



California Pan-Ethnic Health Network



## A Primer on California's Uninsured

### Overview of the Uninsured

The United States health care system's failure to provide access to care for everyone is a persistent and growing threat to the state's health and prosperity. If California is to achieve healthy financial recovery, the private, public, and government sectors need to promote policies and programs that address this problem.

**Over six million Californians are uninsured.** The uninsured live sicker, die younger, and are much less likely to see a doctor, get preventive screenings, or receive appropriate treatments. People of color are more likely to be uninsured:<sup>1</sup>

- 35% of Latinos are uninsured for all or part of the year
- 17% of Asian and Pacific Islanders are uninsured for all or part of the year
- 17% of African Americans are uninsured for all or part of the year
- 26% of Native American/Alaska Natives are uninsured for all or part of the year
- 13% of Whites are uninsured for all or part of the year

Nationally, almost 50% of the uninsured are from families with household incomes between \$25,000 to \$75,000 per year. The uninsured are also more likely to be young, approximately 63% are 34 years old or younger. In addition to improving access to health care, being insured can reduce mortality by 5-15%, improve annual earning by 10-30% and increase children's educational attainment.<sup>2</sup>

### Structure of the Current Health Care System

#### EMPLOYER-BASED HEALTH INSURANCE

The United States has never embraced its role of ensuring health care coverage for all Americans. The medical profession has also been opposed to proposals to provide health insurance to everyone. As a result, we have a fragmented system that only covers specific populations. Of the 35 million Californians, a majority—18 million people—get health coverage through employer-based coverage, either their employer or that of a family member.<sup>3</sup>

Two major federal policies resulted in the U.S. having an employer-based health insurance system. The first is that during World War II, in order to control inflation, the government placed price controls on consumer goods, including a freeze on wage increases. However, the benefits provided by the employer were exempt from price controls. As a result, unions and employees negotiated for better benefits, such as health insurance. Then in 1954, the Federal government ruled that employer benefits would not be included as taxable income. This made receiving benefits more appealing than salary increases since employees would receive 100% of the costs of the benefits whereas they only receive a percentage of the increase in wages because of taxes. In essence, by not taxing health care benefits, the Federal government is subsidizing health care.

---

<sup>1</sup> Health Insurance in California: Findings from the 2003 California Health Interview Survey, UCLA Center for Health Policy Research, Aug 2005.

<sup>2</sup> The Henry J. Kaiser Family Foundation.

<sup>3</sup> Health Insurance in California: Findings from the 2003 California Health Interview Survey, UCLA Center for Health Policy Research, Aug 2005.

The revenues “lost” from not taxing employer health benefits is the third largest “expenditure” after Medicaid and Medicare.

As a result of these two major decisions, the United States relies primarily on employer-based health insurance for private insurance. Unfortunately, the majority of the uninsured are employed but either do not get offered the benefit by their employer or cannot afford to participate in their employer-sponsored health benefit.

## **PUBLIC PROGRAMS**

The public programs are designed to provide health insurance to the most vulnerable populations. Over 10 million of the state’s residents receive coverage through public insurance programs such as Medi-Cal (Medicaid), Healthy Families (State Children’s Health Insurance Program), and Medicare.

**Medi-Cal**, California’s Medicaid, is publicly funded health insurance established in 1965 as an amendment to the Social Security Act of 1935. The program is designed to provide health insurance for the elderly and families with children who fall below a percent of the Federal Poverty Level and the disabled. Medicaid permits those who are eligible to purchase health care from the same hospitals and physicians as the general public, with the fees paid by the program. While it is funded with federal and state funding, it is administered independently by the states. The majority of Medicaid costs are for the elderly poor. Over 6.5 million Californians are on Medi-Cal. More than 72% of Medi-Cal program enrollees are people of color:<sup>4</sup>

- 51% are Latino/a.
- 10.5% are African American.
- 10.3% are Asian and Pacific Islander.
- 0.4% are Native American and Alaska Native.

The **Healthy Families Program** is California’s State Children’s Health Insurance Program (SCHIP). The program provides health insurance to low income children who are a part of families with incomes too high to qualify for Medi-Cal. Created as part of the historic, bipartisan Balanced Budget Act of 1997, SCHIP is the largest single expansion of health insurance coverage for children in more than 30 years. The initiative is a partnership between the federal and state governments. States are able to use part of their federal funds to expand outreach and ensure that all children eligible for Medicaid and the new SCHIP program are enrolled. Over 730,000 Californians are enrolled in Healthy Families. Nearly three out of four enrollees (73%) are people of color:<sup>5</sup>

- 58% are Latino/a.
- 11.9% are Asian.
- 0.1% are Pacific Islander.
- 0.3% are Native American and Alaska Native.
- 2.6% are African American.
- 13% are Whites.

---

<sup>4</sup> Enrollment Demographics, California Department of Health Services, Medi-Cal Managed Care Division.

<sup>5</sup> Healthy Families Program Monthly Enrollment Reports, HFP Subscribers Currently Enrolled By Ethnicity, California Managed Risk Medical Insurance Board.

Many uninsured, low-income families and children are eligible for Medi-Cal or Healthy Families, but do not know it. Outreach and education to expand enrollment can be a key to reducing the number of the uninsured.

**Medicare** covers 40.2 million Americans who are over age 65 or who are younger but with disabilities. Twelve-percent of Californians are on Medicare.<sup>6</sup> Because of the success of Medicare only 1% of the uninsured are over 65.<sup>7</sup> Medicare can be a model for further expansions.

## **Health Care Reform:**

### **“Prototypes” of how to expand coverage to the uninsured**

There are several models of how to reform the health care system. In 2006 there are several bills in the legislature utilizing the different models, as well as a proposal for a ballot initiative. In addition, there may be some funding available for expanding coverage. Last year, the Schwarzenegger Administration negotiated with the federal government to get approval to “redesign” Medi-Cal hospital financing. One element of the hospital waiver is \$180 million each year for five years allocated to expanding coverage.

#### **SINGLE PAYER**

Single payer proposals basically insure everyone in a common pool, with government paying providers directly for services. A legislative proposal, SB 840 (Kuehl), the California Health Insurance Reliability Act, will cover every Californian with comprehensive health insurance and give them the ability to choose their own physician. This model is estimated to save \$8 billion, in the first year alone in statewide healthcare spending, and will save money for families, businesses, individuals and local governments because of the ability to negotiate lower rates and decrease administrative costs.

#### **EMPLOYER MANDATE**

These reforms require every employer over a certain size to provide insurance to their employees. Some of the proposals would allow employers to pay into a common insurance pool instead of directly insuring their workers. A provision on the 2004 ballot, Proposition 72, would have required large and medium sized companies to pay for health insurance for their employees. Employers would have had to pay at least 80% of premiums and the benefits would have included preventive care, prescription drugs, and major medical services.

Proposition 72 was defeated by a narrow margin and may resurface. The legislature in fact passed a law identical to Proposition 72, SB 2, which was signed into law by former Governor Gray Davis in 2003. Business groups filed the petitions that suspended SB 2 and put it on the ballot in the form of Proposition 72. In addition, the city and county of San Francisco are considering a limited form of employer mandate. This is the result of the efforts of a consumer-labor coalition working with Supervisor Tom Ammiano. State and local efforts to create employer mandates are complicated by uncertainty over how much Federal laws, such as the Employee Retirement Income Security Act (ERISA) take precedence.

---

<sup>6</sup> Medicare Facts and Figures: A California Perspective, The California Healthcare Foundation and the Rand Corporation, Feb 2006.

<sup>7</sup> Health Insurance in California: Findings from the 2003 California Health Interview Survey, UCLA Center for Health Policy Research, Aug 2005.

## **EXPANSION OF PUBLIC PROGRAMS**

Existing public programs can be expanded to cover more people. In California, the legislature last year passed, and Schwarzenegger vetoed, AB 772 (Chan), which would have expanded Medi-Cal and Healthy Families to cover every child in the state. This proposal may come up again this year, and may appear as part of a ballot initiative that would raise tobacco taxes to increase funding to clinics and hospitals as well as expand children's insurance. Federally, Senator Ted Kennedy unveiled a "Medicare for All" proposal that would extend the program to those over 55 and under 20 years old.

## **PLACING THE BURDEN SOLELY ON INDIVIDUALS**

Only about one million people purchase health coverage as individuals, either because it is unaffordable or unavailable. Some reform proposals want to place the burden on individuals to take care of the failures of the health system. AB 2450 (Nation/Richman) would require everyone to have insurance, but does not address the basic problems of availability or affordability. This kind of reform is called an individual mandate. President Bush has proposed Health Care Savings Accounts to provide incentives for people to save money in a tax deductible account to pay for their own medical bills. However, medical bills are far more costly than the meager savings of those who do not have insurance, and the tax credits rob the treasury of funds that could be used for systemic reform. This option coupled with sufficient resources for those who cannot afford to purchase their own insurance may be a viable solution.

The most likely scenario for expanding coverage will be incremental changes using multiple strategies. *Any strategy to reform the health care system must provide universal access to affordable health care and ensure a single standard of care, regardless of race, residency, citizenship, employment status, or lack of an established residence.*

**For more information please go to CPEHN's Multicultural Web Portal: [www.cpehn.org](http://www.cpehn.org).**

As California becomes increasingly diverse, a multicultural perspective on public policy is more and more critical. The California Pan-Ethnic Health Network (CPEHN) gathers the strength of the state's new majority to build a united and powerful voice in health advocacy. CPEHN organizes multicultural efforts to develop and advance public policies that promote equal treatment and universal access to care.

### **Other Resources:**

- Blue Shield of California Foundation:  
[www.blueshieldcafoundation.org](http://www.blueshieldcafoundation.org)
- The California Endowment:  
[www.calendow.org](http://www.calendow.org)
- The California HealthCare Foundation: [www.chcf.org](http://www.chcf.org)
- The Henry J. Kaiser Family Foundation: [www.kff.org](http://www.kff.org)
- UCLA Center for Health Policy Research:  
[www.healthpolicy.ucla.edu](http://www.healthpolicy.ucla.edu)



Blue Shield of California Foundation  
An Independent Licensee of the Blue Shield Association