

A HEALTH CARE PLAN FOR CALIFORNIA
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Our objective is to make health care in California more affordable and more accessible. There is virtual universal access now, but it is carried out in emergency rooms, which take all comers. Such an undesirable method not only heavily burdens emergency rooms but means that many people wind up without care because they do not have an organized way of obtaining it.

Ways can be developed in which the costs of care are kept under better control and the care is produced in new, less expensive ways.

The following proposals would make health care more affordable and target health insurance mandates where they are most needed and cost-effective. For these reasons they go a long way toward achieving universal coverage.

I. Make Insurance More Affordable and Accessible: Promote Greater Choice and Competition among Health Care Providers

1. Introduce greater competition into the insurance industry to reduce costs and produce insurance offerings that allow people to find the one that best meets their needs. One size does not fit all, so give Californians a greater array of insurance choices by
 - Permitting Californians to purchase insurance that has been approved for in other states. At minimum, California should negotiate bilateral or multilateral agreements with other states to permit purchase of insurance in those states.
 - Relaxing health insurance rate bands on premiums to allow proper recognition of risk variations in the population.
 - Eliminating insurance mandates that require plans to cover only specified services and providers.
 - Increasing the minimum group size to qualify for inclusion in small group insurance pools.

- Allowing health plans/insurers to offer mandate-light plans to uninsured persons.
2. Enforce antitrust actions to promote greater hospital competition. Research has demonstrated that hospital competition lowers prices and improves health care outcomes. Hospital costs, which vary considerably across the state, appear related to the degree of competition in local markets.

II. Make Health Care More Accessible: Expand the Number and Scope of Health Clinics

Public and private community health clinics have proven to be effective, low-cost providers of health care. Such clinics provide easy access to health care, especially by low-income persons and immigrants. The following proposals would increase the amount of health care provided by those professionally staffed clinics, which can provide a large fraction of the day-to-day medical care that people want and need at low and posted cost:

- Change existing regulations to make it easier to establish such clinics. For example, physician oversight requirements could be relaxed to allow nurses (RNs) to establish and operate those clinics.
- Allow hospitals to refer qualifying nonemergency patients to health clinics instead of treating them in their emergency rooms.
- Provide funds for additional health clinics.
- Allow Medi-Cal recipients to use “health care credit cards” in both public and private health clinics.

III. Make Health Care and Health Insurance More Accessible and Affordable: Expand Health Care Tax Deductibility

Gaps in insurance coverage often occur when workers change jobs. Under current law, in contrast to workers with employer-sponsored insurance, unemployed workers must use after-tax dollars to purchase insurance coverage. This tax treatment is not only unfair to the unemployed and other persons who do not have access to employer-sponsored insurance but also discourages them from purchasing insurance. Also, under current law, out-of-pocket expenses must be paid with after-tax income, discouraging the adoption of catastrophic insurance and encouraging the purchase of insurance with low copayments. We recommend the following:

- Allow unemployed persons to use pretax dollars to pay for continued health insurance from their previous employers under COBRA.
- Allow a state income-tax deduction for persons who purchase insurance in the individual market.
- Enact health savings accounts to encourage individuals to accumulate funds on a pretax basis to pay for their health expenses.
- Allow out-of-pocket expenses for health plan coinsurance and deductibles to be deducted from taxable income.

IV. Fundamentally Overhaul Medi-Cal to Expand Coverage, Improve Incentives, and Lower Costs

In recent legislation, the federal government has issued an invitation to states to significantly restructure their Medicaid programs. California should be more creative in its use of Medicaid, as permitted by federal legislation, by

- Redirecting disproportionate share funds from hospitals to help finance expanded coverage for low-income individuals.
- Allowing recipients to get Medi-Cal funds in the form of credit for direct purchases of health care. Specifically, recipients would be provided with risk-adjusted “health care credit cards,” the dollar value of which would depend on their income. Those health care credit cards could be used to meet health plan copayments and the costs of health care services in public and private community health clinics. Unused credits during one year would roll over into the next year.
- Providing Medi-Cal recipients with a health plan option that has a significant deductible and coinsurance and allow health care credit cards to be used to meet these required payments.

V. Encourage Californians to Pursue Healthy Lifestyles

Numerous studies confirm the tremendous link between lifestyle and health. We should structure every program to encourage people to exercise, eat sensibly, and get their blood pressure taken periodically and encourage many other behaviors to improve health. The above are the most effective and least costly way of improving the health of our citizens.

VI. Improve Health Information

- Expand the number and scope of report cards on doctors and hospitals. Such information has become more available despite resistance from many doctors and hospitals. The effort needs to be expanded so that patients can have ready access to information on prices and outcomes.
- Promote the use of recognized “best practices.”

We estimate that, were all these provisions enacted, the number of uninsured Californians would be sharply reduced, thereby making health care more affordable and more accessible in our state.