

Summary of California Health Reform Proposal

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Brent Barnhart
Senior Counsel



Elements of California Health Reform Proposal

- Individual mandate/guaranteed issue.
- Employer “pay or play”.
- Expansion of public programs.
- Public reporting of clinical outcomes and provider practices.
- Prohibition on balance billing by hospitals for emergency services.
- Financing.

AB X1-1 Individual Market Reform



Individual Mandate in AB X1 – 1

- Effective 7/01/10, all California residents required to have coverage either through public programs, employers or the individual market.
- Minimum coverage to be defined by a state agency.
- Compliance with the individual mandate would not be required if:
 - Individual's income is at or below 250% FPL (\$25, 678)
 - Share of premium exceeds 5 percent of family income; or
 - State agency grants a temporary or continuing hardship or affordability exemption.
- Individuals not subject to individual mandate not eligible for guaranteed issue.

2

AB X1-1 Individual Market Reform



Guaranteed Issue:

- All carriers required to offer coverage without medical screening.
- Five levels of benefits established ranging from minimum mandatory level of coverage to comprehensive coverage.
- Carriers in the individual market required to offer at least one plan at each level.
- Rating rules would be similar to those currently in effect for small group market.
- Unlike the small group market, a carrier's rates for each benefit package must be set in relation to the balance of its entire individual market portfolio.
- Regulator would review the benefit packages and assign each to a level.
- No new benefit packages below the minimum standard could be offered on or after 3/31/09.
- All benefit plans below the minimum standard in effect 3/31/09 consigned to a closed block rated in relation to the least comprehensive benefit plan offered as a guaranteed issue product.

3

AB X1-1 Individual Market Reform



Enforcement of Individual Mandate

- State required to conduct an active outreach program to inform CA residents of the individual mandate and guaranteed issue requirements.
- State to pay the cost of minimum coverage for persons who do not voluntarily enroll and to develop methods for recouping the cost of that coverage from those persons.
- After the guaranteed issue requirement is in effect for 9 months, a pre-existing condition exclusion for up to 12 months would be imposed on any person who fails to comply with the individual mandate for more than 62 days.

Subsidies

- Tax credits available to individuals between 250% and 400% FPL - to the extent cost of qualified coverage exceeds 5.5% of a person's adjusted gross income. (\$51,650 - \$82,600 annual income for family of 4).
- Employers required to establish Section 125 accounts for employees to pay premiums with pre-tax dollars.
- State contribution equal to 20% of the premium of a minimum benefit product to employees with incomes at or above 250% FPL whose employers pay into the Fund.
- Legislative intent to create a tax credit for early retirees.

AB X1-1 Employer "Pay or Play"



Effective 1/01/10, employers required to provide health coverage, or pay a tax to support coverage in a purchasing pool, if the total wages paid by employer:

- < \$250,000, employer pays contribution equal to 1% of wages.
- > \$250,000 to \$1 million, employer pays contribution of 4% of wages.
- > \$1 million to \$15 million, employer pays contribution of 6% of wages.
- > \$15 million, employer pays contribution of 6.5% of wages.

Employees of employers that choose to pay the tax rather than provide coverage directly would be required to purchase coverage through state purchasing pool, which would contract with health plans to provide coverage to enrollees.

AB X1 – 1 - Public Reporting of Health Care Quality and Costs



- A Committee created in CA Health and Human Services Agency consisting of providers, employers, labor, and consumers would develop and recommend a Transparency plan for public reporting of clinical outcomes, provider practices and costs.
- Secretary of HHS would either accept the plan or refer the plan back to the Committee, identifying areas in which the plan is deficient.
- The plan must result in public reporting of safety, quality and cost efficiency information aimed at improving health care cost efficiency, improve health system performance and promote quality patient outcomes.
- HHS to charge fees to data sources and users to finance these activities,

6

AB X1 – 1 – Balance Billing and Pay for Performance



Prohibition on Balance Billing

- Non-contracting hospitals would be prohibited from balance billing patients for emergency health care services and post-stabilization care, except for applicable copayments and cost-sharing.

Pay-for-Performance

- The California Health and Human Services Agency, in consultation with CalPERS, after consultation with affected health care provider groups, would be required to develop health care provider performance measurement benchmarks and incorporate these benchmarks into a common pay-for-performance model to be offered in every state-administered health care program.

7

AB X1 – 1 - Financing



Plan would cost \$14.7 billion financed by:

- Federal funding - \$4.6 billion.
- Employers through provision of coverage or payment of tax - \$2.6 billion.
- Increased individual participation in individual market - \$2.1 billion
- Hospital tax based on 4 percent of “net patient revenue”. Cigarette tax of 1.75 per pack - \$1.5 billion.
- Re-allocated county and other funds - \$1.6 billion.

(Source: Sacramento Bee, January 2, 2008)

8

AB X1 – 1 – Next Steps



Senate hearing scheduled for January 16

Republican leadership may seek to overturn the proposal through a referendum before the voters in June.

Initiative to approve the new taxes and the entire proposal would be put before the voters in November 2008.

Potential ERISA challenge in Court.

- Information: <http://gov.ca.gov/issue/healthy-california>

9