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The Governors Health Care Proposals

Most of my articles in the recent past have focused on the economy and the markets. This month I thought I would switch to another topic with which I am very familiar: healthcare. More specifically, I want to focus on what the Governor of California otherwise known as Mr. Schwarzenegger announced the other night as part of his radical healthcare bill.

Governor Arnold Schwarzenegger introduced a sweeping “play or pay” healthcare proposal. Anticipating opposition from many sides, he said “I look forward to a vigorous and open debate. Everything will be on the table.” The proposal includes the following elements for all Californians:

Everyone must have a minimum level of insurance. Individuals will be responsible for securing health coverage for themselves and their children and contributing to paying for their coverage.

Under the proposal, the government would do the following:

- Return \$10 billion to \$15 billion to doctors and hospitals by increasing federal reimbursement for Medi-Cal.
- Provide subsidies for low-income families to buy health coverage through a new purchasing pool.
- Expand Medi-Cal to poor adults and expand healthy families/Medi-Cal to all children in families earning less than \$60,000 annually.

The proposal includes the following elements for employers:

Those with 10 or more employees that do not offer health coverage would contribute 4% of payroll toward the cost of employees’ health coverage. The 4% fee would prevent employers from dropping their healthcare coverage in light of the state’s program. Companies that are exempt are those with fewer than 10 employees – a full 80% of businesses in California.

The proposal includes the following elements for health plans and insurers:

They must guarantee individuals access to coverage in the individual market; spend 85% of every premium dollar on patient care; and make “Healthy Actions” benefits available to promote healthy behaviors. The Governor’s initiative will expand the state’s insurance pool by 4 million to 5 million and give insurers fair compensation for their services

The proposal includes the following elements for doctors and nurses:

They will be relieved of costs associated with caring for the uninsured and would receive significantly increased Medi-Cal rates – eliminating the need for any cost shifts or hidden tax. They would receive \$10 billion to \$15 billion and would contribute a portion back to universal coverage. Physicians would contribute 2% of revenues and hospitals would contribute 4%, ensuring some of the savings stays in the system to support total coverage and increased Medi-Cal rates to providers. They would have a responsibility to provide affordable, quality care, partner with patients to improve wellness and health outcomes; and share in cost savings.

Needless to say this is a radical proposal especially from a Republican Governor. I will say that I agree with the need for all Californians to have access to a good health plan in the individual

marketplace. Probably the biggest issue facing clients that come into my office is the inability of someone with a health condition to find individual coverage. In the individual insurance market, insurance carriers are currently free to pick and choose among those that apply. This sometimes means that if you have a health condition, carriers are free to reject your application if they find a something they do not want to cover. Forcing carriers to play on an even playing field by guaranteeing coverage for individuals could be a good thing as we currently have close to 40 million people without health insurance in this country.

On the other hand, the Governor's proposed 4% payroll tax on employers with 10 or more employees that do not offer coverage will be a hard proposal to swallow. These business owners will not like the idea of a proposed "tax increase" if you want to call it that. Finally, how the Governor will get the Federal Government to increase reimbursements for MediCal is a mystery. I am sure the Feds are just clamoring to help California in this manner. I will say that the pressure is building for reform in the health insurance marketplace. The Governor has sure announced an ambitious initiative in an attempt to tackle this complicated issue.

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