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DATA BRIEF

CALIFORNIANS' ACCESS TO COVERAGE UNDER THE HEALTH REFORM PROPOSALS

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According to the California Health Interview Survey, 6.4 million Californians were uninsured all or part of the year in 2007. Two million purchased coverage in the individual market at the time of the survey, and 19.6 million had coverage through an employer. In this brief we estimate the number of Californians who would potentially benefit from various provisions in the House and Senate health reform bills. We find that close to 4 million Californians would be eligible for Medicaid or subsidized coverage under both proposals at any point in time, and that many more would benefit from insurance market reforms and the new health insurance exchanges.

Specifically we find:

- Close to 2 million Californians who were uninsured, in the individual market or had unaffordable employer sponsored insurance in 2007 would qualify for Medicaid under the House bill, compared to 1.74 million under the Senate bill.
- 1.93 million would be eligible for subsidies in the exchange under the House bill and 2.19 million in the Senate.
- 2.79 million would be eligible to purchase coverage in the exchange without subsidies in the House bill, and 1.93 million would be able to do so under the Senate bill.
- 95 percent of California businesses, employing 44 percent of all workers would be eligible to purchase coverage through an exchange by 2015.
- One out of five businesses would be eligible for tax-credits towards the purchase of that coverage.

These are point in time estimates. In order to understand the actual impact of the reforms it is important to take into account the number of people who would be directly affected over time. According to a longitudinal study by the U.S. Treasury, 48 percent of non-elderly Americans can be expected to go without coverage for some period of time over a decade, 41 percent of them for 6 months or more.[i] Both of the reform bills would allow unemployed individuals and their families to purchase coverage in the exchange and receive subsidies based on their income at the time of enrollment. Finally, the data is from the 2007 California Health Interview Survey and does not take into account the increased rate of people without coverage due to the economic downturn.[ii]

THE UNINSURED

Medicaid

The House would expand Medicaid to adults and children in families with incomes up to 150 percent of the Federal Poverty Level (FPL), the Senate to 133 percent FPL. We estimate that 1.97 million (30.8 percent) of those who were uninsured all or part of 2007 would be eligible for Medicaid under the House bill and 1.68 million (26.3 percent) under the Senate bill.

Exchange subsidies

Both bills provide subsidies to individuals in families with incomes below 400 percent FPL who do not qualify for Medicaid and do not have access to affordable coverage through an employer. These subsidies come in two forms, premium subsidies which cap the percentage of income a family would spend on health care coverage, and cost-sharing subsidies which reduce the out-of-pocket costs families would spend on health care. Some families whose age, income and family size are such that they would be able to purchase health coverage under the percent of income targets without relying on subsidies would still be eligible for cost-sharing subsidies. We estimate that 1.67 million of the uninsured (26.1 percent) would qualify for subsidies under the House bill and 1.72 million (26.9 percent) under the Senate bill.

Undocumented immigrants

California has an estimated 1.2 million uninsured undocumented immigrants (18.9 percent of all uninsured). Under both bills they would not be eligible for subsidies in the exchange. Under the House bill they could purchase coverage in the exchange without subsidies. Under the Senate bill, they could not.

Spousal coverage

Under both bills, anyone offered coverage through an employer would not have access to subsidies in the exchange if they or their spouse are offered family coverage where the employee share does not exceed a set percent of the family's income. Under the House bill, 620,000 of the uninsured or their spouses are offered coverage that meets the definition of affordable so would be expected to take-up

that coverage and would not be eligible for subsidies in the exchange; under the Senate bill it would be 640,000 people.

Exchange without subsidies

Individuals who do not qualify for subsidies in the exchange would still benefit from the insurance market reforms that require insurers to take all comers and do not allow for differential costs based on pre-existing conditions. The majority of those who would fit this category are individuals in families who are over 400 percent FPL. Families under 400 percent FPL might not qualify for subsidies if they are young enough and their income is high enough that subsidies are not needed for them to be able to afford to purchase health coverage within the specified income thresholds. Of those uninsured all or part of the year in 2007 in California 810,000 were in families with incomes over 400 percent FPL. Under the House bill, an additional 130,000 families who are under 400 percent FPL would not receive subsidies due to their age, income and family size (as they get older, however, if their income remained stable or their family size grew, they would become eligible for subsidies). Under the Senate bill, which has less generous cost-sharing subsidies, the number would be 340,000. This difference is also due to the premium structure of the Senate bill which results in lower costs for younger individuals and families. This leads to fewer of the uninsured requiring subsidies because premiums are at levels considered affordable. Finally, as mentioned above, undocumented individuals are eligible to purchase coverage in the exchange under the House bill, but not under the Senate bill.

Individuals who do not qualify for subsidies would be exempt from the individual mandate if the premium costs are more than 8 percent of family income in the Senate bill. The share of uninsured Californians who would be exempt from the mandate for reasons of affordability under the bill is very small: 3 percent (190,000). The process for hardship waivers would be set by the Secretary of Health and Human Services under the House bill. Undocumented immigrants are also exempt from the mandate because they are not eligible to receive subsidies towards coverage.

Table 1

Coverage eligibility for Californians uninsured all or part of the year (ages 0–64)

	House		Senate	
Medicaid eligible	1,970,000	30.8%	1,680,000	26.3%
Eligible for premium or cost-sharing subsidies in exchange	1,670,000	26.1%	1,720,000	26.9%
Below 400% FPL with no subsidies in exchange	130,000	2.0%	340,000	5.3%
Over 400% FPL	810,000	12.7%	810,000	12.7%
Offered affordable ESI through employer or spouse's employer	620,000	9.7%	640,000	10.0%
Not eligible for Medicaid or exchange subsidies due to citizenship	1,210,000	18.9%	1,210,000	18.9%
Total	**6,400,000**	**100%**	**6,400,000**	**100%**

Source: California Health Interview Survey 2007. Rows may not sum to totals due to rounding.

INDIVIDUAL MARKET

Nearly 2 million Californians purchased coverage in the individual market at a point in time in 2007. Of those 200,000 would be eligible for Medicaid, and 470,000 would be eligible for premium subsidies in the exchange under the House bill; the figures are 160,000 and 460,000 respectively under the Senate proposal. Slightly less than 300,000 would be deemed to have an affordable offer of health coverage through a spouse's employer, while nearly half, 910,000 are in families with incomes over 400 percent FPL (Table 2).

Table 2

Californians purchasing coverage in the individual market (ages 0–64)

	House		Senate	
Medicaid eligible	200,000	10.4%	160,000	8.3%
Eligible for premium or cost-sharing subsidies in exchange	470,000	24.5%	460,000	24.0%
Below 400% FPL with no subsidies in exchange	50,000	2.6%	100,000	5.2%
Over 400% FPL	910,000	47.4%	910,000	47.4%
Offered affordable ESI through employer or spouse's employer	280,000	14.6%	290,000	15.1%
Total	**1,920,000**	**100%**	**1,920,000**	**100%**

Source: California Health Interview Survey 2007. Rows may not sum to totals due to rounding.

UNAFFORDABLE EMPLOYER-SPONSORED COVERAGE

In 2007, 19.6 million Californians had employer-sponsored coverage. Both bills would permit families to opt out of employer-sponsored coverage and receive subsidized coverage in the exchange if it is deemed unaffordable and their income makes them eligible for subsidies. Unaffordable employer-sponsored insurance is defined as 12 percent of family income in the House bill and 9.8 percent in the Senate bill. Under both bills, 300,000 individuals who currently have job-based coverage, but that coverage is deemed unaffordable, would be eligible for Medicaid. Under the House bill 270,000 individuals who currently have employer-sponsored coverage would be eligible for subsidies in the exchange; 500,000 would be eligible for exchange subsidies under the Senate bill which more readily defines employer-sponsored coverage as unaffordable. In both cases the share of individuals with job-based coverage which would be considered unaffordable is very small, 3.2 percent in the House and 4.7 percent in the Senate.

Table 3

Californians with employer-sponsored coverage (ages 0–64)

	House		Senate	
Medicaid eligible	300,000	1.5%	300,000	1.5%
Eligible for premium or cost-sharing subsidies in exchange	270,000	1.4%	500,000	2.6%
Below 400% FPL with no subsidies in exchange	10,000	0.1%	10,000	0.1%
Over 400% FPL	50,000	0.3%	110,000	0.6%
Offered affordable ESI through employer or spouse's employer	18,970,000	96.8%	18,670,000	95.3%
Total	**19,600,000**	**100%**	**19,600,000**	**100%**

Source: California Health Interview Survey 2007. Rows may not sum to totals due to rounding.

SUMMARY OF BENEFIT TO INDIVIDUALS

If we combine the benefits to the three groups described above, the uninsured, those in the individual market and those with unaffordable employer-sponsored coverage, we can get a fuller picture of how many Californians would directly benefit from the proposed bills. Table 4 uses a point in time analysis for all three categories in order to avoid duplication. We find that close to 4 million people would be eligible for Medicaid or subsidies in the exchange under each of the proposals, while more individuals would be eligible for coverage in the exchange in the House bill due to the Senate's prohibition on undocumented immigrants purchasing coverage through the exchange.

Table 4

Eligibility for benefits of Californians: Combined uninsured, individual market and unaffordable employer-sponsored insurance (ages 0–64)

	House	Senate
Medicaid eligible	1,980,000	1,740,000
Eligible for premium or cost-sharing subsidies in exchange	1,930,000	2,190,000
Eligible for exchange with no subsidies	2,790,000	1,930,000
Total	**6,700,000**	**5,860,000**

Source: California Health Interview Survey 2007. Rows may not sum to totals due to rounding.

SMALL BUSINESSES

Eligibility to purchase coverage in the exchange

Small businesses with fewer than 100 employees would be eligible to directly purchase coverage through the exchange by 2015 under both of the bills. The Senate bill would allow states to start with employers of 50 or less employees in the first year (2014). The House bill would start with employers of 25 or less in 2013, go to 50 or less in 2014 and 100 or less in 2015. In California, 8 million workers (44 percent of the private sector workforce) work for the 367,000 businesses with fewer than 100 employees (95 percent of all businesses) of which 2.55 million have coverage through that business and 2.16 million are uninsured. The exchange would offer employees of small businesses a wide choice of plans.

Table 5

California private sector workforce by business size

	Insured workers	Workers with job-based coverage through employer	Uninsured workers	Total workers	Number of CA private employers (with more than 2 employees)	Percent of CA private employers (with more than 2 employees)
Fewer than 50	5,310,000	2,140,000	2,030,000	7,340,000	352,635	91%
50–99	590,000	410,000	130,000	720,000	14,358	3.7%
100 or more	9,220,000	7,140,000	890,000	10,110,000	20,547	5.3%
Total	**15,120,000**	**9,690,000**	**3,040,000**	**18,160,000**	**387,540**	**100%**

Source: Worker information from 2007 California Health Interview Survey, employer information from 2007 California Employer Health Benefit Survey

Eligibility for small business tax credits

Under both of the bills, tax credits would be available to firms with 25 or fewer employees with average wages less than $40,000. Credits would be greatest for those firms with 10 or fewer employees and wages less than $20,000, and would phase down as average wage and firm size increases. The tax credits would go as high as 50 percent of the employer cost of coverage. The Senate would also provide subsidies up to 35 percent for tax-exempt businesses. Approximately 20 percent of California firms would qualify for subsidies; these firms employ an estimated 4 percent of the workforce.

Table 6

Employer eligibility for tax subsidies under HR 3962 for firms in California employing more than two employees

	Fraction of employers	Fraction of workers
10 or fewer employees and average wage less than $20,000	13.6%	2.0%
25 or fewer employees and average wage less than $40,000	6.8%	2.1%
More than 25 employees or average wage more than $40,000	79.6%	95.9%
Total	**100%**	**100%**

Source: 2007 California Employer Health Benefit Survey, 2007 March Current Population Survey

CONCLUSION

The health care reform proposals under consideration in Congress would provide a direct benefit to a significant number of Californians. We estimate that close to 4 million people who are either uninsured, in the individual market, or currently have unaffordable job-based coverage would be eligible for Medicaid or for subsidies in the new exchange. Many more would directly benefit from health insurance market reforms and the new health insurance exchanges. While the majority of non-elderly Californians would continue to have employer-based coverage, they too would have the security of knowing that if they lost their job, or became to ill to work, that affordable coverage would be available.

The results in this brief represent eligibility for benefits in California under the reform proposals. Future research will consider the effects of firm level decisions on offering benefits in response to the proposals.

METHODOLOGY

Tables 1 through 4 were calculated using the public use file of the 2007 California Health Interview Survey (CHIS) augmented with the following data sources:

While the public use CHIS records individuals as citizen or non-citizens, for confidentiality, it does show whether non-citizens hold a green card. Green card status for uninsured adults was estimated using Exhibit 2 in a recent report (Lavarreda, Brown 2009)[iii] which uses confidential CHIS data on immigration documentation status. For children, non-citizens who were uninsured due to immigration status or who were below 250 percent FPL and ineligible for Health Families were assumed to not hold a green card.

To determine the fraction of workers offered affordable job-based coverage we first calculated the distributions of single and family employee contributions from the 2007 California Employer Health Benefit survey. Next, we determined the thresholds which would make employee contributions "affordable" or "unaffordable" from family income. The distribution of employee contributions was then used to calculate the likelihood that a worker and their family members were required to take up insurance or allowed to opt out of job-based coverage.

The procedure used to calculate premium amounts in the exchange is detailed in the methodology section of an on-line premium calculation tool (Calculator; UC Berkeley Labor Center).[iv] Payroll amounts for employers in Table 6 are described in greater detail in another report (Jacobs, et al., 2007).[v]

NOTES

[i] United States Department of the Treasury. "The Risk of Losing Health Insurance Over a Decade: New Findings from Longitudinal Data," (2009).
Available at http://www.treas.gov/press/releases/docs/final-hc-report092009.pdf

[ii] Jacobs, Ken and David Graham-Squire. "No Recovery in Sight: Health Coverage for Working-Age Adults in the United States and California," UC Berkeley Center for Labor Research and Education Policy Brief, April 2009.
Available at http://laborcenter.berkeley.edu/healthcare/no_recovery_in_sight09.pdf

[iii] Lavarreda, Shana Alex and E. Richard Brown. "National Health Care Reform Will Help Four Million Uninsured Adults and Children in California." UCLA Center for Health Policy Research publications, October 2007.
Available at http://www.healthpolicy.ucla.edu/pubs/files/HCR_FS_10-09.pdf

[iv] "Calculator: How Much Will a Family Spend Under the Health Reform Proposals?" Online tool from the UC Berkeley Center for Labor Research and Education. See Methodology section.
Available at http://laborcenter.berkeley.edu/healthpolicy/index.shtml#calculator

[v] Jacobs, Ken, Lucas Ronconi and Dave Graham-Squire. "Health Coverage Proposals in California: Impact on Businesses. UC Berkeley Center for Labor Research and Education publications, July 2007. Available at http://laborcenter.berkeley.edu/healthcare/ca_healthreforms07.pdf

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