

RECOMMENDATIONS ON ACCESS TO HEALTH CARE

CALIFORNIA WORKING FAMILIES POLICY SUMMIT JANUARY 13, 2009

INTRODUCTION

Californians are increasingly insecure about their health care and coverage. Even those who have coverage are concerned that it won't be there for them when they need it. Although most Californians rely on employer-based coverage or public insurance programs for their health coverage, these two key pillars of our health system are eroding, threatening access to care for all Californians.

Additional Burdens on Working Families

As health care costs rise, employers are responding by shifting costs to their employees, scaling back the coverage they offer, or eliminating health benefits for their workers, resulting in the erosion of employer-based coverage.¹ Nationally, three out of five adults with problems paying their medical bills *have* insurance.² With unemployment rates at record numbers, more families are at risk of losing their access to health care altogether. Many families who currently have coverage fear that it won't be available or affordable when they need it most.

Public Programs Under Attack

As a result of the ongoing erosion of employment-based coverage in California and the general economic downturn, more families need and rely on public programs, like Medi-Cal and Healthy Families.³ Yet in spite of the higher need for public insurance, these programs have been the target of significant spending cuts in order to deal with the state's multi-billion budget deficit. Governor Schwarzenegger and the legislature agreed to spending cuts, cost-sharing increases, and a number of other changes that undermine public coverage programs.⁴ These changes will have a long-term negative impact and make it more difficult for families to get coverage in the short-term when the private market fails them.

Uninsurance and Underinsurance in California

Californians are more likely to be uninsured than residents in 44 other states.⁵ In 2005, 6.5 million Californians were uninsured, of whom over 80% were in working families, and millions more were *underinsured*.⁶ Californian families are not uninsured by choice: eight out of ten uninsured working adults in California were not eligible for or offered coverage through their employers;⁷ and for many, purchasing insurance on the individual market is prohibitively expensive, if available at all (e.g., because of "pre-existing conditions").⁸ Those without adequate insurance are less healthy, die younger, often delay or forgo necessary care resulting in severe health impacts, and are more likely to have medical debt.⁹

Opportunity for Change and the Risks of Inaction

Despite perennial budget shortfalls and stalled efforts at comprehensive health reform, both Governor Schwarzenegger and legislative leaders have stated their commitment to improving California's health care system—and a new President and Congress have a strong mandate for reform. Political momentum already exists for stakeholders to continue discussions about health reform.

Without positive action, the health care system will continue to deteriorate, and individual patients and families will be forced to take on increased risks and costs of health care. Inaction not only endangers the health system we all rely on, but also our much-needed economic recovery – because the health care industry contributes significantly to job creation and the economic activity.

POLICY OBJECTIVE #1

Resist cuts and caps that undermine public insurance programs and the safety net.

Background

In late September 2008, as the state faced a recession and a \$10 billion deficit, Governor Schwarzenegger signed a record-late budget that included more than \$700 million in health care cuts. Soon afterwards, with a projected \$41 billion deficit for the current budget year through June 2010, the Governor called a special session of the legislature and proposed additional cuts to health and other vital services.

Health and human services programs have already suffered significant budget cuts, through reduced spending, eligibility, benefits, reimbursements to providers, and increased consumer cost sharing. Some of the spending cuts made to health programs include: extending a ten percent across-the-board provider rate reduction in Medi-Cal through February 2009 (pending in court); doubling reporting requirements on children in Medi-Cal (with the savings coming from hundreds of thousands of children falling off coverage); and simultaneously increasing premiums and decreasing dental coverage for Healthy Families enrollees. The most severe proposals – including one that would directly deny Medi-Cal coverage to over 400,000 very low-income working parents – were rejected by the Legislature in the 2008-09 budget. But even these proposals have resurfaced: As part of his midyear reductions, the Governor has re-proposed that low-income working parents should be denied Medi-Cal coverage.

Recommended Actions for the Legislature and Governor:

- A. Prevent additional cuts to Medi-Cal, Healthy Families, and other public programs and restore previous cuts.** Cutting health programs will leave hundreds of thousands of Californians uninsured, and cause our entire health system to be underfunded. Ironically, the state has cut spending on these programs, just when demand is highest. Nearly 20 percent of Californians are covered by public programs such as Healthy Families and Medi-Cal. Furthermore, the federal government matches state spending on these programs, and by reducing state spending on these programs, the state is forgoing valuable federal funds for our health system, and new stimulus dollars for our economy, during a time they are needed most.
- B. Preserve the safety net of emergency rooms, clinics, and public hospitals.** Public hospitals already work on very thin margins, and have the challenge of being both a community-wide safety-net for trauma and other emergencies, and the primary provider of care and vital safety net for society's most vulnerable. Community clinics are also a critical "medical home" that provide access for many Californians. Both rely on public funding, and are threatened by budget cuts and policy changes to siphon money away, threatening their very viability. Legislators should protect this cornerstone of the health system by ensuring adequate funding.
- C. Raise the revenues needed to sustain health programs and services.** This past year, California has cut the budget by \$16 billion, but only raised revenues a fraction (worth 0.2 percent of the cuts). Enacted cuts are often permanent, such as the premium increase in Healthy Families; while, revenues, if they are considered at all, are often temporary, such as a limit on claimed tax credits, and are often made up in perpetuity. A balanced budget solution includes taxes to prevent cuts. California should focus on raising revenues to match the cuts already made before considering additional cuts.
- D. Oppose "spending caps" and other proposals that limit the state's ability to meet our health care needs.** Proposals that arbitrarily limit spending in public programs would weaken the ability for the state to meet the health care needs of Californians, now and in the future, especially during rough economic times. As part of the 2008-09 budget deal, the Legislature passed and the Governor signed an unfunded "rainy day fund" proposal that would siphon billions of dollars from health, education, and other general fund priorities. Health advocates should be prepared to oppose this proposal, which ultimately needs voter approval, as well as other similar "spending cap" measures that may make it on the ballot.

POLICY OBJECTIVE #2

Ensure affordability and provide consumer protections for uninsured, underinsured, and insured families to protect them against overcharging and oppose the growing cost burden on individuals and their families.

Background

While we work toward the goal of quality, affordable health care for all in a more efficient system, we need to provide consumer protections, particularly for those left most vulnerable, fending for themselves in the individual health insurance market—the least efficient and most expensive way to get coverage.

Without the power of group purchasing, individuals are at the mercy of the large private insurers that actively work to avoid covering those who actually need care. Enacting consumer protections not only helps families in the short-term, but also lays the groundwork for broader health reform.

Recommended Actions for the Legislature and Governor:

A. Place rules and oversight over insurers, primarily in the individual market, to protect consumers so they can get the health coverage they need.

1. Set minimum standards for benefits to prevent “junk” insurance, and categorize products so that consumers can better shop between comparable plans with similar benefit designs (e.g., SB 1522 (Steinberg) from 2008).
2. Require insurers to have a definition of “medical necessity” and a transparent process when making coverage decisions based on medical necessity.
3. Reform the high-risk pool (Major Risk Medical Insurance Program) so those with pre-existing conditions have access to basic coverage, and lift the \$75,000 benefits cap in the program.
4. Create an independent review process for rescissions/denials of coverage, especially when done retroactively.
5. Establish a minimum medical loss ratio (e.g., 85 percent) to ensure that premium dollars go to patient care, rather than administration and profit, and ensure disclosure for consumers.

B. Support additional oversight of insurers and providers to ensure quality care by allowing the Department of Managed Health Care (DMHC) and Department of Insurance (DOI) to adopt additional regulations to protect health consumers. This includes providing oversight of the implementation of strong consumer protection regulations at the DMHC and/or DOI regarding: *timely access* to care (to establish time-elapsd standards for being able to get care), *balance billing* (so insured patients are not unfairly billed simply because of a provider/insurer dispute), and *language access* (the right to interpretation services so the diversity of California’s patients can communicate with their doctors). Other key issues include promoting oversight over costs by allowing regulators to review, in a public process, the procedures for setting rates, out-of-pocket costs, and benefit designs; and oversight over brokers and agents, to ensure they are acting in the best interest, and providing the best value, to consumers.

C. Oppose the shifting of risks and financial burdens to individual consumers and families.

Inadequate coverage (whether in terms of benefits and/or costs) forces families into precarious situations and undercuts the entire premise of insurance – shared risk. Policymakers need to place overall caps on deductibles and other out-of-pocket costs to ensure that insurance products actually help a patient get needed care, and prevent medical debt and bankruptcy. Policymakers should reject attempts to promote Health Savings Accounts, which use tax dollars to encourage underinsurance and high-deductible plans. Finally, they should also oppose and oversee “discount health plans,” where consumers pay monthly fees for little or no benefit, where a discount is promised, on prices that are unknown, to a phantom network of providers, and sometimes under the false pretense of full coverage.

POLICY OBJECTIVE #3

Continue to work on broader comprehensive health reform at both the state and national levels by building on what works in the health system.

Background

Problems that families face in accessing and affording health care will not go away, and will only get worse as health care costs are projected to grow at a far greater rate than workers' wages or inflation. Serious problems require serious solutions – comprehensive reform efforts should focus on consumer-friendly policy changes at the federal, state, and local levels that make health care significantly more accessible for families.

Due to efforts over the previous two years, there is continued political momentum within California to achieve health reform – with a Governor and legislative leaders who have stated their ongoing commitment to the issue. Nationally, there is renewed interest and opportunity for health reform, with a new administration led by President Obama and proposals supported by key Congressional leaders such as Senators Baucus and Kennedy. Efforts at all levels should be made in order to achieve comprehensive health reform that makes health care affordable and accessible to all Californian families.

Recommended Actions for the Legislature and Governor:

A. Communicate with California's Congressional delegation to advance national health reform and ensure that California will benefit from federal reforms. State and federal policymakers should work to ensure that federal health policy reflects the needs of Californians, including economic stimulus that includes an increase in federal Medicaid matching funds (FMAP), reauthorization and increased funding for the State Children's Health Insurance Program (which expires March 2009), and adjustments to Medicare Part D plan marketing and cost sharing.

In addition, California's elected officials should work to achieve national, comprehensive health reform and assure that California's particular health system needs will be addressed, such as our particularly low levels of employer-based coverage and investment in public coverage, and high rates of uninsurance, low-wage workers, and coverage denials for "pre-existing conditions."

B. Expand subsidized group coverage in the state by securing and building on what works in the employer-provided and public health insurance systems. It is more affordable and efficient to purchase insurance in a large group—and the larger the group, the more effectively risk can be spread, and the better we can bargain for lower rates. Thus, coverage expansion efforts should focus on broadening group coverage as a means of providing more Californians with access to care:

1. As with the minimum wage, a minimum standard should be set for employer-based health coverage to level the playing field between those employers that provide good health benefits and those that do not. A "pay-or-play" proposal would provide security for workers' coverage, and preserve the employers' financial role and as the mechanism for pooling people together.
2. Coverage could also be expanded through public programs by extending eligibility to all uninsured children through Healthy Families and to low-income adults, even those without children, through Medi-Cal.
3. Finally, subsidized purchasing pools can offer new affordable coverage options for both individuals and employers.

C. Shrink—and reform—the individual insurance market, so consumers are not left all alone at the mercy of the private insurance industry. With any reform, there will likely be a residual individual insurance market comprised of families unable to get group coverage. Nevertheless, this market should protect consumers and ensure that 1) coverage is offered on a guaranteed issue basis, 2) insurers cannot discriminate when price setting, 3) benefits and cost sharing are regulated and standardized, and 4) there is a public insurer option.

- D. Support cost-containment efforts focused on prevention, efficiency, transparency, and group purchasing so that consumers pay less and get more.** While consumer groups do not support efforts to reduce costs by reducing care, there is a full agenda of consumer-friendly cost-containment policies. *Public health initiatives* around major ailments, such as obesity, diabetes, heart disease, and smoking, with systemic changes to promote a healthy environment, will provide long-term savings to the health system. *Efficiencies*, including health information technology initiatives, can help streamline bureaucracy and identify best practices, as well as provide the *transparency* of where our premium dollars go to better weed out high-cost, low-quality care.
- E. Meet the specific needs of the full diversity of California, toward equity and access for all.** While health reform will generally help all Californians, different Californians have different needs, from people with disabilities to immigrants. Specific policies are needed to reduce health disparities. For example, efforts should make sure that Californians have appropriate cultural and linguistic access to care, standard information about their health plans and the quality of providers, and protection against discrimination. The vitality of the safety net should be preserved for all Californians.
- F. Ensure that reforms take steps forward to a comprehensive, universal health system.** If we are stronger and healthier the more people are pooled together and covered, then we are strongest and healthiest under a universal “single-payer” system (as envisioned in SB 840(Leno), or H.R. 676(Conyers)). Reforms can provide strategic steps—both policy-wise and politically—toward such a goal, by covering more people, expanding public programs, standardizing benefits, streamlining bureaucracy, establishing funding streams, and providing new purchasing pool options. Such strategic victories can also provide additional momentum for additional progress in the near future.

ENDNOTES

¹ “The Erosion of Employer-Sponsored Health Insurance,” Economic Policy Institute (October 2008).

² “Seeing Red: The Growing Burden of Medical Bills and Debt Faced by U.S. Families,” The Commonwealth Fund (August 2008).

³ “Medicaid, SCHIP and Economic Downturn,” Kaiser Commission on Medicaid and the Uninsured (April 2008).

⁴ “Governor Signs 2008-09 Budget: Plan Includes Deep Spending Cuts, Massive Future Tax Breaks, Debt, and Budget Process Changes,” California Budget Project (October 2008).

⁵ “Income, Poverty, and Health Insurance Coverage in the United States: 2007,” U.S. Census Bureau (August 2008).

⁶ “The State of Health Insurance in California,” UCLA Center for Health Policy Research (July 2007).

⁷ “The State of Health Insurance in California,” UCLA Center for Health Policy Research (July 2007).

⁸ “Health Insurance: Can Californians Afford It?,” California HealthCare Foundation (June 2007); and “How Non-group Coverage Varies With Income,” Kaiser Family Foundation (February 2008).

⁹ “The Uninsured: A Primer,” Kaiser Family Foundation (October 2008); *Hidden Costs, Value Lost: Uninsurance in America*, Institute of Medicine (June 2003); “The State of Health Insurance in California,” UCLA Center for Health Policy Research (July 2007); and “Trade-offs Getting Tougher: Problems Paying Medical Bills Increase for U.S. Families, 2003-2007,” Center for Studying Health System Change (September 2008).

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