

## RECOMMENDATIONS ON ACCESS TO HEALTH CARE

### INTRODUCTION

For California patients and families, health care and coverage is a deeply personal and important issue with direct impacts on life and livelihood. Although most Californians rely on employer-based coverage or public insurance programs, these two key pillars of our health system are eroding, threatening access to care for all Californians.

### Additional Burdens on Working Families

The majority of employers are shifting costs to their employees as health costs rise; others are reducing benefits. Some employers are dropping benefits altogether, which places an additional burden on public programs. In spite of the higher need for public insurance, some politicians have proposed cuts or caps on Medicaid and Medicare coverage.

### Californians More Likely to be Uninsured

Californians are more likely to be uninsured than residents in 45 other states.<sup>1</sup> Over six million Californians are uninsured—80% are workers or their family members—and many more are underinsured.<sup>2</sup> They are not uninsured by choice—over 85% of the uninsured are not eligible for coverage from an employer,<sup>3</sup> and purchasing insurance as an individual is prohibitively expensive for many low- and middle-income families.<sup>4</sup> For many, coverage is not available, because of "pre-existing conditions." Many who currently *have* insurance fear that it won't be available when they need it most.

### The Consequences of Uninsurance and Underinsurance

Those who are uninsured and underinsured live sicker, die younger, and are one emergency away from financial ruin. They often don't get needed care, including preventive screenings, ongoing treatment for chronic conditions, and emergency care, resulting in severe health impacts.<sup>5</sup> They are more likely to die prematurely than insured patients with similar problems.<sup>6</sup> Financially, nearly half of the uninsured reported having unpaid bills or being in debt to a health provider.<sup>7</sup> Medical problems and bills are a leading cause of personal bankruptcy.<sup>8</sup>

### The Risks of Inaction

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.

### A Mandate for Change

Our health system is at a crossroads, and action is needed just to preserve the level of health security we have today. Past legislative efforts to expand coverage to all children, provide consumer protections, set a standard for on-the-job benefits, and enact a universal system have failed or been vetoed, but they have created momentum for our current political moment. Now, both Governor Schwarzenegger and legislative leaders are making health care affordability and coverage expansion the major priority for this year.

These past legislative proposals provide a framework for debate—and provide the hope that there will be positive action for California families this year.

## **POLICY OBJECTIVE #1**

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

#### ***Background***

##### **Building on What Works**

Of 36 million Californians, more than half (19 million) get health coverage through employers. Another 10 million get coverage through public insurance programs like Medicaid (Medi-Cal in California, covering low-income seniors, people with disabilities, children, and in some cases their parents) and Medicare (people over 65, and many people with disabilities). The common theme is that we come together to share the risk and cost of health care, either at the worksite or through a public program.

##### **What Doesn't Work**

In contrast, relatively few Californians – one to two million – buy coverage in the private marketplace. This path is often unaffordable or unavailable, with insurance companies denying coverage because of so-called “pre-existing conditions.” Without the power of group purchasing, individuals don't have a chance against those insurers that actively work to avoid covering those who actually need care.

What's worse, some public policy proposals seek to encourage this trend toward what economist Jared Bernstein calls YOYO, or “you're on your own.” YOYO proposals include using the tax system (through Health Savings Accounts) to encourage underinsurance and high-deductible plans, where consumers bear the risk for most medical expenses. Another YOYO proposal is the “individual mandate,” which forces consumers to purchase private coverage as individuals, facing the burden of rising health care costs alone.

##### **Coming Together**

Together, we know it is more affordable and efficient to purchase insurance in a large group—and the larger the group, the more effectively we can spread risk, and the better we can bargain for lower rates.

New 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. Proposals should build on the public insurance programs and employer-based systems that work, and continue to group people together to share risk.

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

##### ***The Legislature and Governor should:***

- A. **Set a standard for employer contributions to health care that provides security for workers and their families.** Set a standard for employer-based health coverage, like a minimum wage for pay, to level the playing field between the majority of employers that provide good health benefits, and those that do not provide coverage to all their workers. Support “pay-or-play” proposals that provide security for workers' coverage, and preserve employers' financial role and a mechanism of pooling people together.
- B. **Expand and improve public coverage programs, for children and adults,** including:
  1. Expand eligibility in Medi-Cal and Healthy Families to cover all children, regardless of income or immigration status. Current proposals seek to expand Healthy Families to 300% of the poverty level.
  2. Work for the federal reauthorization (up in 2007) and increased funding of the State Child Health Insurance Program (SCHIP), which provides two-thirds of the funding for California's Healthy Families program. Funding levels should account for growth in the program, to meet to the goal of covering all children, and even cover the parents of the children in Healthy Families.
  3. Expand Medi-Cal to cover low-income adults, including those without children at home. These Californians are simply not eligible now, even those under the poverty level.

4. Increase Medi-Cal rate reimbursements to improve access to providers for those on Medi-Cal.
  5. Simplify and streamline the Medi-Cal and Healthy Families programs so that families can more easily apply for, enroll in, stay on, and best use health coverage.
- C. **Ensure that reforms take steps forward to a comprehensive, universal health system, like Medicare for all.** 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 last year’s SB 840(Kuehl), to be reintroduced). 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.
- D. **Oppose steps backward like “individual mandate” proposals that shift the burden and cost of health coverage to individual patients and families.** While consumer groups support many reform proposals (like those above) that require mandatory individual contributions, they oppose such proposals that don’t take into consideration the individuals’ ability to pay, that don’t provide the benefits of group purchasing, and don’t include strong standards for the products people are being required to purchase.

## **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, we need to provide consumer protections, particularly for those who are most vulnerable because they are left alone to fend for themselves.

Consumer and affordability protections are needed in the individual insurance market so that individuals and families cannot 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 (DMHC) and Department of Insurance (DOI) could adopt additional regulations to protect individuals and families that receive care through both public and private health plans.

### ***Recommended Actions***

***The Legislature and Governor should pass legislation to:***

- A. **Place rules and oversight over insurers to protect consumers so they can get the health coverage they need**, including the following reforms:
  1. *Guaranteed issue* to ensure that all Californians have access to coverage, including those with “pre-existing conditions.” This would stop the insurance company practice of cherry-picking potential policy holders based on whether or not they are a low health risk, and denying those that would cost money.
  2. *Community rating* to prevent price discrimination based on age, gender, geography, or illness.
  3. *Minimum medical loss ratio* to ensure that our premium dollars go to patient care, rather than administration and profit.
  4. *Standardization of benefits* so that consumers can better shop between comparable plans with similar benefit designs.
- B. **Support additional oversight and consumer protections** to ensure quality of care. This includes:

1. Providing oversight of the implementation of strong consumer protection regulations at the Department of Managed Health Care (DMHC) regarding timely access to care, balance billing, and other key issues.
  2. Ensuring that these consumer protections should also be applied to all health plans, including new Medicare Part D prescription drug health plans.
  3. New reforms would include regulatory oversight over costs to allow regulators to review, in a public process, the procedures for setting rates, out-of-pocket costs, and benefit designs.
- C. Oppose the shifting of risks and financial burdens to individual consumers and families.** Policymakers need to place 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 also reject attempts to promote Health Savings Accounts, which use tax dollars to encourage underinsurance and high-deductible plans.
- D. Preserve the safety-net of emergency rooms, clinics, and public hospitals on which we all rely, especially those left out of the system and without coverage.** Public hospitals already work on very thin margins, and have the challenge of being both a safety-net for all of us for trauma and other emergencies, and the primary provider of care for society's most vulnerable. Voters in some counties, including Alameda and Los Angeles, have supported tax increases to keep these institutions afloat, but more needs to be done to provide true financial stability for these institutions. Community clinics are also a critical "medical home" that provides access for many Californians.
- E. 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.
1. *Public health initiatives* around obesity, diabetes, heart disease, smoking, and other major ailments, and systemic changes to promote a healthy environment, will provide long-term savings to the health system.
  2. *Efficiencies*, including information technology initiatives, can help streamline bureaucracy and identify best practices, as well as provide the transparency of where our premium dollars go to allow policymakers to weed out high-cost, low quality care.
  3. *Group purchasing efforts* include the implementation of the California Prescription Drug Discount Program—last year's AB 2911 (Nunez/Perata), which uses the bargaining power of Medi-Cal to leverage better rates for the uninsured.
- F. Meet the specific needs of the full diversity of California, toward equity and access for all.**
- While major health reform will generally help all Californians, different Californians have different needs. Specific policies are needed to reduce health disparities. Just three examples:
1. Oversight is needed over the pending regulations at the DMHC and DOI to set standards for cultural and linguistic access to care as set forth in SB 853 (Escutia). Doctor-patient communication is critical, including for those not fluent in English.
  2. Standards should be set for health plans and providers to ensure that people with disabilities can get needed information and can access providers.
  3. Federal and state reforms are needed to fix the "Medicare Part D" prescription drug coverage, to remove the burden of the "donut hole" in the drug coverage for those with Medicare, and the newly-imposed co-payments for low-income "dual-eligible" seniors and people with disabilities.

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## ENDNOTES

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<sup>1</sup> U.S. Census, 2006

<sup>2</sup> California Health Interview Survey (CHIS), UCLA Center for Health Policy Research.

<sup>3</sup> California Health Interview Survey (CHIS), UCLA Center for Health Policy Research.

<sup>4</sup> "One in Three: Non Elderly Americans Without Health Insurance." Families USA, 2004.

<sup>5</sup> "No Health Insurance? It's Enough to Make You Sick." American College of Physicians-American Society of Internal Medicine, November 1999.

<sup>6</sup> "Care Without Coverage," Institute of Medicine, May 2002.

<sup>7</sup> "Paying for Health Care When You Are Uninsured," Access Project, 2000.

<sup>8</sup> "Medical Problems and Bankruptcy Filings," Norton's Bankruptcy Advisor, 2000.