

## CAHU's Healthy Solutions for California

### Executive Summary

March 30, 2009

All Californians deserve a health care system that delivers both world-class care and financial security. They deserve a system that is accessible, affordable and fair. Californians deserve a system that boosts the state's economy, attracts new businesses and strengthens existing enterprises. Californians also deserve a system that is realistic. We can only do so much as a single state; but what we *can* do, we *should* do.

The California Association of Health Underwriters (CAHU) is the state's largest association for health insurance agents, brokers and other professionals. We occupy a unique place in the health care coverage system, working to connect Californians with their best possible coverage from health insurance providers. We see firsthand what's working and what's not. We educate consumers on their health care coverage choices, help them select the most appropriate plans for their specific needs and serve as their advocate if problems arise.

#### **Requirements of Reform**

As the Governor and State lawmakers move forward in efforts to reform California's health care system, CAHU is putting forward its "**Healthy Solutions**" package of reforms and principles that we strongly believe should be used as guidelines for any and all proposed reform packages.

Below are the core principles CAHU has identified in an effort to define the terms for a truly comprehensive health care reform effort.

- We believe any reform package must ensure that all Californians have basic health care coverage.
- We believe reform must bankrupt neither families nor the state.
- We believe reform must provide the state's diverse population with equally diverse health care choices.
- We believe reform must promote ongoing and long-term innovation and experimentation that enable the state's health care system to adapt over time to the evolving needs of its citizens.
- We believe reform must address and constrain skyrocketing medical care costs.
- We believe reform must provide consumers access to meaningful information and expert advice and counseling from licensed professionals.

#### **The CAHU Healthy Solutions Plan:**

Following the principles described above, CAHU has identified a number of specific elements of a comprehensive package of health care reforms, including:

##### **1. Access for All**

- Enroll the one million Californians who, while currently eligible for state programs such as MediCal and Healthy Families, fail to participate in them, reducing the state's uninsured by nearly 15 percent
- Once 85 percent of those eligible to enroll in existing state programs have done so, as the state's finances permit, these programs should be expanded to reach children up to 300 percent of the Federal Poverty Level and single adults up to 100 percent of the Federal Poverty Level
- Subsidies should be provided to Californians below 250 percent of the Federal Poverty Level enabling them to buy basic coverage in the private marketplace. As state finances permit, subsidies should be offered to individuals up to 400 percent of the Federal Poverty Level (FPL) on a sliding scale (e.g., 90 percent of the cost of basic coverage for those below 150 percent of the FPL to 10 percent for those between 351 and 400 percent of the FPL)
- All Californians, regardless of income, should be required to have at least basic health care coverage

- Once 90 percent of Californians have obtained basic health care coverage, carriers should be required to issue policies to all applicants
  - Until the 90 percent threshold is achieved, the state's existing MRMIP program should be expanded to serve as the "insurer of last resort"
  - Carriers should be permitted to adjust rates, within prescribed limits, and apply pre-existing condition exclusions on previously uninsured enrollees
- The requirement to maintain Basic Coverage should be satisfied by enrolling in state plans or by purchasing Health Savings Account-eligible high-deductible plans, catastrophic coverage plans, or core benefit plans

## **2. Financing Healthy Solutions**

CAHU recommends state leaders consider a variety of sources for funding this expansion of health care coverage, including:

- New health plan fees based on a carrier's overall market share in the state
- Modest taxes which spreads the cost to all Californians such as a one-half percent sales tax
- New taxes on products known to increase health care costs such as:
  - tobacco products
  - alcoholic beverages
  - food products that contribute inordinately to obesity through high fat and/or sugar content and fast-food restaurant meals

Additionally, we encourage lawmakers to explore means of assuring self-insured plans participate in financing of health care coverage expansion in a fair and appropriate manner.

## **3. Constraining Medical Costs**

Constraining skyrocketing medical costs is the most critical aspect of health care reform. It is the key driver in rising health insurance premiums and, consequently, in driving the cost of health care coverage beyond the reach of many Californians. Among the initiatives already put forward, CAHU supports:

- Pay for performance programs
- Electronic health records
- Electronic prescription programs
- Evidence-based medicine
- Hospital error reduction programs
- Healthy lifestyles and wellness programs

## **Working Together**

California's health care system works for the vast majority of its citizens, but we know we can do much better. Improvement will require strong leadership, a thorough, thoughtful debate of all proposals and, ultimately, difficult compromises and decisions. CAHU's Healthy Solutions describes a comprehensive approach to address this challenge. We look forward to working with all interested parties in achieving our common goal: a world-class health care system for all Californians.

*For a copy of the CAHU Healthy Solutions Plan, please go to [www.CAHU.org](http://www.CAHU.org) or contact CAHU at:*  
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