

# California Healthcare Reform -

Legislative Proposal, Jan 2007- Jan 2008

## Lessons Learned

USPHS Scientific and Training Symposium, Tucson, AZ  
Public Health Strategies for the New Millennium  
Strategies for Improving Health Care Access in the United States

**CAPT Joannie Shen, MD, PhD**

**June 12, 2008**





California Department of  
**Public Health**

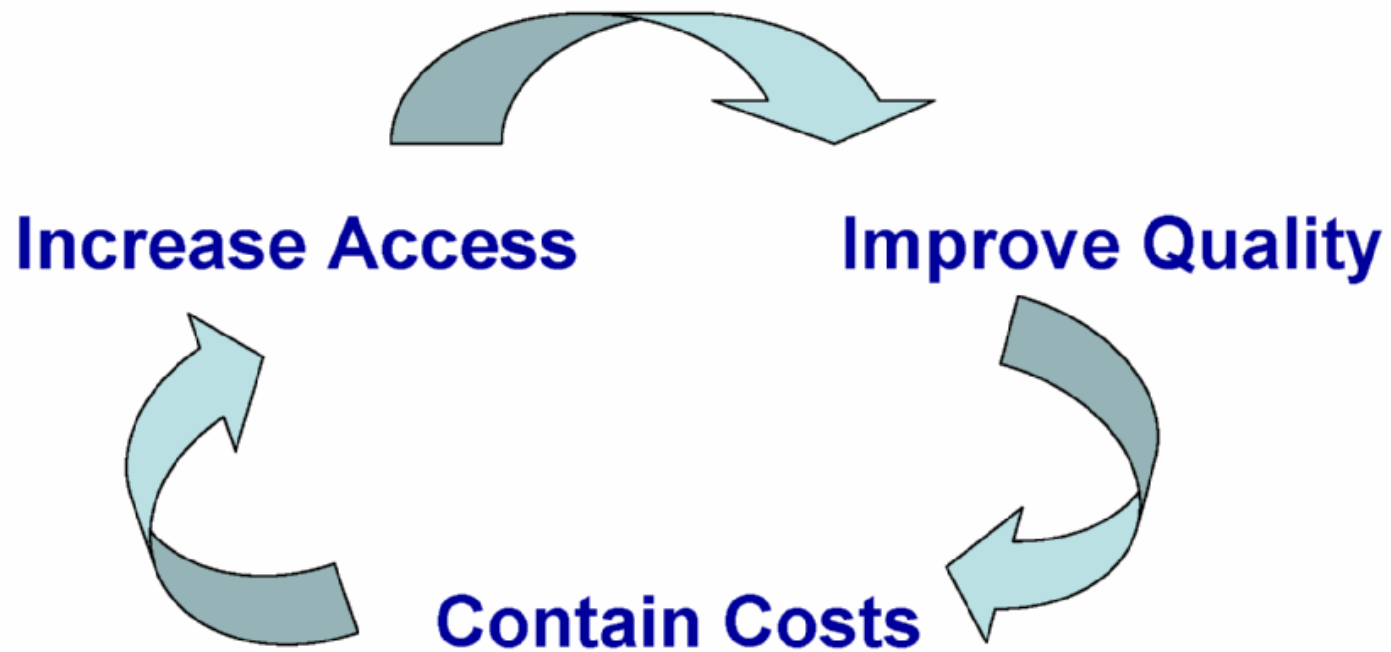


# Background on Healthcare Reform

- Strategies
- Goals
- Why do States take the lead now?
- Variables to consider
- Lessons Learned

# Some common goals

## Health Care Reform Goals



# California Legislative Proposal

- **Governor Schwarzenegger's Health Care Reform Proposal (Jan 2007)** The essence of the California comprehensive healthcare reform bill, named the Health Care Security and Cost Reduction Act (Jan 2008) , incorporates three vital components in an integrated manner

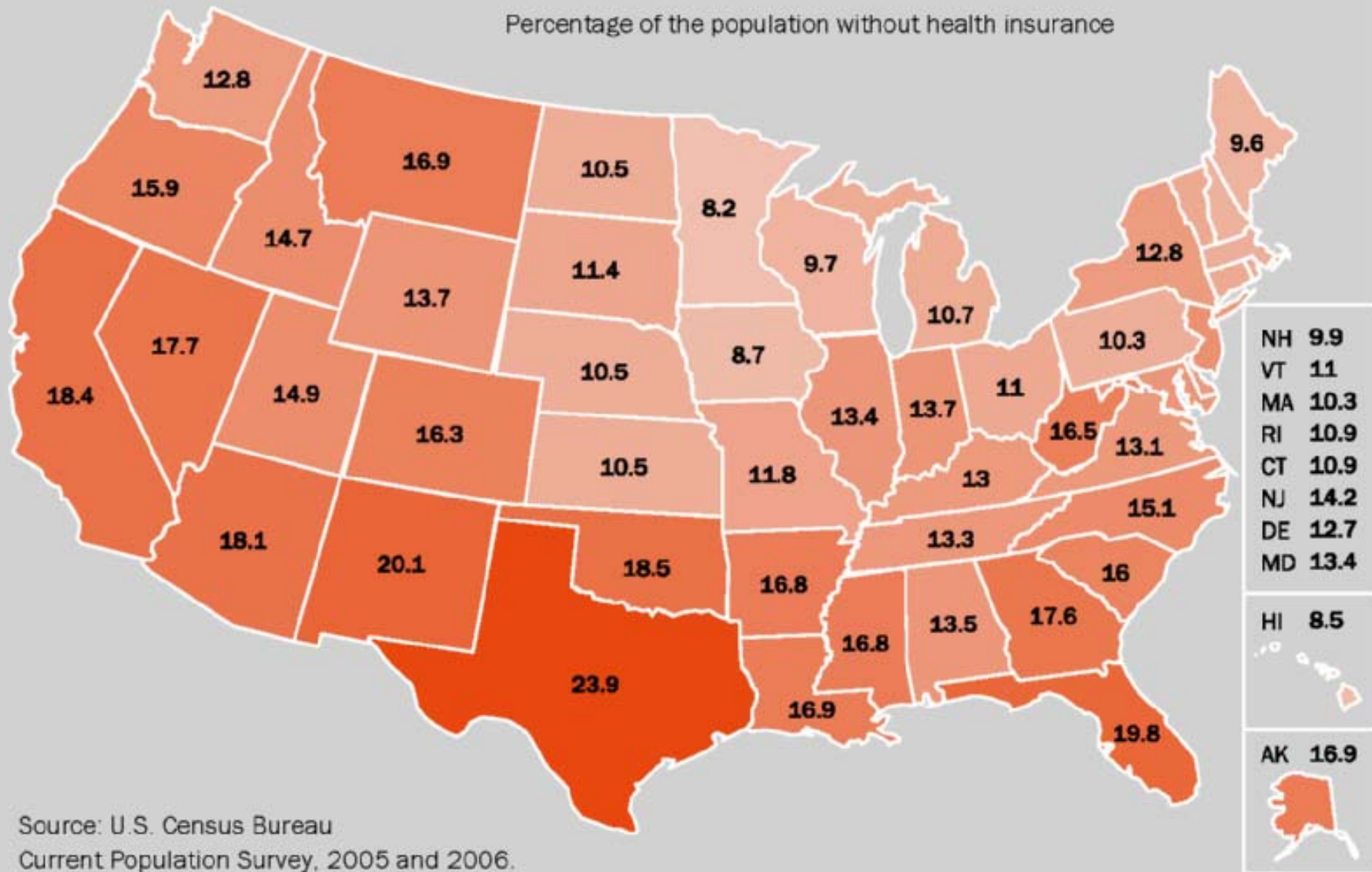
**(1) Healthcare coverage for all Californians**

**(2) Affordability and cost containment**

**(3) Prevention and health promotion**

# Why do States take the lead now?

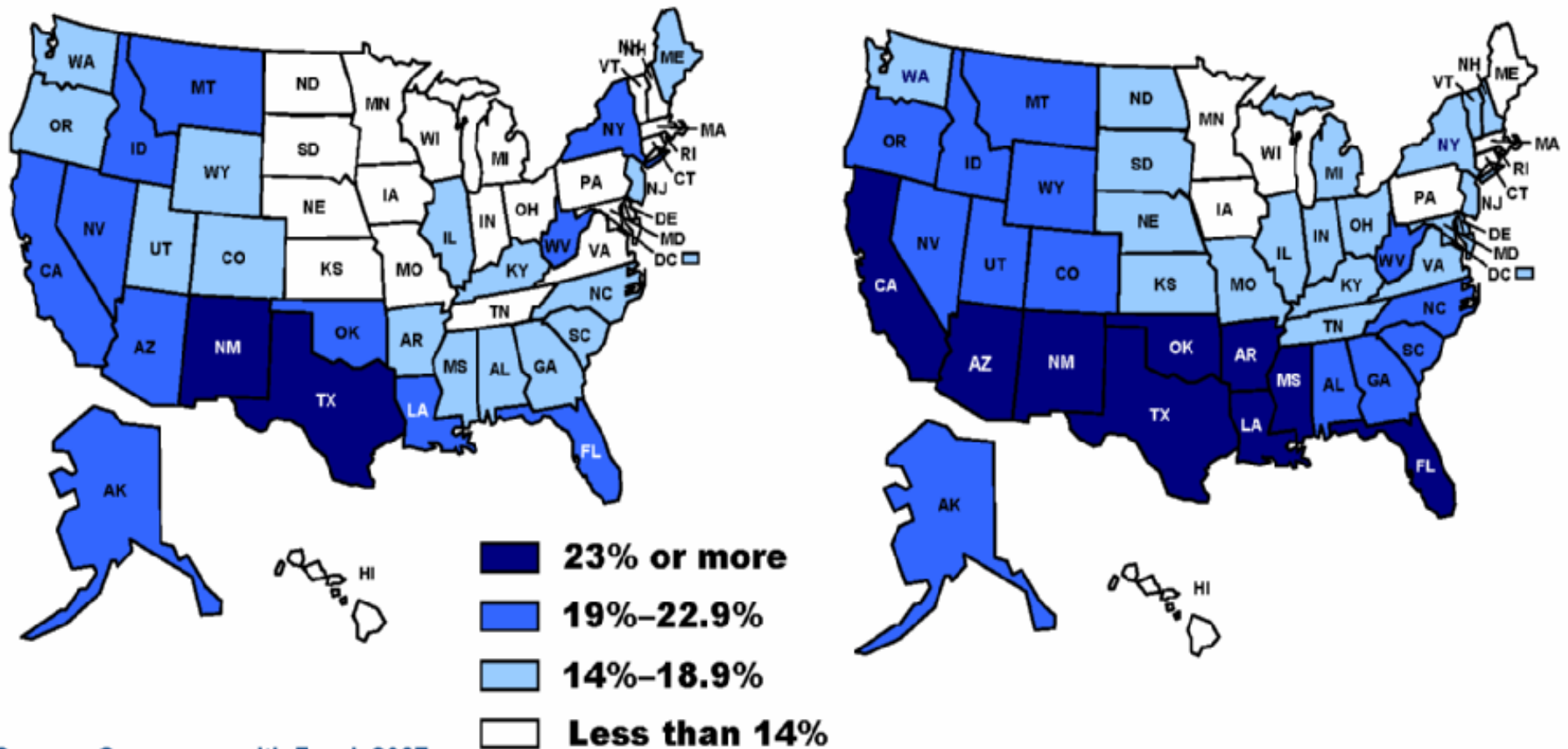
## Map: How Many Uninsured?



# National trend: getting worse

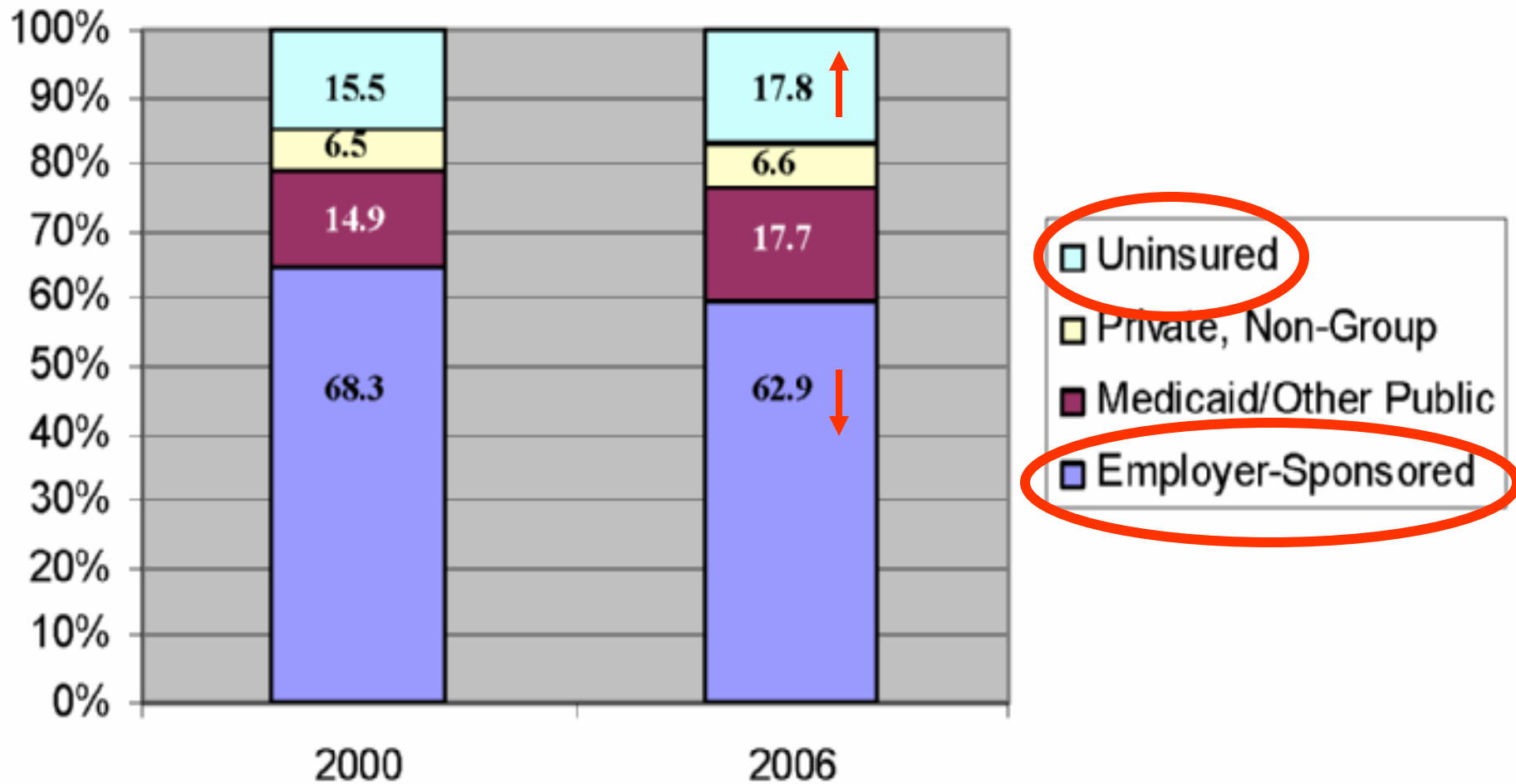
1999–2000

2005–2006



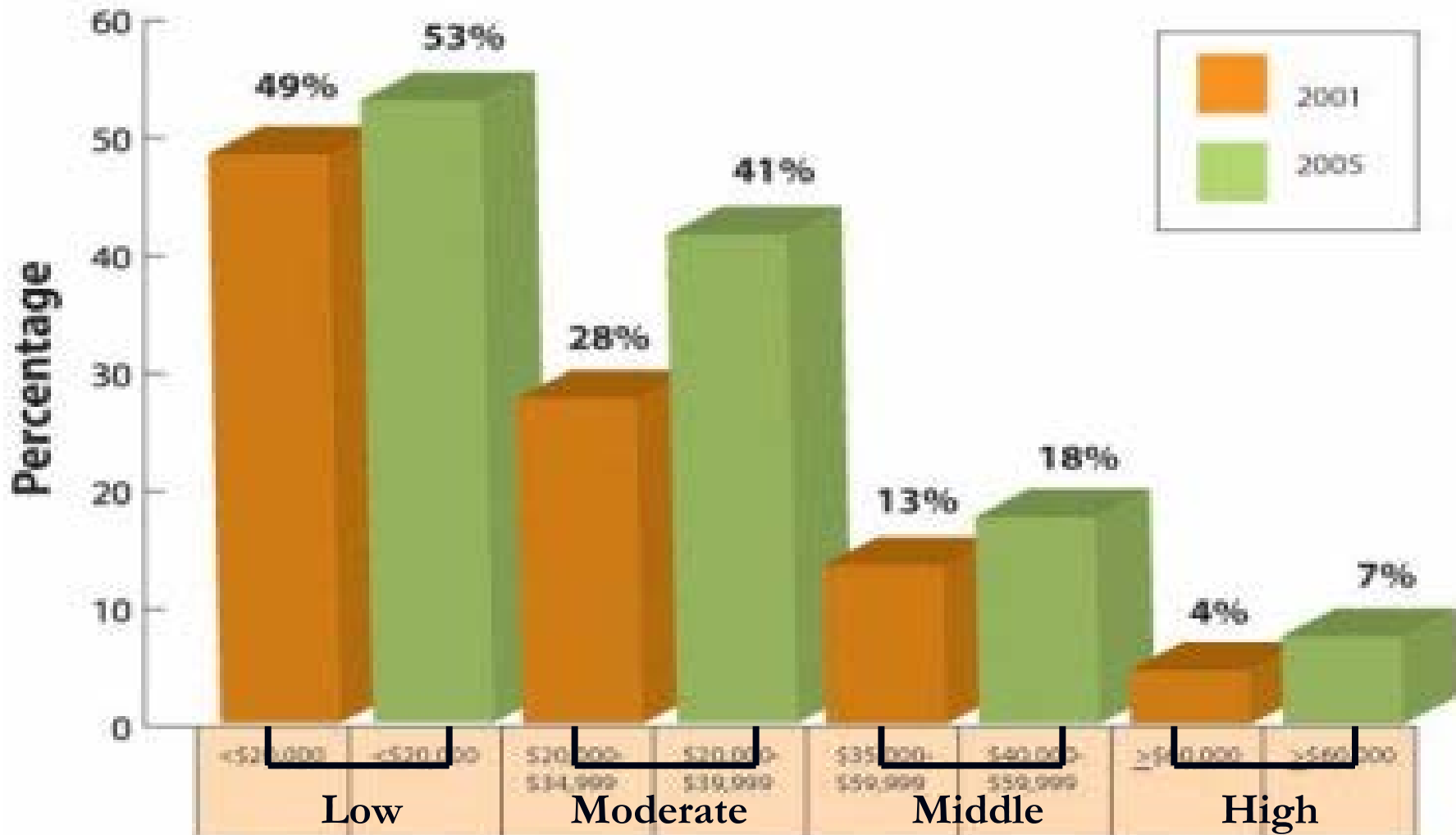
Source: Commonwealth Fund, 2007

# How did it get worse



# Access decreases among working families

Percentage of Uninsured by Income Group, 2001 and 2005



## **Summary: Driving Forces for State Reform**

- **Increasing uninsured population**
- **Declines in employer-sponsored insurance**
- **Health insurance increasingly unaffordable**
- **Lack of national consensus**
- **States tackle the problem**

# Questions and Solutions - Variables

- Financing
- Public Program Expansion
- Individual mandate
  
- Affordable Coverage
- Benefit Design
- Subsidies for low-income
  
- Purchasing Mechanism
- Insurance Markets (Should be Reformed?)

# CA HCR - Shared Responsibility

## GOVERNMENT

Promote functional health care market  
Provide access to affordable coverage  
Fairly compensate Medi-Cal providers

## EMPLOYERS

Support  
employee  
access to  
affordable  
coverage

## INDIVIDUALS

Obtain health  
coverage

## DOCTORS & HOSPITALS

Provide  
affordable, quality  
care  
Share cost  
savings

## HEALTH PLANS

Guarantee access to affordable  
coverage  
Pass along savings

GOVERNMENT

INDIVIDUALS

- **Must secure health coverage for themselves and their children**
- **Personal responsibility for health and wellness**
- **Contribute to paying for their coverage**

EMPLOYERS

DOCTORS & HOSPITALS

HEALTH PLANS

INDIVIDUALS

GOVERNMENT

- **Expand** Healthy Families/Medi-Cal for all children in families earning under \$60K
- **Expand** Medi-Cal to adults in poverty
- \$4 billion **increase** in Medi-Cal **reimbursement rates**
- **Subsidies** to families between \$20K-\$50K provided through new purchasing pool
- **County responsibility**

EMPLOYERS

DOCTORS & HOSPITALS

HEALTH PLANS

GOVERNMENT

DOCTORS & HOSPITALS

- 2% fee on physician revenues (x)  
**4% on hospital revenues**
- Participation in patient safety initiatives
- **At least 85% of hospital payments spent on patient care**

EMPLOYERS

INDIVIDUALS

HEALTH PLANS

GOVERNMENT

HEALTH PLANS

- **Guarantee coverage**
- **Only base rates on age and geographic area in the individual market**
- **85% of premiums dedicated to patient care**
- **Offer “Healthy Actions” rewards and incentives within benefit packages**

EMPLOYERS

DOCTORS & HOSPITALS

INDIVIDUALS

# Prevention-Centered Health Reform

- **Healthy Actions Incentives/Rewards**
  - Provide incentives/rewards to promote prevention, wellness, and healthy lifestyles after the individual Health Risk Assessment
  - Both the public and private sectors
- **Initiatives**
  - Diabetes Initiative – \$150m
  - Tobacco Control-\$11m/yr
  - Obesity Chronic Disease Prevention- \$52m
  - Health Care Quality Improvement

# HCR Proposal details

## ■ **Financing -- Several Sources:**

- Employers who do not provide health coverage will be subject to a 1 - 6.5 % fee (based on the size of the employer's payroll)
- Tobacco taxes would be raised
- Hospitals would pay a fee of 4 % of revenue
- County governments would contribute up to \$1 billion
- Over \$4 billion in federal Medicaid funds

# HCR Proposal details

## ■ Individual mandate:

- All individuals must have insurance coverage (incomes <250% FPL whose premiums exceed 5% of income are exempt)

## ■ Benefit design:

- Managed Risk Medical Insurance Board
- Board also define hardship/ exemptions to the mandate

## ■ Purchasing Mechanism:

- Establishes California Cooperative Health Insurance Purchasing Program

## ■ Subsidies:

- Adults = < 250% FPL; children up to 300% FPL.
- No premiums if <150% FPL
- Lower-income workers (250-400% FPL) who do not qualify for subsidized coverage but insurance premiums > 5% of income receive a tax credit

# HCR Proposal details

## Cost containment (examples):

- Implement health information technology (stipulates goal of achieving 100 percent electronic health data exchange in the next 10 years)
- Work with both providers and insurers to improve efficiency and reduce overall health care costs
- Pre-tax contributions to HSAs:

## Health insurance plans:

- Requires guarantee issue coverage to all regardless of pre-existing conditions
- 85% of premiums dedicated to patient care

California Healthcare Reform -  
Legislative Proposal, Jan 2007- Jan 2008

**Why failed to pass?**

# Lessons Learned

- **Resistance and Why**
  - Constituencies stand to profit from the current system
  - Majority voters have coverage; don't want to be disturbed
- **Must have feasible financing mechanisms-** oppositions to financial responsibility (lack of compromises) e.g. employer mandate (4%), individual mandate
- **Middle-ground approach:** The left considered it too conservative (prefers single-payer universal coverage); the right considered it too liberal (prefers strict private market competition)
- **Need leadership, opportunity, persistence (beyond 2008)**

# Disclaimer and Thoughts

- Personal opinion
- Caveats: cost-saving statements about preventive care
  - Does Preventive Care Save Money? NEJM 358:7 Feb 08
- Policy tools and long term implications
  - Must consider disadvantaged populations
  - Our values guide our goals

“At the end of the session,  
participants will be able to”

- Describe the comprehensive nature of California healthcare reform plan
- Identify the health promotion and disease prevention components of the reform bill
- Discuss the lessons learned from California’s reform effort

# Questions?

[Joannie.Shen@gmail.com](mailto:Joannie.Shen@gmail.com)

# Prevention-Centered Health Reform— **Diabetes** (prevention & control)

Establish a national model for the prevention and treatment of diabetes

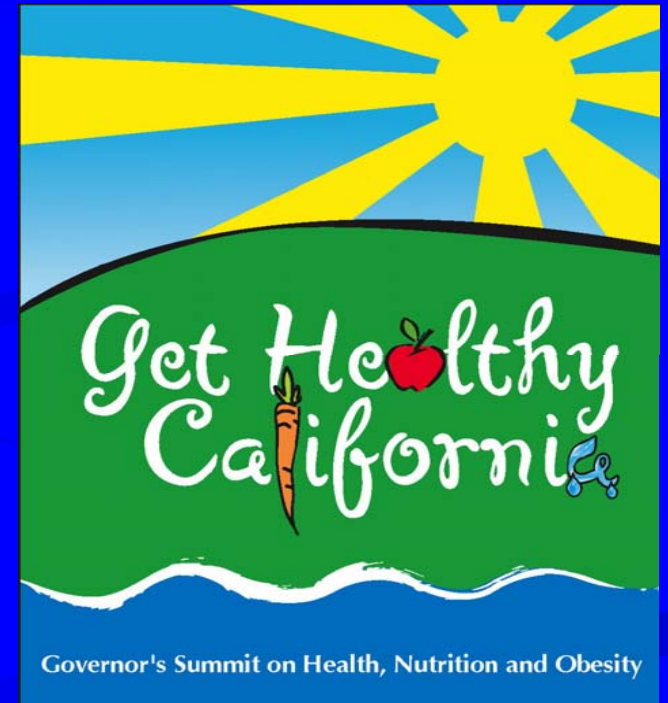
- Collaborative project of CDPH, DHCS and community partners
- Pre-diabetes and diabetes screening
- Primary prevention
- Self-management

\$150m Medi-Cal and Healthy Families initiative

# Prevention-Centered Health Reform— **Obesity Prevention**

Reversing obesity  
trends through  
nation-leading  
innovative and  
comprehensive  
strategies

\$52m investment of  
State Funds



# Prevention-Centered Health Reform— **Tobacco Control**

- Continue California's leadership in tobacco control and reduce deaths and illness related to tobacco use
  - Increased marketing of Helpline
  - Increased support for cessation services
  - Monitoring of insurer benefits
- \$11m annually, supported by State Funds

# A Healthier California – Health Care Quality

- Preventing medical errors and health care acquired infections
- New health care safety measures and reporting requirements
- Hospital-based Patient Safety Programs
- E-prescribing