

REMOVING THE BARRIERS TO HEALTH COVERAGE: Health Reform Can Make Coverage More AFFORDABLE, AVAILABLE, AND AUTOMATIC

Health coverage should be **available** to everyone. It isn't.
Health coverage should be **affordable** for all, both to buy and to use. It isn't.
Health coverage should be **administratively simple** to get. It isn't.

It is because health coverage is not available, affordable, or automatic that so many Californians find themselves uninsured, and millions more are concerned that coverage won't be there for them when they need it.

Health reforms can go a long way to removing these barriers that are in place for each of the three ways that Californians get coverage: through employers, public programs, and the individual market.

This paper summarizes the major barriers that Californians face in getting coverage, and some of the reforms that can help address these barriers.

1. Employer health benefits: Over half—19 million Californians—get coverage through employers. For those to whom it is available, it is often affordable (because it is significantly subsidized by the employer) and usually automatic (you sign up at the job; any share-of-premium is deducted from your payment, effortlessly).

Is it available? For many, but many are left out.

- Many Californians simply aren't in the workforce; people such as early retirees (who don't yet qualify for Medicare), students, divorced spouses, and people between jobs.
- Over 80% of the uninsured are workers or their family members. Many working Californians (4.5 million) find that their employer doesn't offer coverage, or that they (or their family members) are not eligible for it. Even at companies that offer coverage, many may be ineligible because of waiting period or seniority, part-time status, job classification, or other reasons.

Is it affordable? Depends on the plan.

- While a substantial number of employers pick up most, if not all, of the tab for the cost of insurance premiums, some employers do require workers to pay some share of the premium. And plans also expect other cost-sharing, including deductibles and co-payments. As a result, there are some workers, particularly lower-income ones, who can't afford the health insurance offered at work.

- While economists say that health benefits come at the expense of salary increases, buying health coverage through an employer helps to spread risk and cost throughout the employers' workforce, making it more affordable.

Is it automatic? Yes – if it's available.

- One of the reasons that employer-based coverage is so prevalent is that it is automatic: you get a job, you sign up for health insurance benefits, and there's often somebody at work who can answer questions about benefits and plan options, and deal with issues should they arise.

Reforms include instituting a minimum employer contribution toward health coverage would encourage employers to make health benefits more available. Part of such a reform could be a new, affordable option for employers of paying a fee to a statewide purchasing pool, which would then make coverage available to all the employer's workers. Coverage in such a purchasing pool could be portable if workers shift to other employers also paying into the pool.

2. Public programs: About a third of the state--over 10 million Californians--get coverage through public programs: largely through Medicare, Medicaid, and SCHIP (Healthy Families). For the purposes of California health reform, let's focus on the state versions of the two latter programs, Medi-Cal (with 6.5 million) and Healthy Families (with 800,000).

Is it available? Only for the very poor – but even then, only if you have children or documents.

At the state level, Medi-Cal covers low-income seniors, people with disabilities, children, and in some cases, their parents. Healthy Families covers children just above the poverty line.

However, these programs have stringent eligibility requirements, so that they don't cover even the very poor comprehensively. An adult younger than 65) without a child at home, would not get Medi-Cal coverage without a disability, even if she is under the poverty level of \$10,210/year. Undocumented Californians are largely excluded from these programs. Other restrictions for Medi-Cal include an assets test that prevents people from having any real savings.

Is it affordable? Yes – for those who qualify.

The public programs do offer a range of benefits at free or with small co-payments. In the Healthy Families program, premiums are limited to no more than \$15 per child per month, and cost-sharing is limited to \$250 per year. (Of course, there are always medical expenses that are not reimbursed.)

Is it automatic? No, enrollment is burdensome and confusing.

The host of restrictions also drives away many people who are actually eligible. Given the complexity of the rules, many people don't know if they are eligible or not. Even when they are, the bureaucracy and paperwork to enroll can be substantial and

off-putting. Recent efforts have made strides in reducing the paperwork burden, and in enrolling children through schools and other social programs.

Reforms include expanding these public insurance programs, from expanding coverage to all children, or all low-income adults, to switching to a universal single-payer tax-funded public insurance for all. Expansions to low- and middle-income populations would involve both relaxing eligibility restrictions around income, assets and other criteria, as well as enrollment barriers and paperwork burdens.

3. The individual insurance market: Covers fewer than 2 million Californians, less than 5% of the population.

Is it available? For many, no.

This is the hardest insurance to get. Insurers have broad leeway to pick and choose who gets this coverage. Often people are denied coverage because of "pre-existing conditions" which is a category that ranges from major health conditions such as diagnosed cancer or diabetes, to more minor conditions such as heartburn or childhood asthma, to single incidents of something as small as an ear infection or yeast infection, or simply taking a prescription medicine in the previous year. Even those who are willing and able to pay any price for it may not be able to obtain coverage.

Is it affordable? No.

The individual market is the most expensive way to get health coverage. Individual consumers don't have the ability to negotiate with the insurers like large employers and public programs do. Insurers are allowed to charge different rates based on age, health status, gender, and a variety of other factors. Insurers are given carte blanche to charge consumers what they want, discriminating most against the older and sicker. And the result, is that for many low-income, middle-income and older Californians, the cost of individual health insurance policies is simply prohibitive.

Is it automatic? No.

No one is entitled to insurance on the individual market – and many people find either that insurance companies will not sell them this coverage, or that if coverage is available, it's unaffordable. And even for those who are eligible and can afford it, shopping intelligently is difficult; it is hard to find the information needed to compare prices and benefits.

Reforms include expanding group coverage, as described above, so fewer individual consumers are not all alone at the mercy of the big insurance companies. To the extent that an individual market exists, even if shrunk, that market need significant regulation and consumer protections, including: guaranteed issue, so consumers are not denied pre-existing conditions; modified community rating, so patients do not have different rates based on their health status or other factors; oversight over marketing, risk adjustment or other policies to prevent insurers from competing on their avoidance of risk rather than cost and quality; minimum benefit standards, so people don't fall into buying "junk" insurance; and standardized benefit structures, so consumers can do easy "apples-to-apples" comparisons of health plans between companies.