



Comparison of California Health Coverage Expansion Proposals

	Governor's Plan	AB 8 (Núñez/Perata) ¹	SB 840 (Kuehl) (and companion funding legislation SB 1014)
Californians to Be Covered²	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).	All Californians covered through newly created single-payer California Health Insurance System (CHIS).
Requirements Imposed on Consumers/ Individuals	All Californians are required to have coverage. To meet the requirement, a minimum benefit level of \$5,000 deductible, with out-of-pocket maximums of \$7,500 per person (\$10,000 per family), must be maintained.	<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 employees under 300% FPL³ in Cal-CHIPP would not exceed 5% of family income. 	Companion legislation, SB 1014, would require individuals to contribute a portion of income via taxes, in lieu of paying for health care premiums, co-pays, and deductibles. First \$7,000 of income would be exempt.
Treatment of Self-Employed	Same individual mandate applies.	Enhanced access to coverage through reformed individual insurance market.	All Californians have same access to same standard benefits, regardless of type of employment.
Requirements Imposed on Employers	Pay or play approach -- employers with 10 or more employees that choose not to offer coverage contribute 4% of payroll toward cost of employees' coverage through purchasing cooperative. Employers of all sizes must establish Section 125 plans ⁴ to tax-shelter employer and employee health insurance contributions.	<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. 	SB 1014 would require employers to contribute via an 8.17% increase in payroll tax of employee's income over \$7,000 and under \$200,000. Contribution would be made in lieu of paying premiums.
Treatment of Small Employers	Employers with fewer than 10 employees exempt from pay-or-play requirement. Employees still subject to individual mandate.	No exemption from minimum spending requirement ("pay-or-play") based on employer size (except for the self-employed).	Not applicable.

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Requirements Imposed on Providers	Providers required to pay fees on revenues: 2% on physicians and 4% on hospitals. Hospitals required to spend 85% of revenues on patient care.	None stated.	None stated.
Changes in Provider Payments/ Funding	Medi-Cal payments to providers.	None stated.	<ul style="list-style-type: none"> • New CHIS commissioner would negotiate and set all rates. • Provides new right to providers to collectively negotiate rates and fees.
Public Program Expansions and Support for Low-Income Individuals	<ul style="list-style-type: none"> • Healthy Families⁵ expansion for children up to 300% FPL, regardless of immigration status. • Medi-Cal expansion for all legal residents up to 100% FPL. • Individual/ family contribution toward premium for coverage obtained through purchasing pool is linked to gross income: <ul style="list-style-type: none"> - 100 – 150% FPL (a family of four earning \$20,650 – \$30,975) pays 3% of income; - 151 – 200% FPL (a family of four earning \$30,975 – \$41,300) pays 4% of income; - 201 – 250% FPL (family of four earning \$41,300 – \$51,625) pays 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 Medi-Cal Benchmark and Healthy Families Benchmark Plan to eligible employees. Employees eligible for public programs that have other group coverage are eligible for the Medi-Cal Benchmark Plan or the Healthy Families Benchmark Plan, and premium assistance. 	<ul style="list-style-type: none"> • Aims to consolidate funding for existing public programs into newly created Universal Healthcare Fund, under CHIS. • All Californians receive coverage under CHIS, regardless of income.

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Role of Counties	Counties maintain responsibility for care of the adult undocumented indigent population. To reflect reduced demands on county from public program expansion, half of funds used by counties for indigent care would be redirected to the state.	Counties' obligation to serve the indigent unchanged.	Indigent receive care under CHIS; counties are largely removed of their obligation to care for indigent.
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 ⁶ 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.)	<ul style="list-style-type: none"> • Legislation intends for CHIS to consolidate funding from all existing public programs into the Universal Healthcare Fund, potentially including Medicare. • People eligible for federal programs (Medicare and Medi-Cal) would remain enrolled in them and CHIS would pay their premiums and deductibles.
Changes in State Tax Code and State Tax Revenue	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.	Establishment by employers of Section 125 plans to tax-shelter employer and employee health insurance contributions would reduce state tax revenue.	SB 1014 would modify state tax code to increase individual income tax and employers' payroll tax.

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Insurance Market Requirements/ Reforms: Guaranteed Issue, Rating Reforms, and Other Requirements Imposed on Health Plans	Health plans must guarantee coverage to all Californians. 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 2011, 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 - 250 employees) employer market. • Health plans must spend 85% of premiums on patient care. 	CHIS becomes the primary policy for all Californians. Insurers may sell supplemental policies.
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.	All Californians receive coverage under CHIS.
Insurance Market Requirements/ Reforms: Participant Contribution to Obtain Coverage Through Purchasing Pool	Sliding scale contributions of 3 – 6% of gross income 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. 	New administrative bodies are created to administer CHIS and develop a premium structure for Californians.

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Financing Sources and Cost Estimates	<p>Total \$12 billion cost estimate, to be financed through:</p> <ul style="list-style-type: none"> • Employer contributions • Employee and individual contributions • Federal funds • Redirection of safety net funds • Physician and hospital fees 	<p>(Note: Estimate may be revised to reflect recent amendments.)</p> <p>Total \$8.3 billion cost estimate to be financed through:</p> <ul style="list-style-type: none"> • Employer contributions • Employee contributions • State funds • Federal funds (Medicaid, SCHIP) 	<ul style="list-style-type: none"> • Creates the California Health Insurance Premium Commission to develop a premium structure to fund CHIS. • Legislation relies on an estimated \$29 billion in administrative and other savings that are used to fund expanded coverage under CHIS. • SB 1014 would increase payroll and state income tax for financing. Legislation envisions: <ul style="list-style-type: none"> - Individuals would pay 3 – 4% of income (between \$7,000 and \$200,000). - Individuals would pay an additional 1% on income over \$200,000. - Employers would pay 8% of payroll tax (on payroll above \$7,000 for full time employees).
Cost Containment: Prevention and Wellness	<p>Subsidized products incorporate "Healthy Action Incentive/Rewards Program," which all health plans are required to offer; state-sponsored public health efforts to reverse obesity trends and continue smoking cessation efforts.</p>	<p>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.</p>	<p>Preventive care covered by CHIS.</p>
Cost Containment: Additional Provisions	<ul style="list-style-type: none"> • Reduce regulatory requirements on health plans. • Reduce regulatory requirements in order to promote certain delivery models, such as retail health clinics. • Pilot to combine workers' compensation health benefits with traditional health coverage. • Cap on health plan administrative costs and profits (must spend 85% of premiums on patient care). 	<ul style="list-style-type: none"> • Pay-for-performance for state-funded health coverage programs. • Require plans and providers to participate in implementation of a personal health records system. • Centralized assessment of new technology. • Participating health plans required to implement evidence-based 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). 	<p>Caps administrative spending to 5% of total system-wide spending and authorizes newly created CHIS Commissioner to create other forms of cost control.</p>

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Enforcement	Payroll withholding and state tax system will play roles in monitoring and enforcing individual mandate. Providers will be involved through on-site enrollment. Penalty for non-compliance not specified.	None stated.	None specified.
Implementation Timeline	Not specified.	<ul style="list-style-type: none"> • July 2008 – Insurance market reforms. • July 2008 – Medi-Cal and Healthy Families expansion, pending the appropriation of funds. • January 2010 – Employer spending requirement begins; Cal-CHIPP created. • July 2009 – Health plans must spend at least 85% of premiums on patient services. 	<ul style="list-style-type: none"> • January 2008 – Premium Commission established. • On or before January 2010, Commission makes recommendations to the Governor and Legislature. • CHIS becomes fully implemented once the Secretary of Health and Human Services determines the Universal Healthcare Fund has sufficient revenue for the program to be operational.

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¹ AB 8 reflects materials from Senator Perata and Assemblymember Núñez (released June 21, 2007) outlining intended amendments; specific language does not yet appear in AB 8.

² The numbers of uninsured covered under the Schwarzenegger and Núñez proposals were estimated by Jonathan Gruber for May 2007 versions of the proposals.

³ **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.

⁴ **Section 125** of the Internal Revenue Code allows companies to give their employees the opportunity to pay for benefits on a pretax basis.

⁵ The **Healthy Families Program** is California's version of the State Children's Health Insurance Program (or SCHIP), funded jointly by the federal government and the state. Healthy Families provides low-cost health, dental, and vision coverage to California children in families with income up to 250% of FPL.

⁶ A **Section 1115 Waiver**, named for that section of the Social Security Act, allows a state to deviate from standard Medicaid requirements to test new ideas. In return for greater flexibility, states must commit to a policy experiment that can be evaluated formally