



FACT SHEET: AB8(Nunez/Perata)

September 11th, 2007

AB8 (Nunez/Perata) is a comprehensive approach to both expand health coverage, and to secure coverage for those who have it, but are concerned that it won't be there for them when they need it.

It seeks to make health coverage more **available, affordable, and automatic** in each of the three ways that consumers now get coverage: **through employer health benefits, public coverage programs, and the individual market.**

Passage and enactment of the bill would be **historic**, as it would be **the biggest health care expansion of since the creation of Medicare** 40 years ago; it would set a **minimum employer contribution for health care**, as significant as the establishment of the minimum wage 70 years ago.

The proposal includes "shared responsibility" financing from employers, workers, state and federal government, and insurers. As a majority vote bill, it can be enacted into law with simply the Governor's signature, without the need for additional financing or special federal waivers.

The framework of AB8 (Nunez) bill includes:

*** The biggest public program coverage expansion since the creation of Medicare and Medicaid** 40 years ago.

* The bill **expands Medi-Cal and Healthy Families** to include children and parents up to 300%FPL, which is around \$60,000 for a family of four,

* The bill also **streamlines these programs so that they are easier to get on and to stay on.**

*** The establishment of a minimum employer contribution for health care**, of the similar import to the creation of a minimum wage 70 years ago. Providing more security the majority of Californians who get employer-based coverage but who are concerned about losing it, the bill sets a standard for a minimum employer contribution to spend 7.5% of payroll on health benefits, either by paying into the purchasing pool or by expending the funds on health insurance or other health benefits.

* **This statewide purchasing pool would create a new affordable option** for employers to cover their workers, initially for employees and dependents of employers that choose to use the purchasing pool. Employers could use the pool to cover their entire workforce, or at least their part-timers. The pool would offer affordable coverage, including an assurance that workers under 300%FPL would get coverage at less than 5% of their income.

* **New oversight over the insurance industry** would especially help individuals and small businesses who don't have the market power of large group purchasers of coverage. The bill has:

- * Reforms of the individual insurance market so that coverage is available to anyone who wishes to purchase, by **limiting insurers ability to deny people based on “pre-existing conditions,”** and providing better funding for coverage for those that are denied, through an assessment on insurers.

- * **A requirement that premium dollars go to patient care**, and a 15% limit on the percentage of premium dollars that go to administration, marketing, and profit.

- * **Expanded small group insurance reforms**, making coverage more accessible and affordable for employers of 2-100 workers.

* **A better and more fairly financed health system** would be bolstered through shared responsibility from six different funding streams, including required employer and worker contributions, reinvested state savings for public program expansion, an assessment on insurers, and two strategies for bringing in California's fair share from the federal government, to:

- * **Bring in over a billion in new federal matching funds** to California's health system, by getting matching Medi-Cal funds for these expansions of public programs and employer contributions.

- * **Offer workers new tax savings**, by providing the ability to pay premiums, or share-of-premiums, with pre-tax dollars through Section 125 plans, for a savings of 15-40%.

* **Several cost containment strategies**, which, working together, can credibly slow the rate of growth in health costs. The coverage expansions and fair financing provisions could help in reducing the "hidden tax" that results from not having all employers provide coverage to their workers, and for having the uninsured go without cost-saving preventative care. Other cost-control strategies include:

- * Preventing Californians from getting sicker by helping patients to **affordably control chronic diseases** such as asthma and diabetes.

- * **Requiring public reporting on health care costs, and the quality of services**, which would enable health purchasers and consumers to make wiser decisions about their care and the best way to spend their money.

- * Requiring the adoption of **health information technology**, which could help avoid duplication and costly errors.

- * **Bulk purchasing of prescription drugs**, which would enable the state to use its leverage to drive down prices.

- * Helping foster the creation of a **statewide public insurer** from county efforts, allowing this low-overhead, not-for-profit agency to compete for business.

SHARED RESPONSIBILITY AND AFFORDABILITY IN AB8:

AB8 is a majority vote bill, but with multiple funding sources. No one funding source is a majority of the plan. The financing comes from:

- the minimum employer contribution;
- required worker contributions;
- reinvested state savings;
- new federal Medicaid matching dollars,
- use of Section 125 federal and state tax breaks, and
- an assessment on insurers.

INDIVIDUALS: AB8 includes individual responsibility, for those who have their risk of health costs shared by an employer or the statewide purchasing pool. Unlike the Governor's plan, AB8 does **not** have a mandate to go into the individual market, for those that lack access to group coverage from a public program or an employer.

While AB8 requires workers to take up coverage offered at work or in the purchasing pool, there are exemptions for those with other group coverage (for example, through a spouse). The bill would also exempt anybody from having to take-up employer-based coverage that would cost them more than 5% of their income.

In the purchasing pool, those under 300% of the federal poverty level (around \$30,000 for an individual, \$60,000 for a family of four) would be guaranteed coverage at a maximum premium of 5% of their income; they would not have to take up coverage if the plan had a maximum of more than \$1500 for total out-of-pocket costs, including deductible.

EMPLOYERS: While most employers already provide coverage to their workers, all employers would have to contribute 7.5% of payroll to health care under AB8. This represents less than half of the overall burden of this health care plan (in contrast to the previous SB2/Prop 72 proposal).

For those that don't provide coverage or provide minimal benefits, they would also have a new purchasing pool option to only pay 7.5% of payroll, and get the benefit of having all their workers covered. This is a significant, especially for low-wage and small employers, that would have to pay a much larger percentage of payroll to cover their workers, and is a reason they are more likely not to. Right now, most employers who provide coverage pay an average of 12-15%, much more than 7.5%.

Like the minimum wage does for pay, this minimum employer contribution would set a standard that employers can't go below, but that many do above, in order to attract and retain workers in the job market.

GOVERNMENT: In the biggest expansion of public program coverage in 40 years since the creation of Medicare and Medicaid, children and parents under 300% of the poverty level would be eligible for Medi-Cal or Healthy Families-type coverage.

This is partially funded from the reinvested state savings from having employers contribute to the health care of worker that have been on existing public programs. The rest comes from federal matching funds, which California has been leaving behind every year. Expanding the use of “Section 125” plans uses federal tax breaks to also finance coverage.

INSURERS: Insurance companies would be required to spend 85% of premiums collected on patient care, rather than administration, marketing, and profit. They would be limited in their ability to deny coverage because of “pre-existing conditions,” and they would pay an assessment per covered life to help fund coverage for those Californians in the individual insurance market that were denied coverage.

PROVIDERS: AB8 (Nunez) does not include the provider taxes proposed by Governor Schwarzenegger in his proposal, largely because of the 2/3 vote requirement. The hospitals came out in support of the hospital fee, which would be used to bring down federal matching funds that would be used to increase the Medi-Cal reimbursement rates, as well as expand coverage. (See below.) This component will need either significant Republican votes to pass, or need to be passed by a ballot measure.

UNINSURED IMPACT

Earlier estimates indicate that AB8 would cover over two-thirds of the uninsured, over 3.4 million of the 4.9 million Californians that are uninsured at any point in time, through expansions of group coverage, through employers and public programs. (About 6.5 million Californians are uninsured at some in the year: about 4.9 million at any point in time, according to the California Health Interview Survey.)

If the bill is accompanied by a hospital provider fee, AB8 can cover 80% of the uninsured, four million of the 4.9 million uninsured, by using new resources to expanding Medi-Cal to cover over 600,000 very poor adults without children at home (“childless adults below the federal poverty level”). If the bill includes the hospital provider fee and such an additional Medi-Cal expansion, such reforms can cover 97% of Californians.

The bill provides a framework for further expansions with additional revenues.

For more information, visit the website of Health Access California at <http://www.health-access.org>.