

Measure N364

INSTRUCTIONS:

Please carefully read the following description of a ballot measure that was written by a disinterested expert. Feel free to take notes or outline passages as you read.

This should take approximately 10 minutes.

BALLOT MEASURE N364

BACKGROUND

A majority of Californians under age 65 receive health insurance through their employer or the employer of a family member. (The federal Medicare Program covers most Californians age 65 and over.) Others purchase health insurance for themselves, and many low-income people receive health care services through the Medi-Cal Program or other public programs. However, an estimated 6 million people in California (almost 25 percent of the population under age 65) do not have any health insurance or Medi-Cal coverage. These uninsured people receive health care by paying for it themselves, seeking charity care from private hospitals and doctors, or relying on county hospitals and health programs.

Roughly 5 million of the 6 million uninsured people are either employed or the family members of employed workers. Of these 5 million, almost 4 million are full-time employees and their families.

Typically, uninsured employees work in lower-paying jobs. They are concentrated in businesses such as agriculture, construction, personal services, retail trade, and repair services. Almost half of uninsured employees work in firms with fewer than 25 employees. Generally, the rates that small businesses must pay for health insurance are much higher than the rates large businesses pay.

PROPOSAL**Employer-Mandated Health Insurance**

This measure requires all employers to provide health insurance to employees and their families if the employees work at least 17.5 hours a week or 70 hours a month, for at least 60 days a year. The measure also requires employees to participate in the program unless they have some other source of private health insurance.

To take effect, the state would need a statutory exemption from the federal Employee Retirement Income Security Act (ERISA) of 1974. The ERISA prohibits states from requiring employers to provide health insurance. It is not known whether the state could get an exemption from the ERISA. The following discussion assumes the state would get such an exemption.

Employer Phase-In. The measure phases in the health insurance requirement for employers (based on the number of employees over four years, beginning with employers with 25 or more employees (effective January 1, 1994), and eventually covering all employers (effective January 1, 1997). The measure also allows for roughly two-year delays in the phase-in for (1) employers with fewer than 25 employees "if the state's economic condition would place an undue hardship" on them, and (2) new employers.

Payment of Insurance Premiums and Other Costs. The measure requires employers to pay at least 75 percent of the insurance premium (of the lowest cost plan available) for each employee and his or her family. Employees are required to pay the remainder of the premium cost, except that the employee's contribution may not exceed 2 percent of his or her wages. The practical effect of this exception is that employers would pay for considerably more than 75 percent of the premium cost for lower-wage employees. In addition to a share of the premium cost, the measure also allows insurance plans to require employees to pay a share of costs (that is, "copayments" and "deductibles") for the health care services they or their families receive.

To show the effects of these payments, we estimate that a family of four earning \$25,000 annually could pay in the range of \$500 to \$1,500 a year in premiums and share of costs. The employer in this case could pay in the range of \$3,000 to \$4,000 a year in premiums for such a family.

Basic Benefit Package. The measure defines the basic benefits that health insurers must offer, including (1) hospital care for at least 45 days, (2) medical and surgical services outside the hospital, (3) complete pregnancy care, (4) emergency and necessary follow-up care, (5) routine child health care and vaccinations, (6) limited mental health services, and (7) prescription drugs. The measure provides that changes to the scope of benefits would require a four-fifths vote by the Legislature.

Combined Health Care Coverage. Currently, employers must purchase separate insurance policies for health insurance and workers' compensation. The workers' compensation policy includes a health care component. This measure allows employers to purchase one insurance policy to cover employee health insurance and the health care portion of workers' compensation. However, it does not change the other regulations or requirements for workers' compensation.

Health Insurance Provisions

This measure makes several changes to current law with respect to health insurers.

Insurers Must Offer Coverage. The measure requires health insurers to offer the basic benefit package to all employers with 100 or less employees. This requirement would not apply if the insurer "reasonably anticipates" that it will not have the capacity to serve new members.

Additionally, the measure prohibits insurers from excluding, or limiting the insurance coverage of, any person on the basis of an illness or medical problem he or she had at the time of applying for insurance. It also requires insurers to renew insurance for all eligible employees and their families, except under very limited circumstances (such as fraud).

Changes to Premium Rate Setting. The measure changes the way in which insurers can set the rates for health insurance premiums. Currently, insurers can charge different rates to different employers in the same geographic region, based on various factors (such as type of business). This measure requires insurers to charge the same premium rates (per employee) to employers within the same geographic region, except that the premium rates (per employee) for employers with 100 or less employees may be up to 30 percent higher than the rates for employers with over 100 employees.

Program Administration

The measure sets up a Health Care Coverage Commission and three technical review panels (Medical Policy, Cost Containment, and Technology). Among other things, the commission is to (1) monitor the measure's overall effects on health care costs and access, (2) arrange for regional small-employer health insurance purchasing pools, (3) provide employers with the comparative costs of insurance plans offering the basic benefit package, and (4) make recommendations to the Legislature on changing or expanding the measure. In addition, the three technical review panels would have a number of duties, including making recommendations to the commission on various topics (such as cost containment measures).



STOP!

Please go to the online survey, enter the 4-character code for this ballot measure (printed at the top and bottom of this page) and answer the survey questions.