

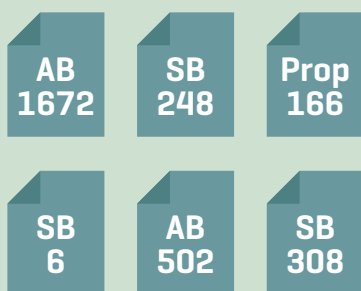


# HEALTH REFORM BEFORE THE ACA: A TIMELINE OF POLICY PROPOSALS FOR CALIFORNIA

Prior to the passage of the federal ACA, California pursued an array of state policy solutions to greatly expand health insurance coverage and access to health care that did not require federal action.

What follows is summation of 25 years of California's policy debates and implementation experiences, links to resources to learn more, and context to inform the state's responses to potential ACA repeal.

## 1992 ● A RANGE OF HEALTH REFORM APPROACHES



California's legislature and others interested in health reform explored a range of options. Proposals on the table included: [1] reforming underwriting rules in the small group market [AB 1672]; [2] imposing an employer mandate [SB 248 and Proposition 166]; [3] studying the provision of universal basic benefits via managed competition [SB 6 and AB 502]; and [4] establishing a comprehensive government health insurance program [SB 308]. With the exception of AB 1672, none of the proposals attracted enough political support or funding to be enacted.

### FURTHER READING

- "Interest Groups and Health Reform: Lessons from California," Oliver and Dowell [1994], <http://bit.ly/2kivG2r>

## 1992-2006 ● EXPERIMENTS WITH VOLUNTARY PURCHASING POOLS FOR SMALL EMPLOYER GROUPS

### PacAdvantage

In 1992, California established the Health Insurance Plan of California (HIPC; renamed PacAdvantage in 1999), a voluntary insurance exchange for small employers. At its zenith, PacAdvantage covered 150,000 lives and included 10,000 businesses, but it ultimately closed in 2006 due to declining health plan participation and declining enrollment.

### LESSONS FOR LAWMAKERS

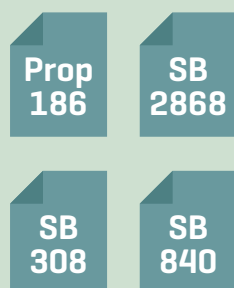
The experience highlights some of the practical challenges to making purchasing pools work. Subsidies or other strong incentives are needed to maintain a stable group of consumers in the pool over time. An even playing field between the pool and the rest of the market also needs to be established so the pool doesn't attract a disproportionately high percentage of consumers who are sick and have high medical costs [adverse selection].

**BEFORE ESTABLISHING A NEW PURCHASING POOL, LAWMAKERS MAY WISH TO CONSIDER CAUTIONARY LESSONS FROM PAST EXPERIENCE.**

### FURTHER READING

- What Health Insurance Pools Can and Can't Do, Curtis and Neuschler [2005], <http://bit.ly/2lgLdEf>
- "Insurance Exchanges: Lessons from the Life and Death of PacAdvantage," Tori [2011], <http://bit.ly/2lmy8pN>

## 1994-2008 ● A PUSH FOR SINGLE PAYER



In parallel to policy debates involving changes to market rules and individual participation, consumer advocates and lawmakers continued to propose universal coverage financed via a single-payer system — eliminating or greatly altering the role of commercial insurers. California legislative single-payer proposals date to the 1940s, as documented in *Ninety Years of Health Insurance Reform in California*, Dimmitt [2007].

Past single-payer proposals included Proposition 186 [1994], defeated by a margin of nearly 3 to 1; SB 2868 [Petris, 1990]; SB 308 [Petris, 1992]; SB 840 [Kuehl, 2006]. The proposals varied in the level of specificity offered with respect to benefits and financing sources. Cost concerns and questions regarding a single state's ability to navigate federal constraints — in statute, regulation, and financing — to effectively implement a single-payer system were primarily responsible for stalling previous proposals.

The Legislative Analyst's Office summarized SB 840's features and analyzed its fiscal implications. One key finding: Proposed new payroll taxes [8% on employers and 4% on employees] would not fully finance the proposed benefits; LAO estimated annual \$40 billion shortfalls.

### LESSONS FOR LAWMAKERS

**LAWMAKERS AND ADVOCATES INTERESTED IN REVISITING A CALIFORNIA SINGLE-PAYER APPROACH POST-ACA MIGHT BENEFIT FROM REVIEWING THE LAO REPORT.**

### FURTHER READING

- Single-Payer Health Care Proposal, LAO [2008], <http://bit.ly/2kE8Ø9U>
- *Ninety Years of Health Insurance Reform in California [PDF]*, Dimmitt [2007], <http://bit.ly/2jz5f64>

## 2002- PRESENT

### COUNTY COVERAGE EXPANSION EFFORTS

In California, counties bear significant responsibility for providing health care to uninsured and indigent residents. Over the years, many counties have experimented with ways to extend coverage and better organize care. If federal and state policies leave an increasing number of Californians uninsured, experience with these county approaches can inform local discussions about how best to fill health care needs.

#### LESSONS FOR LAWMAKERS

Counties have extended coverage or better organized services for uninsured and indigent residents, but reliable federal and/or state funding streams are typically required to sustain these efforts.

#### FURTHER READING

- County Efforts to Expand Health Insurance Among the Uninsured in Six California Counties (PDF), Long (2002), <http://bit.ly/2knTFQg>
- Step by Step: Local Coverage Expansion Initiative: Concluding Summary (PDF) (2008), <http://bit.ly/2lmtqIH>
- "Lessons from the Field: Expanding Health Insurance Coverage One County at a Time," Gardner and Mintz (2008), <http://bit.ly/2lgCXnB>
- "San Francisco's 'Pay Or Play' Employer Mandate Expanded Private Coverage by Local Firms and a Public Care Program," Colla, Dow, and Dube (2015), <http://bit.ly/2jYVEXK>

## 2003- 2004

### AN EMPLOYER "PAY OR PLAY" REQUIREMENT CONSIDERED

SB  
2

Confronting ongoing concerns that small businesses were less likely than larger firms to offer health insurance, and that small business workers were thus more likely to be uninsured, the California legislature passed and Governor Davis signed SB 2 in 2003. The law would have required California employers to pay a fee to the state to provide health insurance unless the employer provided coverage directly. Participation requirements varied with firm size; the smallest firms were exempt. Amid questions about employer cost burden and the potential stability of the state pool that would cover employees of "pay" businesses, SB 2 was overturned via Proposition 72 in 2004 before it could take effect.

#### LESSONS FOR LAWMAKERS

The experience was a reminder that the question of who will pay is always politically salient — and also that, via California's ballot initiative process, the people can weigh in even after lawmakers act. During this period, California grappled with its ability to impose requirements on employer groups. The federal Employee Retirement Income Security Act of 1974 (ERISA) constrains a state's ability to regulate employer-sponsored health benefits.

**IF CALIFORNIA CONSIDERS EMPLOYER MANDATE APPROACHES POST ACA, LAWMAKERS MAY FIND IT HELPFUL TO UNDERSTAND THE INTERPLAY BETWEEN ERISA AND CALIFORNIA POLICY OPTIONS.**

#### FURTHER READING

- ERISA Implications for Employer Pay or Play Coverage Laws, Butler (2005), <http://bit.ly/2lkzOz3>

## 2006- 2008

### BROAD COVERAGE EXPANSION PURSUED

ABX  
1 1

In 2006, one in five nonelderly Californians were uninsured. Massachusetts had recently acted to provide near-universal coverage for its residents. Governor Schwarzenegger and Assembly Speaker Fabian Núñez, in partnership with many other lawmakers, worked through the 2007 regular legislative session and into a subsequent special session to develop a viable approach for greatly expanding health insurance coverage in California.

A CHCF-funded analysis compared three ways to provide health benefits to all or nearly all Californians: [1] a basic individual mandate, [2] a pay-or-play employer requirement, and [3] an all-consumer choice exchange that would have replaced employer-sponsored health plans. The analysis described each of these fundamental design choices and their payment mechanisms.

The proposal that emerged, ABX1 1 (and a related financing proposal that would have required ballot approval), would have imposed a "play or pay" requirement on employers; established a state purchasing pool for certain people to obtain coverage, either with or without subsidies; imposed an individual mandate on all Californians; required that health plans offer guaranteed-issue products in the individual market; and expanded eligibility for Medi-Cal and Healthy Families.

#### LESSONS FOR LAWMAKERS

Although the proposal drew support from many stakeholder groups, fiscal concerns ultimately prevented its passage in the state senate. Still, the relationships and knowledge built during this period served California well when new coverage expansion opportunities arose under the ACA. The summaries listed capture the design features, financing details, and policy compromises that defined 2007, California's so-called "Year of Health Reform."

**THOSE SEEKING TO ADVANCE A STATE-ONLY PROPOSAL IN RESPONSE TO ACA REPEAL STAND TO LEARN FROM THE DELIBERATIONS AND DECISIONS THAT HELPED REFINE ABX1 1 AND ITS RELATED FINANCING PROPOSAL.**

#### FURTHER READING

- Covering California's Uninsured: Three Practical Options, Curtis and Neuschler (2006), <http://bit.ly/2lkzYXb>
- "Designing Health Insurance Market Constructs for Shared Responsibility: Insights from California," Curtis and Neuschler (2009), <http://bit.ly/2lkA15j>
- "Affording Shared Responsibility for Universal Coverage: Insights from California," Curtis and Neuschler (2009), <http://bit.ly/2jZcAT3>
- "The Long and Winding Road: Reflections on California's 'Year of Health Reform,'" Mulkey and Smith (2009), <http://bit.ly/2lgQPy6>