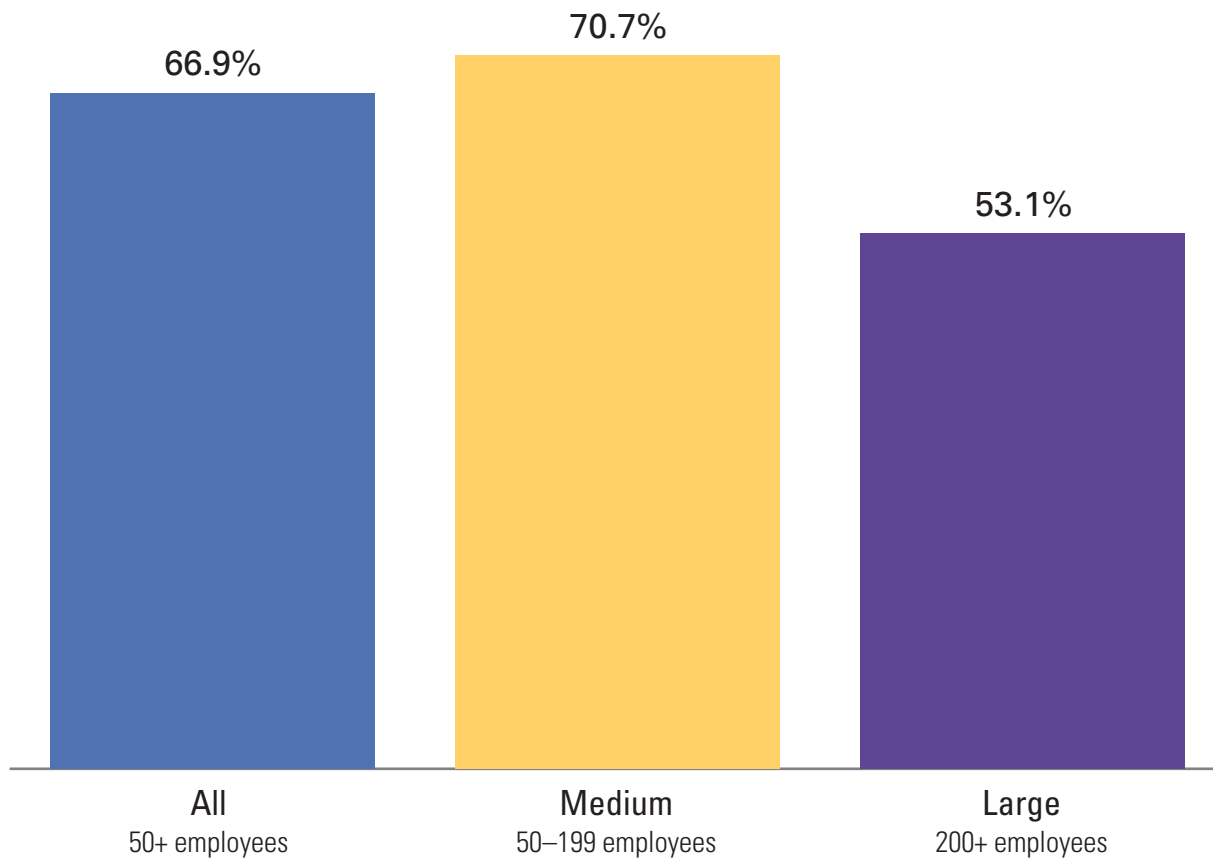


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SB 2 sets the maximum employee share of premium at 20 percent. Currently, about 23 percent of employers subject to SB 2 require a larger share of premium for employee-only coverage.

Private Employers Requiring Workers to Pay More Than 20 Percent of Dependent Premium

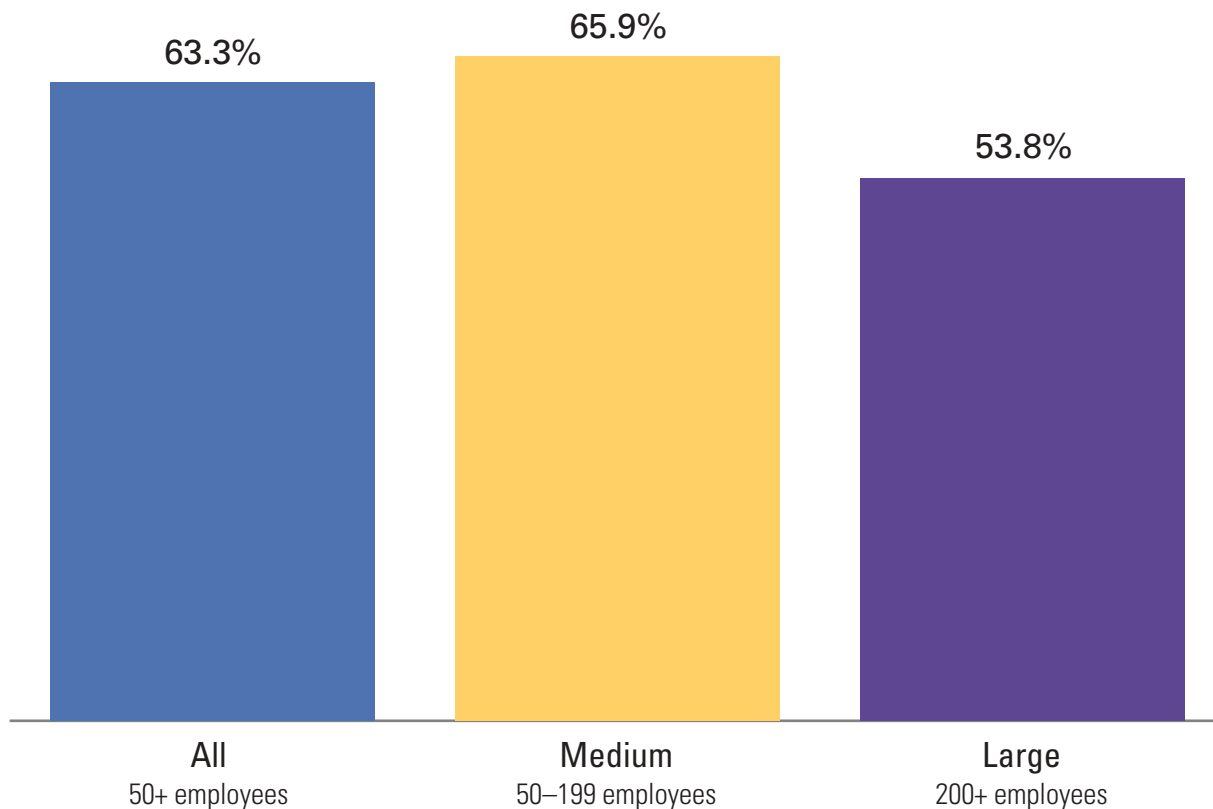


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SB 2 requires large (but not medium) employers to pay 80 percent of the premium for the dependents of their workers. Over half of large firms currently contribute less than 80 percent toward dependent coverage.

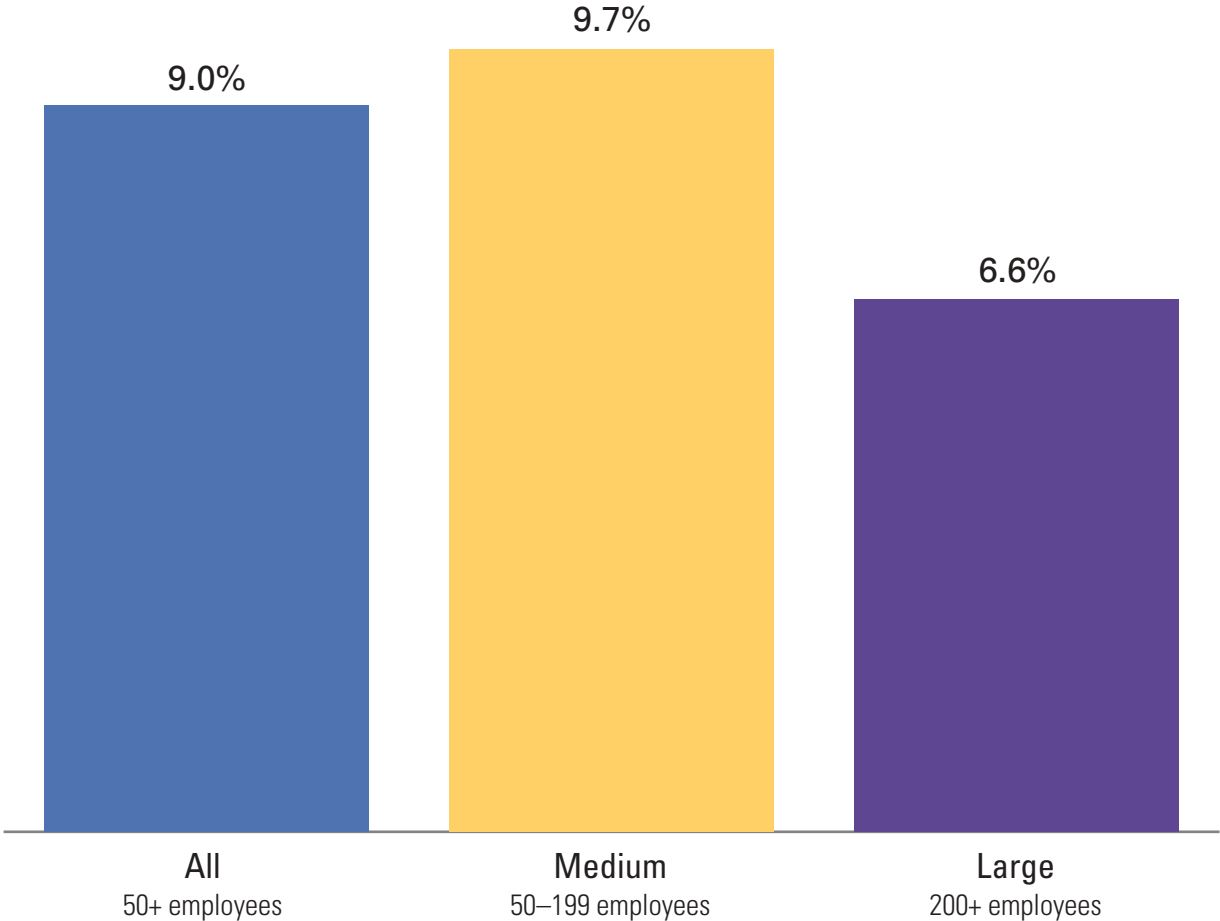
Private Employers Offering Coverage to Full-time Workers Only



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SB 2 requires employers to cover employees who work at least 100 hours in a month. Currently, over 60 percent of employers restrict coverage to workers they consider to be full time and may have to expand eligibility under SB 2.

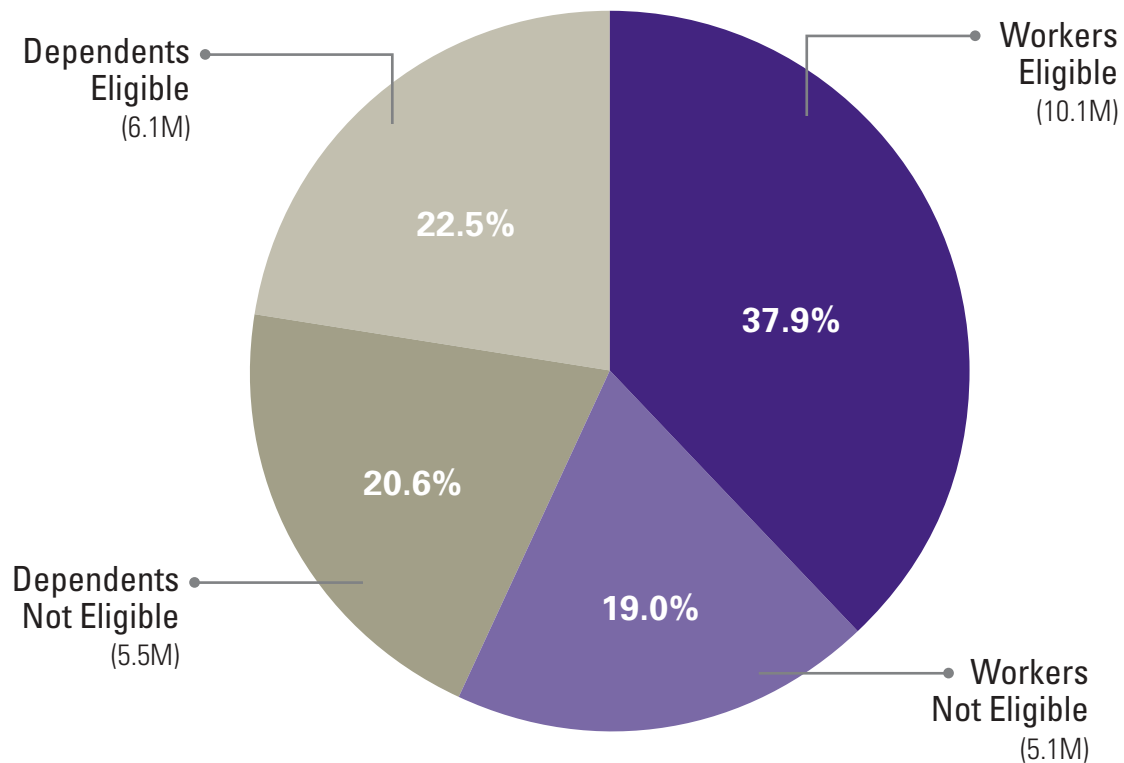
Private Employers with Waiting Periods for Coverage Greater Than 3 Months



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SB 2 requires employers to cover their workers after 3 months on the job. The majority of employers that offer coverage already meet this standard, but about 9 percent of employers have longer waiting periods.

Workers and Dependents by SB 2 Eligibility

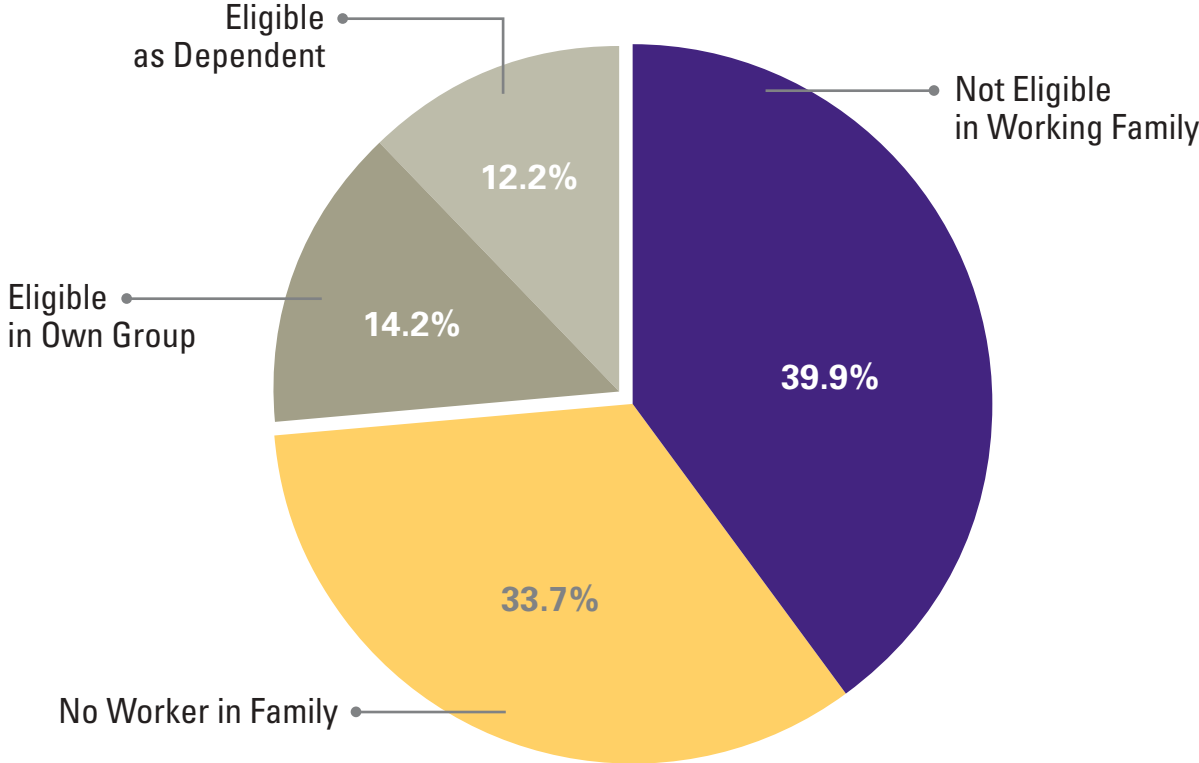


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If SB 2 is fully implemented on January 1, 2007, about 60 percent of California's workers and their dependents will be covered at businesses subject to SB 2. The 10 million workers covered include about 1 million workers in small firms covered as a dependent under a spouse's large-company employment.

Uninsured Population by SB 2 Eligibility

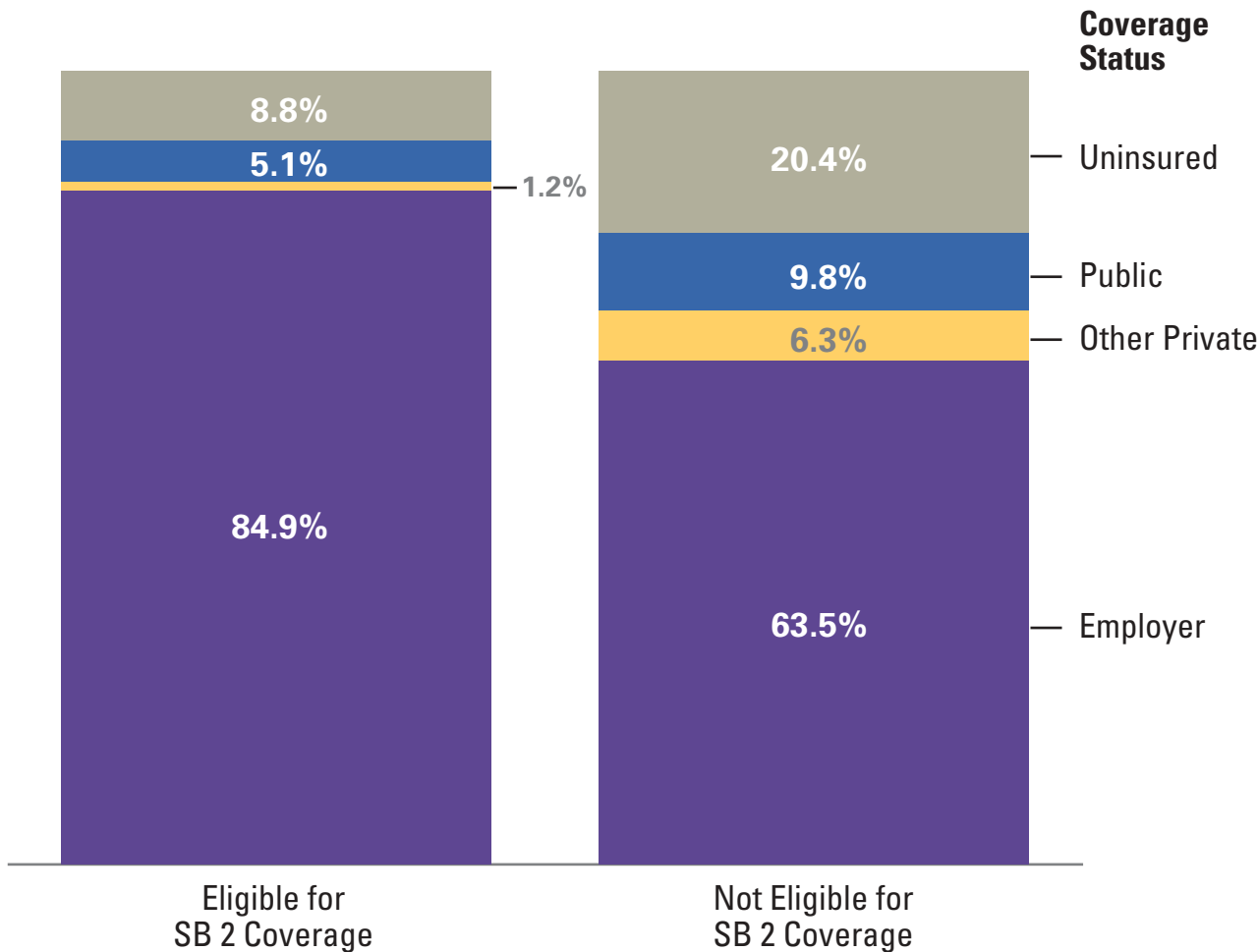


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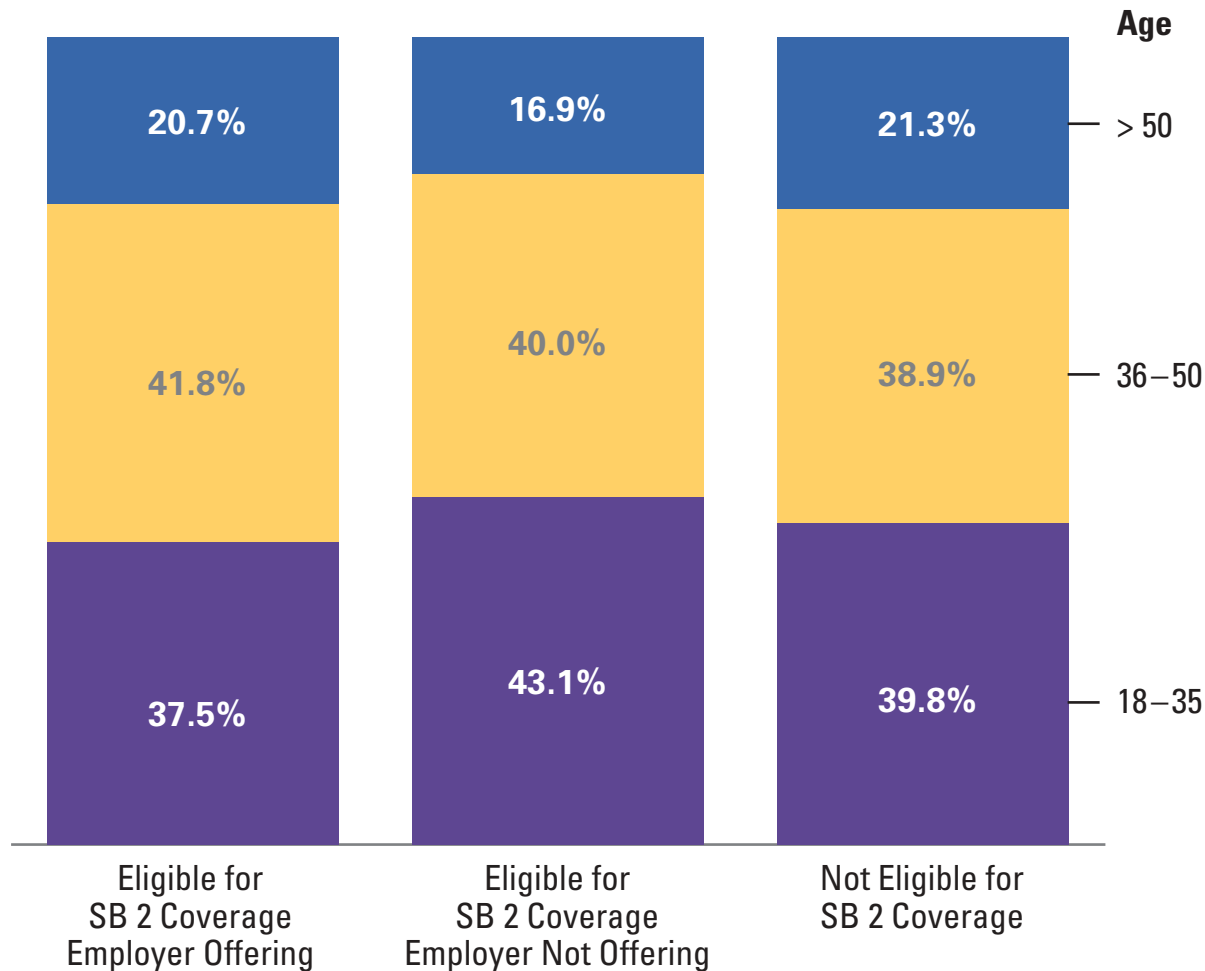
Twenty-six percent of the uninsured population — about 1.4 million individuals — will be covered under SB 2. About 14 percent work for an employer that must comply, and 12 percent are dependents of a worker in a company that must cover dependents.

Current Coverage Status of Workers and their Dependents by SB 2 Eligibility



About 85 percent of workers and dependents eligible for SB 2 coverage currently have employer-sponsored insurance and about 9 percent are uninsured. In smaller firms not subject to SB 2, about 64 percent of workers and dependents have employer-based coverage and 20 percent are uninsured.

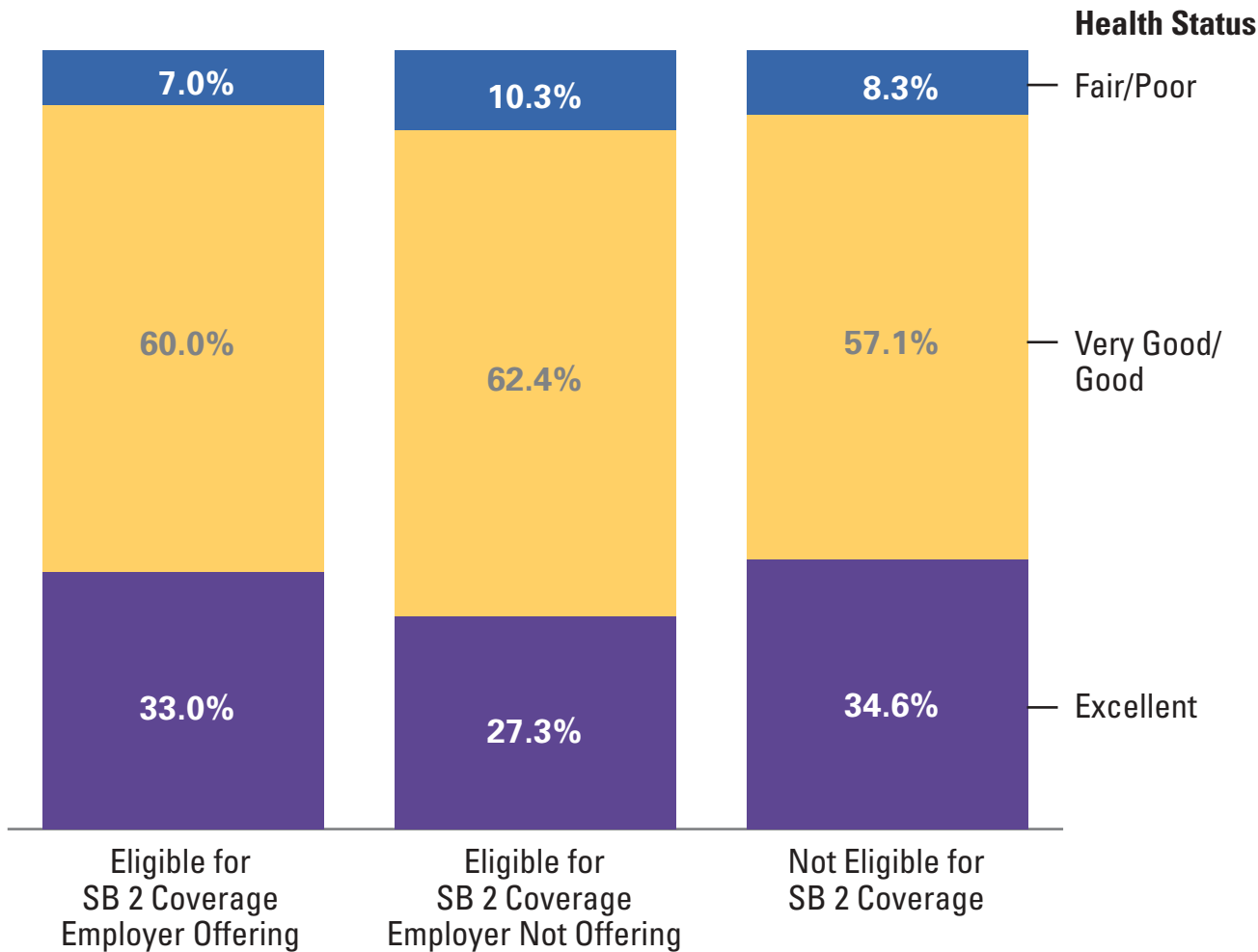
Age Distribution of Workers by SB 2 Eligibility



Employers not currently offering health insurance may be more likely to join the State Health Purchasing Fund than those already offering health insurance. Workers in these non-offering firms subject to SB 2 are slightly younger than workers in offering businesses and those not eligible under SB 2.

Note that among SB 2-eligible workers, only about 1 percent work for a firm not offering coverage (page 16).

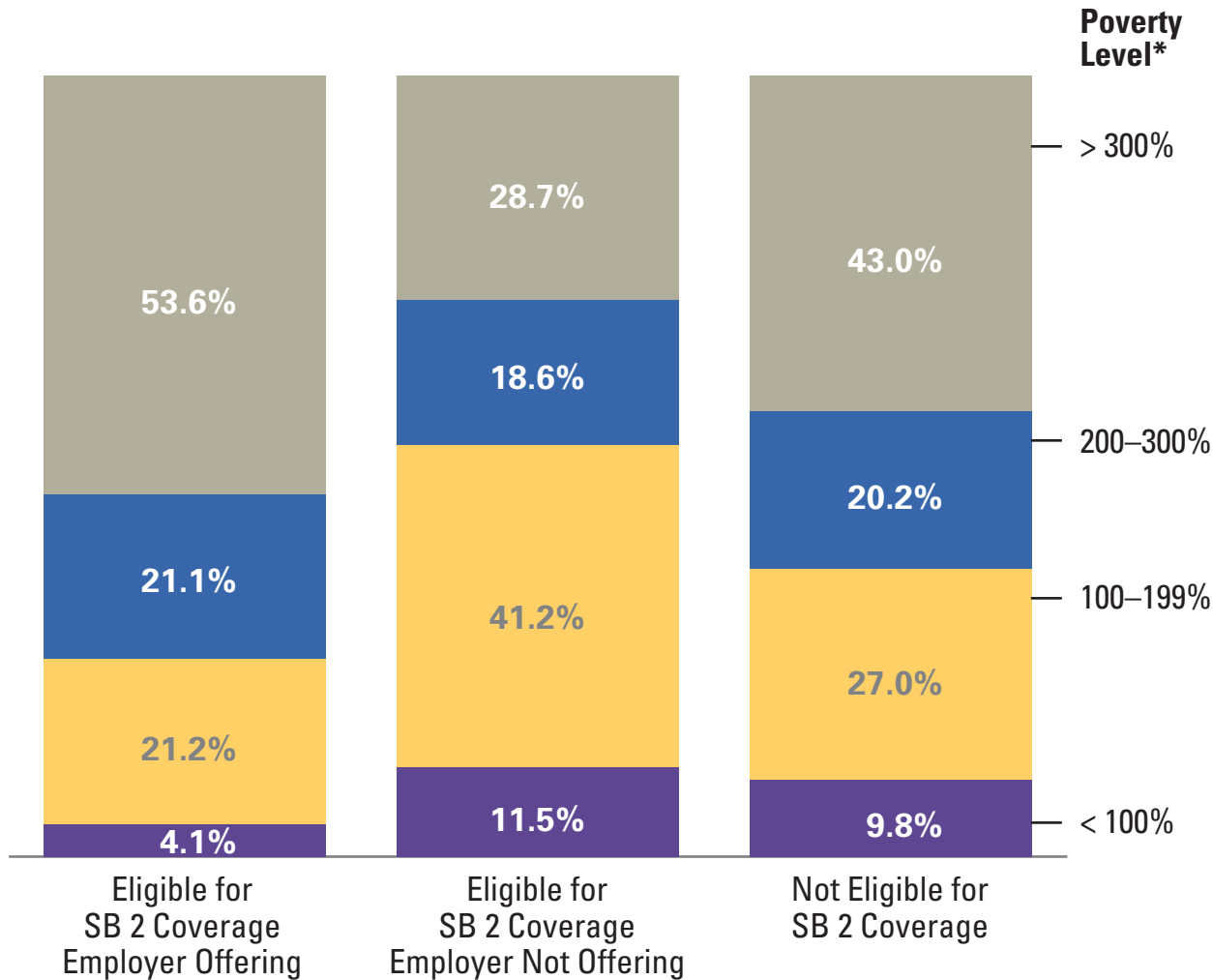
Health Status of Workers by SB 2 Eligibility



Employers not currently offering health insurance may be more likely to join the State Health Purchasing Fund than those already offering health insurance. Workers in the non-offering firms subject to SB 2 are more likely to report poorer health than workers in offering businesses and those not eligible under SB 2.

Note that among SB 2-eligible workers, only about 1 percent work for a firm not offering coverage (page 16).

Family Income of Workers and Dependents by SB 2 Eligibility

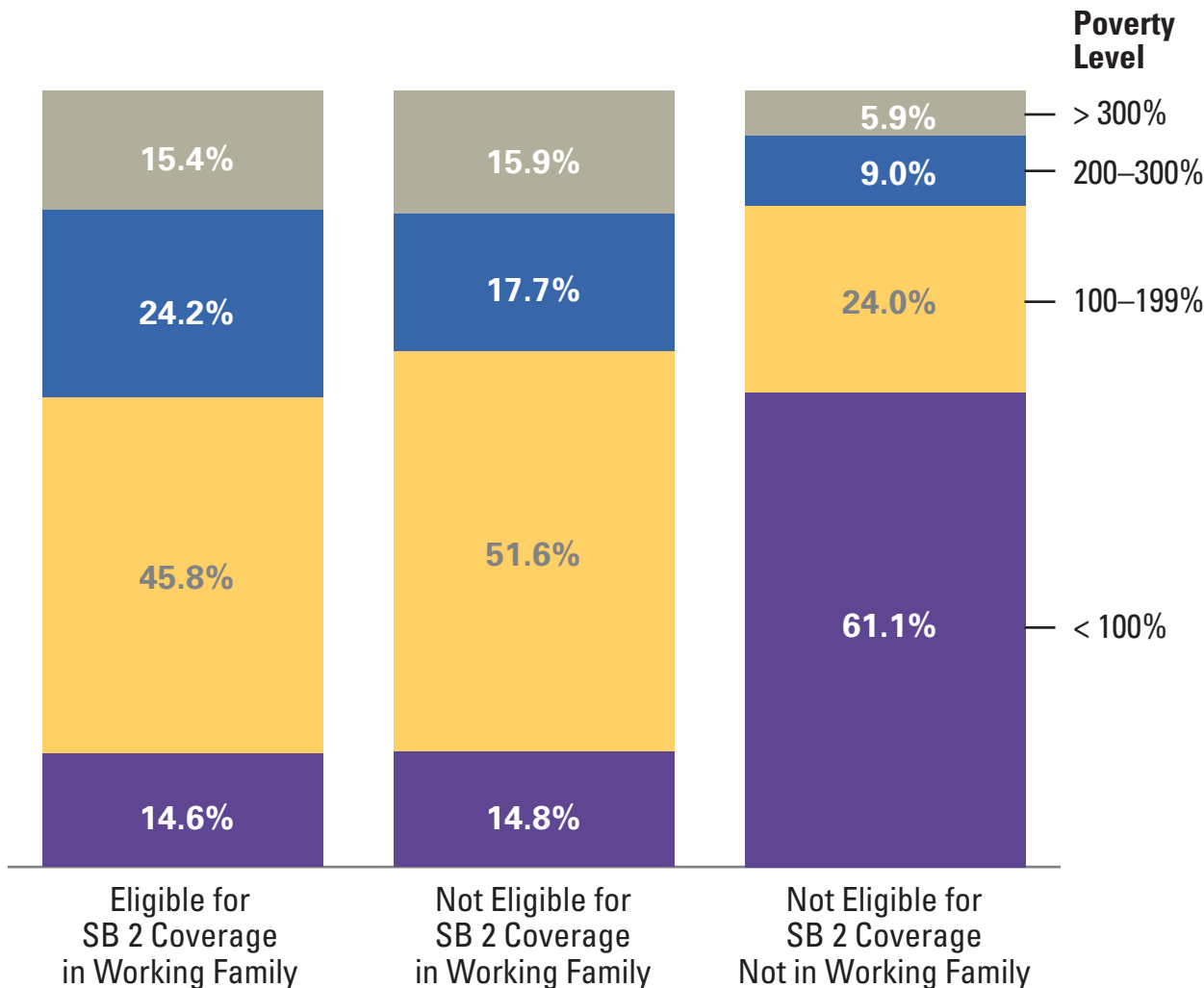


*In 2004, the federal poverty levels were \$9,310 for an individual; \$12,490 for a two-person family; and \$15,670 for a three-person family.

Employers not currently offering health insurance may be more likely to join the State Health Purchasing Fund than are firms already offering health insurance. Workers in these non-offering firms subject to SB 2 have lower family incomes than workers in offering businesses and those not eligible under SB 2.

Note that among SB 2-eligible workers, only about 1 percent work for a firm not offering coverage (page 16).

Income Distribution of Uninsured by SB 2 Eligibility



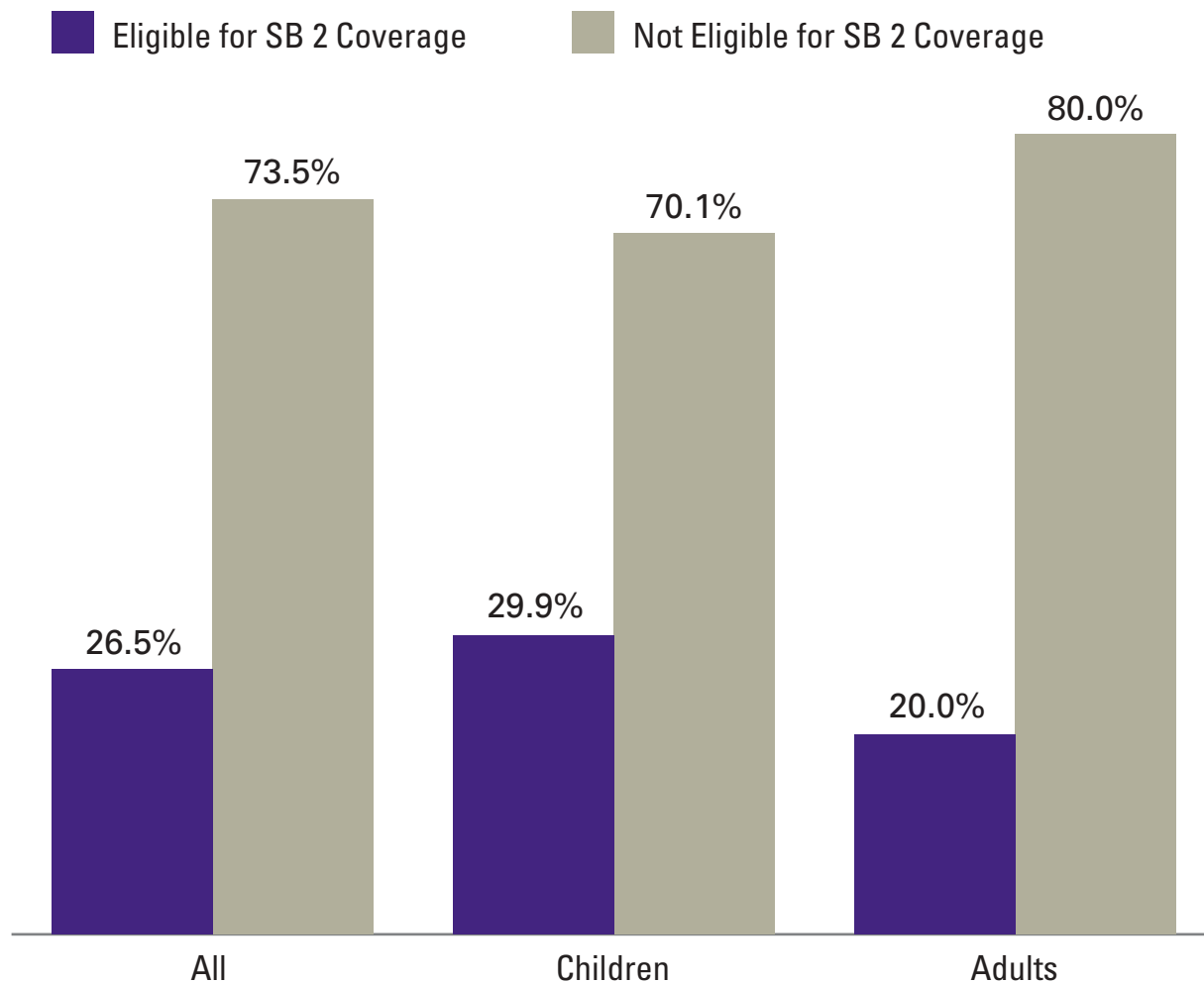
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About 60 percent of uninsured eligible for coverage under SB 2 have incomes below 200 percent of poverty. The uninsured not covered under SB 2 have somewhat lower incomes and non-working uninsured have much lower incomes.

Note: Approximately 26 percent of the uninsured population will gain health coverage under SB 2 (page 8).

Enrollees in Medi-Cal or Healthy Families Eligible for SB 2 Coverage

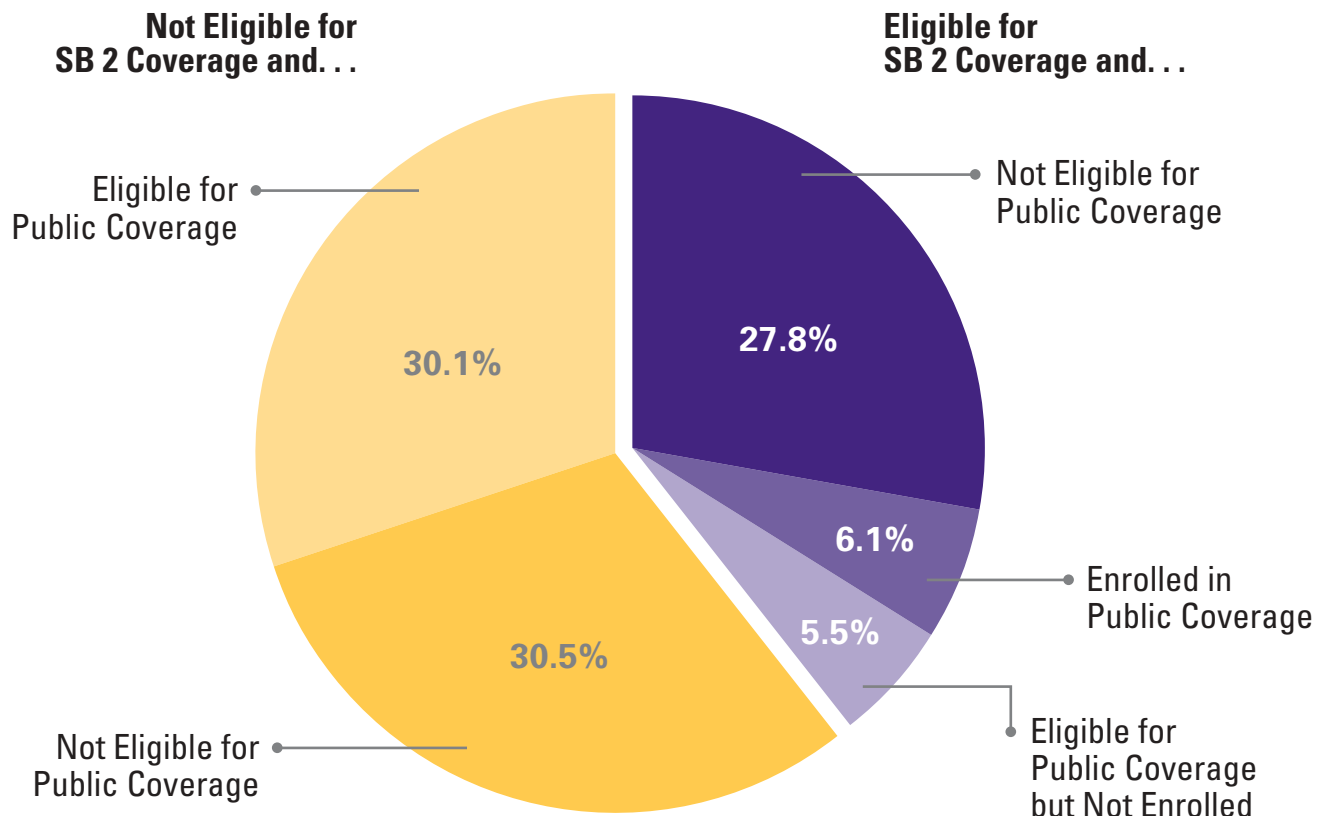


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About 25 percent of those currently enrolled in either Medi-Cal or Healthy Families, approximately 1.2 million people, will be eligible for coverage under SB 2—800,000 children and 400,000 adults.

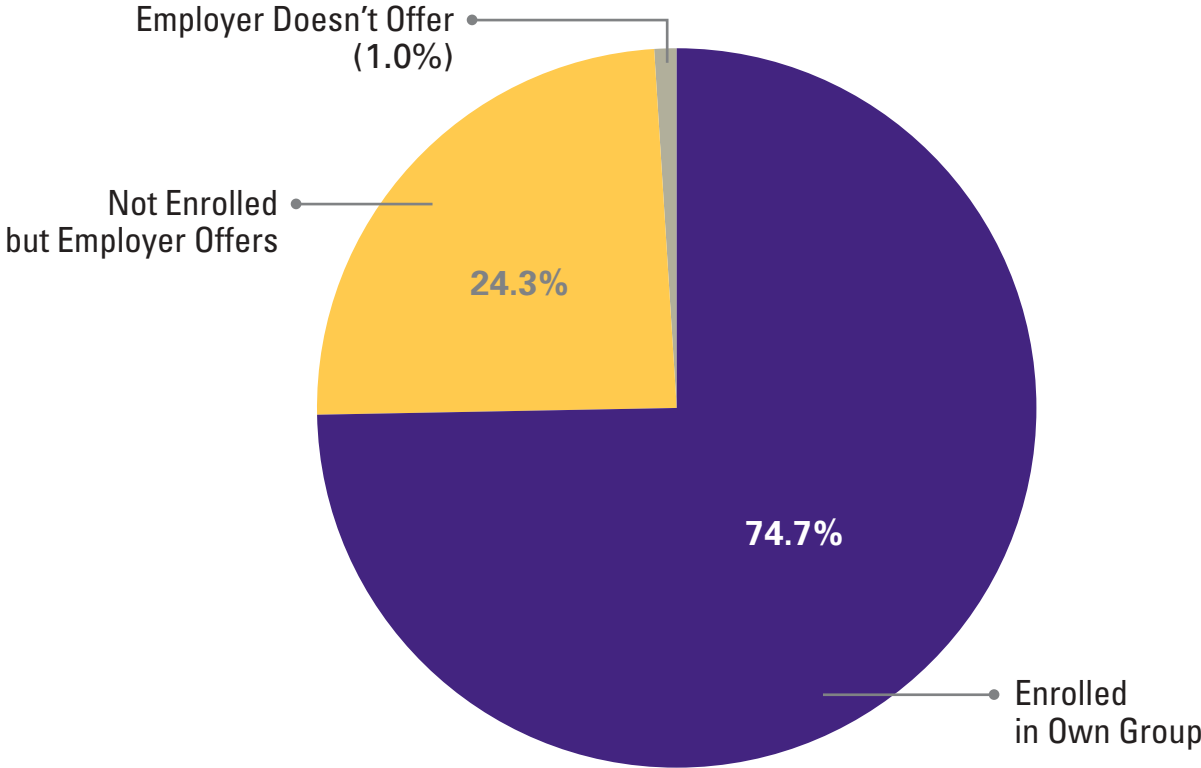
Eligibility for SB 2 and Public Coverage Among Low-income Californians*



*Low income defined as under 250 percent of the federal poverty level (FPL). In 2004, this figure was \$23,275 for an individual and \$39,175 for a family of three.

About 40 percent of those below 250 percent of poverty will be eligible for SB 2 coverage. Of those, about 15 percent (1.2 million) are enrolled in Medi-Cal or Healthy Families; an additional 14 percent (800,000) are eligible for the programs but not enrolled.

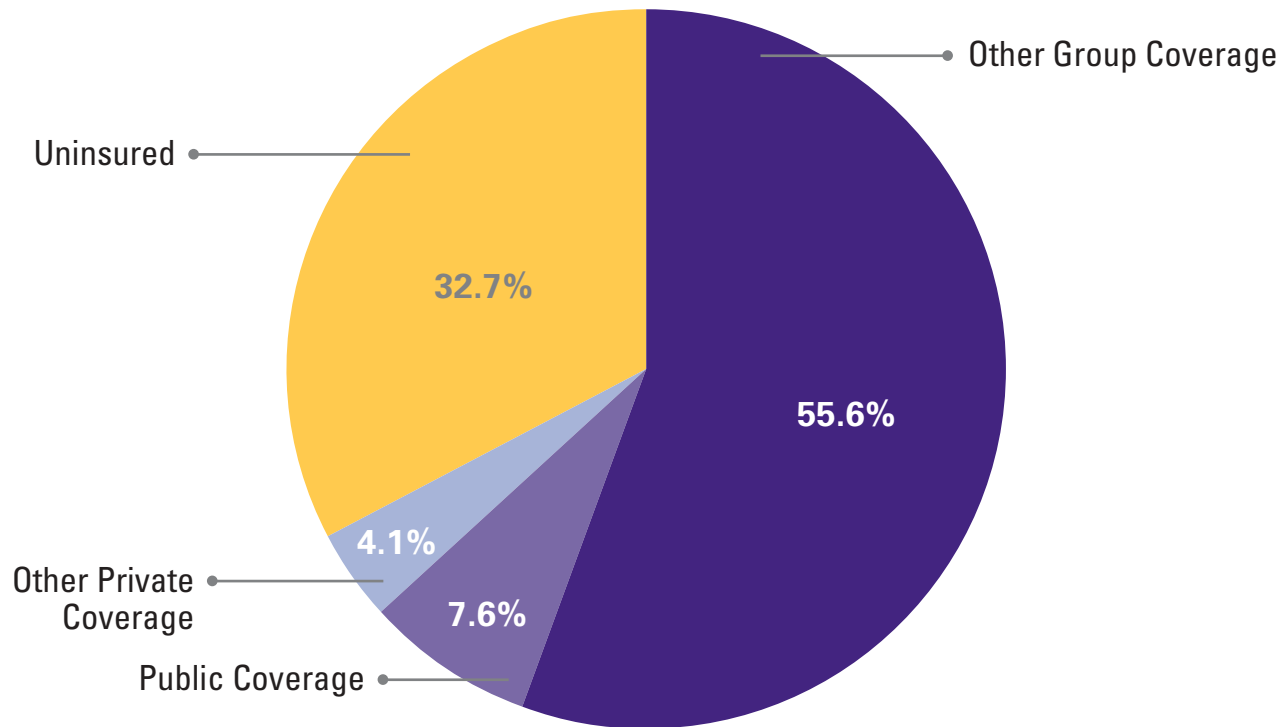
Current Coverage Status of SB 2-eligible Workers



About 75 percent of SB 2-eligible workers are already enrolled in an employer-sponsored plan. About 24 percent are not enrolled although their employer offers coverage*; only 1 percent work for an employer that does not offer health insurance.

*This includes workers who choose not to take up coverage (some of whom obtain coverage through a spouse or on the individual market) and those ineligible for the plan (e.g., because they work part-time).

Current Coverage Status of SB 2-eligible Workers without Coverage through their Employer

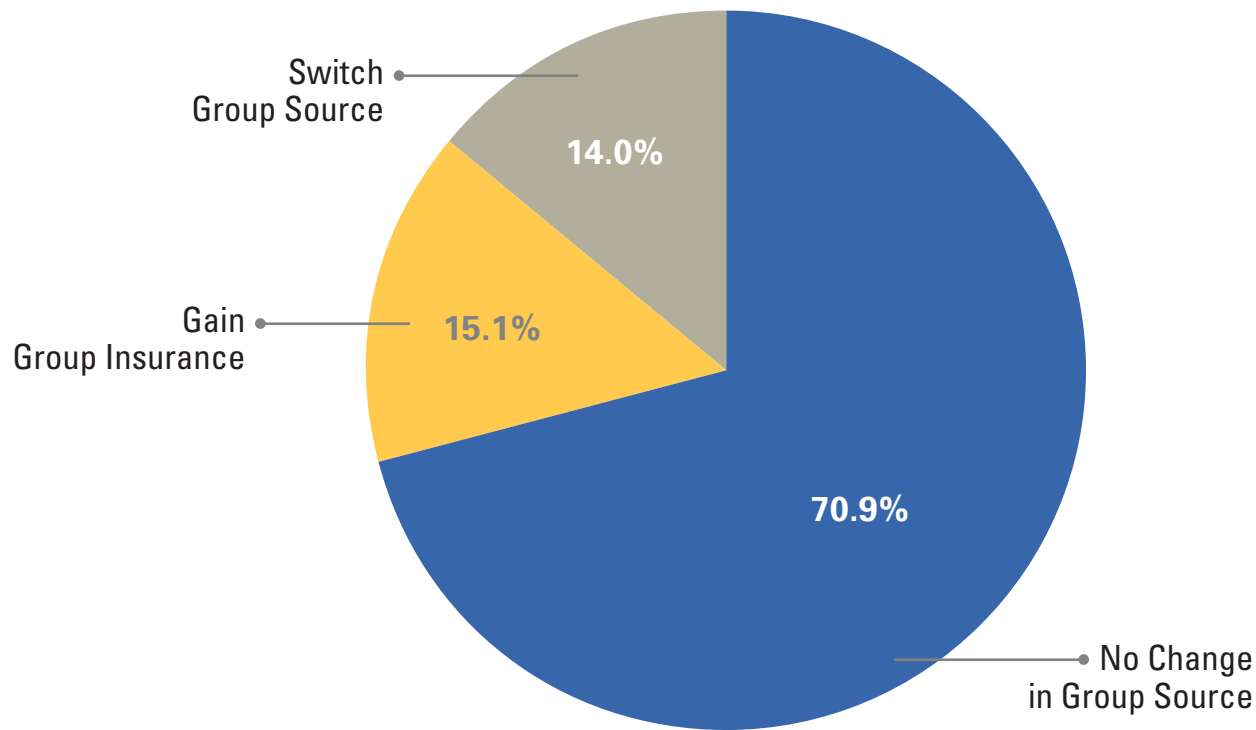


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About one-third of SB 2-eligible workers without employer coverage are uninsured. Over half are currently insured through a spouse's employer and will likely need to switch to the plan offered by their own employer.

Change in Coverage Status for SB 2-eligible Workers and their Dependents



Under SB 2, about 71 percent of workers and dependents would maintain their existing group health coverage. Fourteen percent would switch from a spouse's plan to coverage through their own employer, and 15 percent would gain new employer-based group coverage.*

*Includes uninsured, those with public coverage, and those with individual coverage.

Resources

Data Sources

- California Employment Development Department, 2003
- KFF/HRET California Employer Health Benefits Surveys, 2002, 2003
- RWJF Employer Health Insurance Survey, 1997
- Survey of Income and Program Participation, 2001 panel

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