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Toward Universal Health Care for California: A Proposal for Expanding Coverage and Controlling Costs

Key Elements:

Eligibility: All working Californians and their dependents. This represents 4.2 million of the 6.6 million who are estimated to be uninsured at some time during the year. The remaining uninsured population would continue to be covered by the current safety net. In addition, the plan would cover all children, regardless of residency status, up to 300% of the federal poverty level (FPL).

Health Insurance “Connector.” The Managed Risk Medical Insurance Board (MRMIB) would be responsible for establishing the “Connector” and administering the program. The Connector would act as a purchasing pool for the uninsured.

Like the model used by CalPERS, the Connector would develop standards for coverage and negotiate favorable rates by leveraging its purchasing power. Participating employees would be offered a choice of health plans that provide comprehensive health coverage including medical, hospital and prescription drug benefits. In addition, employers (especially small employers), and individuals that wish to purchase coverage through the Connector would be able to do so.

- **Choice of Plans.** In this model, contracting health plans would compete on the basis of cost and quality, meaning providers could not fashion plans to attract only healthy individuals. The Connector would establish ground rules for health plans so consumers can make informed choices. Employees would be able to choose selected plans arrayed in three tiers: Plans offered in the first tier would be high quality and low cost and would require modest member co-pays (e.g., HMO type plans), while plans in the higher-level tiers (e.g., PPO type plans) would require members to pay more.
- **Cost Containment.** Participating health plans would be required to cap administrative costs and profits and implement evidence-based practices that will control growing health care costs. These include preventative care, case management for chronic diseases, promotion of health information technology, standardized billing practices, reduction of medical errors, incentives for healthy lifestyles, appropriate patient cost sharing and rational use of new technology.

- **Medi-Cal Managed Care Buy-in.** To assure affordability, the Connector would be allowed to “buy in” on a negotiated basis to Medi-Cal managed care plans. These plans now provide coverage for more than 3 million Medi-Cal recipients at significantly lower rates than the commercial health insurance market. By leveraging the state’s purchasing power, the Connector would obtain low-cost coverage.
- **Underwriting standards.** Contracting plans would be required to provide guaranteed issue and community rating. Individuals with pre-existing medical conditions who cannot get health insurance now or who are effectively priced out of the market would be able to get coverage through the Connector.

Financing

- **Trust Fund:** A Health Insurance Trust Fund would be established. Employer contributions and employee fees would be collected by EDD and deposited into the Trust Fund. Any other dedicated revenues would also be deposited in the Trust Fund. These funds would be used by the Connector to buy health coverage for eligible Californians.
- **Pay or Play for Employers.** All employers would be required to spend a certain percentage, yet to be determined, of social security wages (adjusted on a sliding scale basis) for employee health insurance costs. Employers who choose NOT to provide health insurance could elect to pay an equivalent amount (adjusted for risk) to the Trust Fund. Employee contributions equal to a certain percentage of payroll, as yet to be determined, would be collected by the employer.

Maximize Federal funds.

Maximizing federal funds will help defray the cost of the program. This would be accomplished by expanding eligibility for parents and children up to 300% of the federal poverty level (FPL). The Connector would pay the non-federal share of cost for the expansion. This may require a federal waiver.

- **Medi-Cal Expansion for Parents.** The state would submit a Medicaid state plan amendment to the federal government to increase Medi-Cal (1931b) coverage for working parents from 100% of the FPL to 300% of the FPL. This would cover about 1.2 million uninsured parents.
- **Healthy Families Expansion for Children.** The state would increase Healthy Families coverage for children from 250% of the FPL to 300% of the FPL. This would cover about 58,000 uninsured children.

Individual Mandate.

All working Californians and their dependents would be required to have a minimum health coverage policy. The minimum coverage benefit level would be determined by MRMIB.

- **Enforcement through the Tax Code:** All taxpayers would be required to show proof of health coverage. If proof of insurance is not provided, the individual’s tax is computed without the benefit of the personal exemption credit or dependent credit.