



Comparison of California Health Coverage Expansion Proposals

Note: A comparison of the Senate Republican proposal for the special session, CalCare Plus will be available shortly.

	Governor's Plan (As presented by the Governor in draft legislation form October 9, 2007)	AB 8 (Núñez/Perata) (As passed by the Legislature on September 10, 2007; vetoed on October 12, 2007)
Californians to Be Covered¹	Estimated 4.1 million (more than three quarters of Californians uninsured at a given point in time).	Estimated 3.4 million (more than two thirds of Californians uninsured at a given point in time).
Requirements Imposed on Consumers/Individuals	All Californians are required to have a minimum level of coverage. The Secretary of Health and Human Services shall define the minimum level of required coverage via the regulatory process.	<ul style="list-style-type: none"> • An employee working for a firm that pays a fee (instead of paying for employee health expenditures) must enroll in the newly created state purchasing cooperative called California Cooperative Health Insurance Purchasing Program (Cal-CHIPP). Premiums for an employee in a family earning less than 300% FPL² would not exceed 5% of family income. • Employees working for an employer who pays for health expenditures shall accept the expenditures (unless his or her share of expenditures would exceed 5% of income for families earning under 300% FPL or unless the employee has evidence of other health care coverage).
Treatment of Self-Employed	Same individual mandate applies.	Enhanced access to coverage through reformed individual insurance market.
Requirements Imposed on Employers	Bill expresses the legislature's intent that this plan will be financed, in part, by employer contributions on a sliding scale from 0-4% of total payroll based on payroll size.	<ul style="list-style-type: none"> • Pay or play approach —employers required to pay 7.5% of Social Security wages for employee health care expenditures or pay equivalent amount into a trust fund to allow employees to access coverage through Cal-CHIPP. • All employers are required to establish Section 125 plans to tax-shelter employer and employee health insurance contributions.
Treatment of Small Employers	Lower payroll employers would pay a smaller contribution based on a sliding scale, which is yet to be determined.	No exemption from minimum spending requirement ("pay-or-play") based on employer size (except for the self-employed).
Requirements Imposed on Providers	<ul style="list-style-type: none"> • Bill expresses the intent of the legislature that this will be financed by a fee from hospitals equivalent to 4% of patient revenues. • Hospitals required to spend 85% of revenues on patient care. 	None stated.

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Changes in Provider Payments/ Funding	Private hospitals and physicians will receive a Medi-Cal rate increase. A percentage of rates paid to fee for service physicians may be linked to performance measures.	None stated.
Public Program Expansions and Support for Low-Income Individuals	<ul style="list-style-type: none"> • Healthy Families³ expansion for children up to 300% FPL, regardless of immigration status. • Medi-Cal expansion for all legal residents up to 100% FPL (less extensive than existing Medi-Cal benefits). • Medi-Cal expansion to parents and caregivers at or below 250% FPL. • Medi-Cal expansion to young adults, ages 19 and 20, earning below 250% FPL. • Individual/ family contribution toward premium for coverage obtained through purchasing pool is linked to gross income. Legislative summary provided by the Governor's office envisions a sliding scale: <ul style="list-style-type: none"> - 0-150% FPL pays no premiums or out of pocket costs; - 151-200% FPL pays no more than 4% of income for premiums; - 201-250% FPL will pay no more than 5% of income for premiums; - 250-350% FPL will receive a tax credit if the cost of buying coverage exceeds 5% of income. 	<ul style="list-style-type: none"> • Healthy Families expansion for children in families with incomes between 133 and 300% FPL, regardless of immigration status, pending the appropriation of state funds. • Establishes uniform eligibility standards for children regardless of age and simplifies the Medi-Cal and Healthy Families enrollment process. • Expands Medi-Cal to parents and children ages 5-18 living at or below 133% FPL. • Expands Healthy Families coverage to parents with incomes between 133% and 300% FPL, pending federal approval and pending the appropriation of state funds. • Employees and dependents eligible for public programs and eligible for Cal-CHIPP would receive their public program through Cal-CHIPP. All carriers selling group coverage are required to offer a Cal-CHIPP Medi-Cal and a Cal-CHIPP Healthy Families Plan to eligible employees. Employees eligible for public programs that have other group coverage are eligible for these plans, and premium assistance.
Role of Counties	<ul style="list-style-type: none"> • Counties maintain responsibility for care of the adult undocumented indigent population. • Counties will share costs of providing coverage to those they currently serve (amount to be determined). • Counties with a public hospital can apply to the state to provide coverage to certain Medi-Cal beneficiaries through new Local Coverage Option program. 	Counties' obligation to serve the indigent unchanged.
Role of Federal Government	Majority of federal financing associated with increased provider payments and eligibility expansions (expected under existing Medicaid policy). State would seek Medicaid 1115 waiver ⁴ to support innovations in financing and care delivery (e.g., incentives and rewards for healthy behavior) and to extend coverage to childless adults.	Expansion of Healthy Families and Medi-Cal would generate federal matching funds under existing policy (i.e., would not require Medicaid waiver application). (Expansion would require a state appropriation.)

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Changes in State Tax Code and State Tax Revenue	<ul style="list-style-type: none"> • Modifies state tax code to conform to federal health savings account rules. • Establishment by employers of Section 125 plans to tax-shelter employer and employee health insurance contributions would reduce state tax revenue. • Enacts a tax credit for individuals purchasing coverage who have incomes of 250-350% FPL, available when cost of coverage exceeds 5% of income. 	Establishment by employers of Section 125 plans to tax-shelter employer and employee health insurance contributions would reduce state tax revenue.
Insurance Market Requirements/Reforms: Guaranteed Issue, Rating Reforms, and Other Requirements Imposed on Health Plans	<ul style="list-style-type: none"> • Health plans must offer and renew coverage to all Californians (“guarantee issue”). • Phased transition with rating bands, eventually premiums may vary based only on age and geography (not health status/conditions). • Health plans must spend 85% of premiums on patient care. 	<ul style="list-style-type: none"> • By 2010, all health plans required to guarantee issue and use community rating in the individual market (e.g. premiums may vary based on age and geography, not health condition) for individuals without serious medical conditions. • Individuals with specified serious medical conditions would be eligible for high risk pool (to be funded by an assessment on health plans as outlined in AB 2 (Dymally)). • Simplified medical underwriting, including standardized individual application form. Requires health plans to offer three uniform benefit designs to facilitate comparison shopping. • Applies rules currently regulating the small group market (such as guaranteed issue) to the mid-sized (51 – 100 employees) employer market. • Health plans must spend 85% of premiums on patient care.
Insurance Market Requirements/Reforms: Connector/ Purchasing Pool	A purchasing pool administered by MRMIB would establish a subsidized benefit package, administer premium subsidies, incorporate a “Healthy Actions Incentive/Rewards Program,” and offer non-subsidized products, such as dental and vision.	Establishes CA Cooperative Health Insurance Purchasing Program (Cal-CHIPP) to be administered by MRMIB to negotiate and purchase health insurance for eligible enrollees. Cal-CHIPP will offer at least three uniform benefit packages that will also be offered by insurers in the private market as well as Medi-Cal and Healthy Families equivalent plans.

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Insurance Market Requirements/ Reforms: Participant Contribution to Obtain Coverage Through Purchasing Pool	Sliding scale contributions required to obtain coverage through purchasing pool.	<ul style="list-style-type: none"> • Maximum contribution cannot exceed 5% of family income for families earning less than 300% FPL. • Premium contributions based on sliding scale for those with household income less than 300% FPL. • MRMIB would set premiums for those under 300% FPL to meet the 5% requirement.
Financing Sources and Cost Estimates	Total cost to be financed through: <ul style="list-style-type: none"> • Employer contributions; • Employee and individual contributions; • Federal funds; • Redirection of safety net (county) funds; • Hospital fees; and • New revenues generated by leasing the state lottery. • Governor indicates an expectation that voters will decide on the funding on the November 2008 ballot. 	(Note: Estimate may be revised to reflect forthcoming modeling results and amendments.) Total \$8.3 billion cost estimate to be financed through: <ul style="list-style-type: none"> • Employer contributions • Employee contributions • State funds • Federal funds (Medicaid, SCHIP)
Cost Containment: Prevention and Wellness	<ul style="list-style-type: none"> • Subsidized products incorporate "Healthy Action Incentive/Rewards Program," which all health plans are required to offer. • California Diabetes Program (contingent on state budget appropriation) promotes diabetes management and prevention with focus on Medi-Cal patients. • Community makeover grants to local health departments for obesity prevention and other preventive issues (contingent on state budget appropriation). 	Uniform benefit packages include coverage for primary and preventive care with minimal patient cost sharing. California will "adopt and encourage" healthy lifestyles through workplace and individual efforts to improve health.

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Cost Containment: Additional Provisions	<ul style="list-style-type: none"> • Cap on health plan administrative costs and profits (must spend 85% of premiums on patient care). • Healthcare Quality and Transparency Act to monitor costs and quality. • Makes a variety of changes aimed at increasing health care quality and efficiency and reducing costs, including changes to professional scope of practice, promotion of PHRs, and e-prescribing. 	<ul style="list-style-type: none"> • Establishes a new Health Care Cost and Quality Transparency Commission to establish a cost, quality, and transparency plan. • Intends for plans and providers to participate in implementation of a personal health records system. • Centralized assessment of new technology. • Participating health plans required to implement preventive services. • Requires MRMIB to negotiate with Medi-Cal managed care plans. • Cap on health plan administrative costs and profits (must spend 85% of premiums on patient care).
Enforcement	Secretary of Health and Human Services will work the Franchise Tax Board and other state agencies to develop an enforcement mechanism for the individual mandate.	None stated.
Implementation Timeline	<ul style="list-style-type: none"> • July 2010 – Medi-Cal and Healthy Families expansion, pending the appropriation of funds. • July 2010 – Individual mandate begins. • July 2010 – Health plans must spend at least 85% of premiums on patient services. • July 1, 2010 – Medi-Cal rate increase • 2009-2016 – Phase-in of insurance market reforms. 	<ul style="list-style-type: none"> • July 2008 – Medi-Cal and Healthy Families expansion, pending the appropriation of funds. • July 2008 – Health plans must spend at least 85% of premiums on patient services. • January 2009 – Cal-CHIPP created. • October 2009 – Employer spending requirement begins. • January 2010 – Insurance market reforms.

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- ¹ The numbers of uninsured covered under the Schwarzenegger and Núñez proposals were estimated by Jonathan Gruber for the May 2007 versions of AB 8, and the Governor's reform proposal released in January, 2007, and may not reflect changes in coverage levels affected by subsequent amendments to these versions.
- ² **Federal Poverty Level (FPL)** is the minimum amount of income that a family needs for food, clothing, transportation, shelter, and other necessities. For 2007, Health and Human Services defines FPL for a family of four as \$20,650.
- ³ The **Healthy Families Program** is California's version of the State Children's Health Insurance Program (or SCHIP), funded jointly by the federal government. Healthy Families provides low-cost health, dental, and vision coverage to California children in families with incomes up to 250% of FPL.
- ⁴ A **Section 1115 Waiver**, named for that section of the Social Security Act, allows a state to deviate from a many standard Medicaid requirements to test new ideas. In return for greater flexibility, states must commit to a policy experiment that can be evaluated formally.