



New America Foundation

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Ensuring Seamless Health  
Coverage for All Californians



# Importance of Health Insurance

- Health insurance is so important that everyone should have it.
- Multiple studies show that the uninsured live sicker and die younger.
- The only way to ensure everyone is covered is to make it accessible, affordable, and required.



## The Path to Universal Coverage: Personal *Plus* Shared Responsibility

- Shared responsibility means that everyone contributes and no one is left out.
- Shared responsibility means markets must work for all of us and subsidies must be real.
- Once good markets and subsidies are in place, individuals must be responsible for their health, including health insurance.



# Support for Personal *plus* Shared Responsibility

## From the Left:

- John Edwards
- Center for American Progress
- Donna Shalala

## From the Right:

- Paul O'Neill
- Tommy Thompson
- Mitt Romney

## From Editorial Boards on Massachusetts:

- Washington Post: "good policy"
- Los Angeles Times: "ambitious," "inventive"
- Atlanta Journal-Constitution: "promising"



# Questions about Personal *plus* Shared Responsibility

The most Frequently Asked Questions are about the role of the individual:

- How can we ensure that people buy insurance?
- What is the penalty if they don't?
- If mandates to buy auto insurance don't work, how can shared responsibility work?

**The role of the individual is what we are addressing today.**



# The Right Question

- In a way, the FAQs miss the point.
- A discussion focusing solely on enforcement and penalties is too narrow to make reform successful.
- A better question is: How would we make having coverage the norm, and not having coverage extremely rare?



# Ensuring Seamless Coverage

- An “individual mandate” is misleading shorthand; we are talking about personal *plus* shared responsibility to ensure seamless coverage.
- Establish information sharing so that once an individual is in the system, that person never falls through the cracks – seamless coverage forever.
- Enforce seamless coverage when it is affordable.
  - Most of the uninsured *want* insurance, and will buy it when it is affordable;
  - Group that will need enforcement is small portion



# Need for Seamless Coverage

- Improve health status
- More efficient health system – prevent cost-shifting (reduce the “hidden tax”)
- Flexibility for families
- Give Californians the system they want
  - A June 2007 PPIC survey found that more than 70% of Californians support the idea of shared responsibility.



# Affordability - How to Achieve Seamless Coverage

- Shared responsibility requires a government commitment to public programs and subsidies for low-income families who cannot afford insurance.
- For those who are not eligible for a subsidy, a determination must be made that insurance is affordable before enforcing seamless coverage.
  - In Massachusetts, seamless coverage will not be enforced for individuals making \$50,000 if their premiums are more than 7.2 percent of their income.
  - In determining affordability, current spending as a percent of income could be used as a guide. Ideally, both premiums and out-of-pocket costs should be considered.



# Broad Steps for Seamless Coverage

- **Aggressive Outreach:** Use auto-enrollment and outreach to help people get, and stay, insured.
- **Regularly Monitoring and Review:** Monitor insurance status to ensure coverage individuals have continuous coverage and pay their fair share, including making individuals premium payments.
- **Fair Penalties:** Make penalties and other enforcement activities politically sustainable.



# Easy Enrollment and Outreach

- **Guarantee issue:** Everyone must be able to purchase insurance.
- **Automated payments:** Payroll deductions and automatic bank transfers must be an option, no matter the type of coverage.
- **Simplify public program enrollment:** From reduced paperwork to better outreach at “one stop shops”.



# Easy Enrollment and Outreach

- **Auto-enrollment**: The uninsured who fail to sign up for a plan should be enrolled in the lowest cost plan available to them.
  - *Low-Income*: This is likely a public plan.
  - *High-Income*: This would be a plan meeting the minimum requirements to fulfill the state benefits requirements. The state should create a pooling mechanism/new market for this population.
- **Controlled disenrollment**: Individuals must show proof of new insurance or moving out of state to disenroll from any plan.



# Review and Monitor Enrollment

- What we can learn from auto insurance requirements:
  - Data sharing between insurers and state.
  - Regular insurance status reviews.
  - Proactive outreach to improve compliance.
  - Meaningful penalties to use as last resort of enforcement.
- Privacy is *also* important. At all times, only the minimum data necessary should be shared



# Tracking System – How It Would Work

- Insurance Exchange/New Market Administrator is clearinghouse for shared information.
- Insurers would regularly report a policyholder's name, address, date of birth, policy number, the policy's effective date and coverage period, any termination of coverage, and any addition/deletion of dependents.



## Tracking System – How It Would Work (cont.)

- The DMV, employers, public schools, health care providers, and the Franchise Tax Board could report information that could be matched with the insurance database.
- If information matching reveals that an individual doesn't have insurance, that person could be automatically enrolled in a default, lowest cost plan.
- If the individual fails to pay their fair share, the insurer should maintain coverage and be paid by the state, which would then take steps to collect funds from the individual.



# Tracking System – Precedent

- Georgia's Auto Insurance Verification System
  - Within 30 days, insurers must report the Vehicle Identification Number, the policy's effective date, and any policy terminations or changes.
  - Other identifying information is optional.
- New Mass. health insurance database
  - Maintained by a new Health Care Access Bureau within the Division of Insurance.
  - Reform law: information "shall be limited to the minimum amount of personal information necessary".
- Wyden-Bennett Proposal (U.S. S-334)
  - Uses tax system for subsidies and enforcement.



# Fair Penalties

- *Likely only a concern for a very small population:*
  - 80 percent of Californians have coverage.
  - Auto insurance reforms shows once insurance is available and affordable, individuals will comply.
- *Sliding scale financial penalties:*
  - Individuals must repay missed premiums.
  - Additional penalties should be based on ability to pay, from (for example) 5 to 30 percent of unsubsidized premium.
  - Penalties should NOT include criminalization.
- *Incentives:* One option is to offer cash incentives for public program enrollment.



# Fair Collections

- *Pursuit of non-payments:*
  - Court enforcement, like many other organizations currently seek to recoup payments.
  - Collections agencies, like existing Access for Infants and Mothers (AIM) and MRMIB policies.
  - Wage garnishment, only if necessary.
  - Some hardship exemptions may be necessary.
  - For high income earners, the tax system may be appropriate



# Conclusion

- Seamless coverage is necessary to improve Californians' health status, and to make our health system and insurance market more efficient and more just.
- Seamless coverage is a promise of constant coverage, based on the shared responsibility of individuals, employers, providers and the government.



# Examples

- Bill and Mary have baby Jane, but do not get Jane insurance. The Dept. of Vital Statistics and the hospital report the birth to the Tracking System. The hospital did not think Jane was eligible for Medi-Cal or Healthy Families, and a later match of birth records with insurance records reveals that Jane left the hospital without insurance. A notification is sent to the parents, along with enrollment options for Jane.
- After 2 months, if Jane is still not enrolled, she is automatically enrolled in the lowest cost plan available, and appropriate bills are sent to the parents. If the parents do not pay, the state pays the insurer and recoups payments plus penalties from the parents.



# Examples

- Joe has insurance, but it does not meet the minimum standards. Joe's insurer reports the policy to the Tracking System. The state determines which policies from which insurers meet minimum standards. A match reveals that Joe's insurance does not meet minimum standards. A notification is sent to Joe and to the insurer.
- After 2 months, if Joe is still not enrolled in an approved plan, he is automatically enrolled in the lowest cost plan available, and bills are sent to him. If he does not pay, the state pays the insurer and seeks to recoup payments plus penalties.



# Examples

- Susan does not like her insurance and cancels it, or loses coverage because she changes jobs. The insurer reports the termination to the Tracking System. If a check reveals that Susan has not obtained new coverage, a notification is sent to her.
- After 2 months, if Susan is still not enrolled, she is automatically enrolled in a lowest cost plan, and bills are sent to her. If she does not pay, the state pays the insurer and recoups payments plus penalties from Susan.



# Examples

- Danny moves to California but does not get insurance. Danny breaks his leg and goes to the emergency room.
- After treatment, the hospital treats Danny as if he had been in the low cost plan, and notifies the Tracking System. If he does not pay premiums later, the state pays the insurer and recoups payments plus penalties.



# Comments & Questions

**The New America Foundation**

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