

## **POLICY RECOMMENDATIONS: ACCESS TO HEALTH CARE**

### **CALIFORNIA WORKING FAMILIES POLICY SUMMIT January 7, 2005**

#### **INTRODUCTION**

Access to health care is a rising concern for Californians, as more people are uninsured, health costs rise faster than inflation, and more communities witness the closure of the hospitals and emergency rooms. The health system is in danger of unraveling, to the peril of the uninsured and the insured. We need to 1) preserve and strengthen the health care system in place, 2) bolster and expand coverage using proven strategies, and 3) provide additional consumer protections, as we work toward the goal of quality, affordable health care for all.

#### **Solutions**

***Come together by sharing risk:*** The central principle for health care reformers is to focus on what works, which is pooling people together to share risk. We value health insurance because we know that one of these years, by circumstance, emergency, or age, we will be in the small percentage of people who will require major medical care. Rather than take the individual risk, we know it is more affordable and efficient to get insurance in a larger group—and the larger the group, the stronger our health care can be. By principle, the more people are covered, the healthier we are, as is our health system.

***Build on what works:*** In formulating or evaluating health care reform proposals, it is also important to preserve and strengthen the current health care system. This system rests on two pillars—employers voluntarily providing health coverage to their workers and their families, and public insurance programs that commit (with gaps in both policy and practice) to cover those not served by employers: seniors, people with disabilities, children and low-income parents. Consider these numbers: Most Californians—over 18 million—get health coverage through employer-based coverage. Over 10 million of the state’s 36 million residents receive coverage through public insurance programs like Medi-Cal and Medicare. In contrast, only about one million purchase health coverage as individuals, either because it is unaffordable or unavailable.

#### **The Problem of the Uninsured**

Our system fails to insure over six million Californians, nearly one in five of those under 65. Over 80% of the uninsured are workers or the dependents of workers.<sup>1</sup> They are not uninsured by choice—over 85% of the uninsured are not eligible for coverage from an employer.<sup>2</sup> Buying insurance as an individual is often not an option, as coverage is too expensive for many low- and middle-income families.<sup>3</sup> Coverage is not available for many, because of "pre-existing conditions."

***Health and financial consequences:*** The uninsured live sicker, die younger, and are one emergency away from financial ruin. The uninsured don’t get needed care, including preventative screenings, ongoing treatment for chronic conditions, and emergency care, resulting in severe health impacts.<sup>4</sup> The uninsured are more likely to die prematurely than insured patients with similar problems.<sup>5</sup> Financially, nearly half of the uninsured reported having unpaid bills or being in debt to a health provider.<sup>6</sup> Nearly half of all personal bankruptcies are the result of health problems or large medical bills.<sup>7</sup>

***Fraying safety-net:*** The uninsured are often left to depend on community clinics, public hospitals, and other “safety-net” institutions for their care. However, this network of providers is inadequate to serve the size of the uninsured population. And while voters in Alameda, Los Angeles, and elsewhere have recently supported tax increases to keep these institutions afloat, they continue to be in financial crisis.

## **The Challenges**

**Employers scale back:** The health crisis not only impacts the uninsured, as more *insured* Californians face the loss of health benefits and increased cost-sharing. Some employers are scaling back coverage or dropping benefits entirely—and as competing employers follow, we may reach a tipping point when the system collapses. Nationally, the percentage of workers receiving coverage from their employer in 2004 was 61%, down from 65% in 2001, with at least 5 million fewer jobs providing health insurance in the three years.<sup>8</sup> Our state has one of the worst rates of employers offering coverage: One analysis found 62.9% of U.S. residents under 65 are in employer-based coverage, but only 57.3% in California (and 49.6% in LA).<sup>9</sup>

Moreover, 57% of employers nationally and 44% of California employers increased employee cost-sharing last year, and 17% of U.S. and California firms reduced the benefits covered.” In the future, two-thirds of employers are likely to increase employees’ share of cost, while 9% report plans to drop some or all coverage for employees and dependents.<sup>10</sup> Finally, while health costs have increased for employers, workers have seen greater increases. Over the past three years, total premiums increased by almost 42%. Yet worker contributions increased by nearly 70% (from \$1,450 in 2000, to \$2,452 in 2003) over the same period.<sup>11</sup>

**What could have been:** As employers scale back coverage or drop it altogether, competing employers are pressured to follow suit, leaving even more people underinsured or uninsured. Proposition 72 was meant to stop this race to the bottom by setting a standard for on-the-job health benefits, much like the minimum wage does for pay. While voters broadly supported the concept, they were persuaded after a \$18 million opposition campaign to narrowly defeat the measure, 50.8%-49.2%. The closeness of the vote means that the idea will continue to be advanced, as the need will only become more urgent.

**Public programs step in:** There are success stories amidst these gloomy numbers. The number of uninsured children has recently decreased. Even when employer-based coverage for children was declining, the number of children uninsured at some point during the year decreased from 1.5 million children in 2001 to 1.1 million in 2003.<sup>12</sup> While the number of uninsured adults went up, public insurance programs, including Medi-Cal, Healthy Families, and various county initiatives, picked up the slack. These public insurance programs have been success stories, covering the sickest and frailest in our society at a cheaper cost.

Medi-Cal responded to the recent recession by enrolling many people who lost coverage, and now covers over 6.5 million. It adapted to new health crises, such as providing treatment to people with AIDS. Moreover, Medi-Cal’s costs per person have risen at a slower rate than those for private insurers, and Medi-Cal offers the lowest per person cost and more benefits than Medicaid programs in the nation’s other 49 states.

**Budget cuts loom:** The irony is that despite these successes—particularly the caseload growth responding to the recession and employers dropping coverage, these public insurance programs have been targeted for cuts and reductions. Both the previous and current Governor have proposed significant health cuts that would have denied coverage to hundreds of thousands of children, seniors, and people with disabilities, and additional policy changes would have restricted access to care for millions more. Last year, the proposed cuts included major rate reimbursement cuts to Medi-Cal providers, as well as caps on programs that provide needed care to low-income children, AIDS patients, children with disabilities, and hemophiliacs.

This year, we await a proposed “Medi-Cal Redesign,” which is expected to impose additional costs on families seeking care, reduce benefits by tiering and segmenting the program, and restrict access by moving more seniors and people with disabilities into managed care. There are even graver threats at the federal level, including a block grant proposal that would cap funding for Medicaid and limit the program’s ability to deal with recessions, public health crises, or the problem of the uninsured.

Our health system is stronger when we come together to share risk, both at the worksite and through public programs; and this principle provides a framework not only for preserving current programs and expanding coverage, but also for extending consumer protections for those that fall through the cracks.

## **POLICY OBJECTIVE #1**

**In state and federal budgets, preserve access to care for the children, parents, seniors, and people with disabilities that depend on Medi-Cal and other public insurance programs.**

### ***Background:***

Even though advocates offer many ways to improve Medi-Cal and Healthy Families, our public insurance programs work well, preventing millions of Californians from being uninsured. The impacts of such cuts will have not just a human impact on those affected, but also economic and societal impacts on families, communities, and the health system we all rely on. These programs must be protected from cut-backs, and efforts to preserve these programs must be part of a larger fight to win the funding necessary to keep these programs viable, and that means organizing for the taxes, fees, and other new revenues that support these critical programs.

### ***Recommended Actions***

- A. **Prevent budget cuts** that would deny or restrict access to care, either through direct cuts to eligibility, or by creating barriers to care, such as reducing reimbursement rates to providers or imposing additional paperwork burdens in order to receive needed care.
- B. **Reject “Medi-Cal Redesign” proposals** that would weaken existing protections and guarantees in Medi-Cal or serve to restrict access to care, either through the imposing of additional costs as a condition of receiving care, restricting medically necessary benefits, or shifting more populations into managed care where they would have limited access to care.
- C. **Defeat specific California Performance Review proposals** that would change eligibility rules that would deny some Californians access to care, or that would place barriers to the outreach, enrollment, or retention of Californians on public insurance programs.
- D. **Work to raise revenues** to sustainably fund public insurance programs into the future and to prevent cuts now and in subsequent years. Support budget proposals that increase revenues, including tax increases, preferably those that are progressive and fairly administered. This includes a return to the upper-income tax brackets that were in place during Governors Reagan and Wilson
- E. **Oppose “spending caps”** and other budget policies that would harm the ability of these health programs to meet the needs of Californians, or limit the flexibility of future policymakers to address the needs of their constituents.
- F. **Support efforts to bring in additional federal matching funds** for Medi-Cal and other health care programs. This includes lobbying for an extension of the state fiscal relief granted two years ago, which provided a supplemental reimbursement for the Federal Medicaid Assistance Program (FMAP) formula.
- G. **Oppose any block-granting of Medicaid** to cap or otherwise restrict the ability of Medicaid to meet the health care needs of Americans.
- H. **Oppose making the federal tax cuts permanent** and other fiscal policies that will deplete funding for the health care system.

## **POLICY OBJECTIVE #2**

### **Expand access to care by securing and building on what works in the employer-provided and public insurance health coverage systems.**

#### ***Background***

Reform proposals currently under consideration in the Legislature typically increase health care financing to insure more people, while preserving the current networks of independent private doctors and medical groups, public and private hospitals, clinics, and other medical providers, both public and private.

New proposals should build on the public insurance programs and employer-based systems that work, and continue to group people together to share risk. Proposals should advance the goal of bringing people together, rather than further segmenting the insurance market, or further making health coverage an individual burden rather than a shared social responsibility.

#### ***Recommended Actions***

- A. **Support new versions of SB 2/Proposition 72** to secure the employer-based coverage on which 19 million Californians rely, and to extend it to some or all of the 80% of the uninsured that are in working families. Work to ensure that there is a level playing field between the majority of employers that provide good health benefits, and those that do not provide coverage to all their workers, and thus rely on taxpayers to fund the health care of their workers.
- B. **Support the long-delayed Healthy Families parent expansion** so that 300,000 lower-income parents (that are between 100% and 200% of the federal poverty level) can obtain health coverage and we can insure more children.
- C. **Support an expansion of public insurance programs to insure all children** by expanding the eligibility criteria for Medi-Cal and Healthy Families. Reform the outreach, enrollment and retention processes of these programs to be streamlined and smarter, and work to encourage employers to keep and expand dependent coverage for their workers' children.
- D. **Organize for the vision of universal health care**, supporting Senator Sheila Kuehl's new version of SB 921. If we are stronger and healthier the more people are pooled together and covered, then we are strongest and healthiest under a universal system like SB 921. By removing the confusing and dizzying amounts of paperwork and the middlemen of insurance companies, a Medicare-for-all system, compared to our current system, would yield substantial savings, cover more people, and allow us to make better, more democratic choices about our health care system.
- E. **Oppose "individual mandate" proposals** that start from the wrong premise that the uninsured lack insurance by choice; that would criminalize the seeking of care for the uninsured; that lack subsidies and other mechanisms to make such coverage affordable for all; that don't protect the privacy of Californians; and that lack proper reforms of the individual insurance market, so that insurers cannot deny coverage because of "pre-existing conditions" or price discriminate because of age, gender, illness, or geography.

### **POLICY OBJECTIVE #3**

**Provide consumer protections for uninsured, underinsured, and insured families to protect them against overcharging and unfair pricing by hospitals, prescription drugs companies, and insurers.**

#### ***Background***

While we work toward the goal of quality, affordable health care for all, we need to provide consumer protections, particularly for the uninsured who are most vulnerable because they are left alone to fend for themselves in the health care market. While insurers are able to bargain with hospitals for reduced rates, the uninsured are often charged multiple times what an insurance company pays for exactly the same hospital procedure. Similarly, U.S. consumers pay more for prescription drugs than citizens of other countries, whose governments bargain on their behalf.

A solution is to use purchasing power of large pools of people to leverage better prices. Against hospital overcharging, we can allow the uninsured to get the same “public price” as government programs, rather than the often-inflated “sticker price.” To combat rising prescription drug prices, California can use its purchasing power, as well as the ability to import drugs at lower prices from other countries—which have used their own leverage effectively to bring down costs.

In addition, consumers protections are needed in the individual insurance market so that individuals and families can not be denied care due to “pre-existing conditions,” age, gender, or geography. Additional oversight is needed over out-of-pocket costs. Finally, the Department of Managed Health Care could adopt additional regulations to protect individuals and families that receive care through HMOs.

#### ***Recommended Actions***

- A. **Pass consumer protections against hospital overcharging**, and other aggressive billing and collections practices toward the uninsured and underinsured. Support Assembly Health Committee Chair Wilma Chan’s legislation (sponsored by Health Access California) to inform patients of their consumer rights and financial options; to prohibit sending patients to collections for 160 days; and to prohibit hospitals from collecting more than the Medicaid, Medicare, or worker’s compensation rate from low- and middle-income uninsured and underinsured families. While nothing in the legislation would guarantee free care, it would ensure that if a hospital bill was over a certain percentage of a person’s income, the patient would then be reduced to the “public” rate.
- B. **Support legislation to address the rising costs of prescription drugs** by facilitating the re-importation of prescription drugs from Canada, and using the purchasing power of the state to bargain for steeper discounts for drugs. Support these proposals in the Legislature and on the ballot.
- C. **Reform the individual insurance market**, including a prohibition on denying care because of “pre-existing conditions.” Establish “community rating” to prevent price discrimination based of age, gender, geography, or illness. Also, raise the limit on coverage in the Managed Risk Medical Insurance Program (MRMIP) for “uninsurable” people from \$75,000 to \$1 million, so that coverage for those with significant “preexisting conditions” is real, given the cost of health care today.
- D. **Provide oversight for out-of-pocket costs.** Health Access California will also sponsor legislation to require a public review and comment process for insurance company increases for out-of-pocket costs.
- E. **Support additional HMO consumer protections** to ensure quality of care, including the implementation of strong consumer protection regulations at the Department of Managed Health Care (DMHC) regarding timely access to care, cultural and linguistic access to care, and other key measures.

---

## ENDNOTES

- <sup>1</sup> California Health Interview Survey (CHIS), UCLA Center for Health Policy Research.
- <sup>2</sup> California Health Interview Survey (CHIS), UCLA Center for Health Policy Research.
- <sup>3</sup> “One in Three: Non Elderly Americans Without Health Insurance.” Families USA, 2004.
- <sup>4</sup> “No Health Insurance? It’s Enough to Make You Sick.” American College of Physicians-American Society of Internal Medicine, November 1999.
- <sup>5</sup> “Care Without Coverage,” Institute of Medicine, May 2002.
- <sup>6</sup> “Paying for Health Care When You Are Uninsured,” Access Project, 2000.
- <sup>7</sup> “Medical Problems and Bankruptcy Filings,” Norton’s Bankruptcy Advisor, 2000.
- <sup>8</sup> Annual Employer Health Benefits Survey by the Kaiser Family Foundation/HRET, September 2004.
- <sup>9</sup> 2004 March Current Population Survey, analyses by UCLA Center for Health Policy Research.
- <sup>10</sup> “Insurance Markets: Health Benefit Costs: Employers Share the Pain.” The California HealthCare Foundation, July 2003.
- <sup>11</sup> California Employer Health Benefits Survey, by Kaiser Family Foundation/HRET. March 2004.
- <sup>12</sup> California Health Interview Survey (CHIS), UCLA Center for Health Policy Research.

*For more information, contact Anthony Wright, Executive Director, Health Access California, at 916-442-2308, [awright@health-access.org](mailto:awright@health-access.org).*