

Health Care Reform in California

**American College of Mental
Health Administration Summit**

Overview

- Governor's Framework for Healthcare Reform
- Policy Developments and Negotiations to AB X1 1
- Next Steps

Framework for Reform

- Essential elements of reform
 - Health and Wellness
 - Coverage for All
 - Affordability

Health and Wellness

- **Benefit designs to incentivize and reward healthy practices**
- **Diabetes prevention and treatment**
- **Obesity prevention**
- **Tobacco cessation**

Coverage for All

- Individual mandate
- Publicly funded/subsidized coverage for lowest income residents through Medicaid, SCHIP, new state purchasing pool, county programs
- Insurance market rules to guarantee accessibility
- Jointly financed by individuals, government, health providers, employers

Affordability

■ Short-term measures

- Hidden tax
- Premiums dedicated to patient care (MLR)

■ Longer term measures

- Health information technology (e-Rx, PHR)
- Information transparency
- Prevention/ Wellness

Key Policy Issues: Individual Mandate & Benefits Structure

- The individual mandate combined with guaranteed issue remained a key component for achieving universal coverage
- Exemptions: <250% FPL if minimum coverage costs more than 5% of family income
- The minimum benefit would be established and adopted by MRMIB via a public, regulatory process
- Different benefit structures envisioned for different populations

Key Policy Issues: Affordability

- Contribution towards subsidized coverage premium capped at 5% of income:
 - 100-150% FPL – no contribution
 - 150-250% FPL – up to 5% of income
- Provides a tax credit for moderate income individuals (250-400% FPL) when the cost of coverage exceeds 5.5% of income
- Affordability and Hardship Exemptions

Key Policy Issues: Financing

- Employer Fee- sliding scale payroll fee on non-offering employers from 1-6.5%.
- Hospital Fee – 4% matched with federal dollars
- Federal Funds
- County Redistribution
- Tobacco Tax (\$1.75/pack)
- Individual Contributions
- Budget Neutral / Trigger “On” and “Off”

Process Next Steps

- Governor and Speaker Nunez compromised on AB X1 1 and it passed Assembly
- Was defeated in the Senate Health Committee largely over fiscal and political concerns.
- Governor remains committed to moving forward on health reform as a comprehensive package. Immediate timeframe is uncertain.

AB X1 1 Improvements over the Status Quo

- 3.7 of the 5.1 million uninsured would have health coverage, two-thirds with subsidies. Many others would have expanded access through primary care clinics.
- Improved payments to hospitals to help keep hospitals and emergency rooms open and accessible
- Reduction in the “hidden tax” and a limit on plan administration and profit to help keep premiums more affordable for businesses and insured individuals.

AB X1 1 Improvements over the Status Quo

- Guaranteed issue to all individuals despite pre-existing health conditions and a phase out of health status rate bands in the individual market
- Greater focus on chronic care management and prevention to lower long-term health care costs
- Dedicated revenue stream for health care outside the General Fund, to preserve public programs and appropriate payment for providers.