



GOVERNOR UNVEILS GROUNDBREAKING HEALTH CARE REFORM

Today Governor Schwarzenegger unveils an initiative to bring accessible, efficient and affordable health care to every Californian. His plan addresses our broken health care system and the hidden tax that every insured Californian pays to subsidize the uninsured. Individuals, government, doctors and hospitals, insurers and employers all have equal responsibility for health care reform. By promoting health and wellness, covering the uninsured and increasing affordability, California can create a model that the rest of the nation can follow.

At noon the Governor's remarks will be Webcast live at www.gov.ca.gov, followed by a live online Q&A at 1:30.

Twenty percent of Californians don't have health insurance.

- More than one in six Californians is uninsured at any given time—that's 6.5 million people.
- Who are the uninsured? They are employed: Nearly 85 percent work, and two-thirds work full-time. They are young: Thirty percent are young adults. They are working poor: More than three in five earn less than 200 percent of the Federal Poverty Level (FPL, \$33,200 for a family of three in 2006), while more than one in five uninsured are in families making more than 300 percent FPL (\$49,800 for a family of three).

All Californians are hurt by our broken health care system.

- Every insured Californian pays a "hidden tax" in the form of higher premiums to subsidize health care for those who can't, or won't, get health insurance. Individuals pay \$455 annually, families pay \$1,186.
- It is estimated that insured individuals and employers offering coverage pay 17 percent higher premiums to offset the uninsured and the effects of Medi-Cal under-funding.
- The majority of uninsured Californians get health care in emergency rooms, reducing access for all Californians. Providing uncompensated care to millions has strained hospital budgets to the breaking point, and in response, more than 65 emergency rooms have closed within the past decade.

Health care costs are spiraling out of control, with devastating consequences.

- Chronic illnesses, like diabetes, and poor health choices, like smoking, drive up health care costs and the hidden tax. Medical errors also increase costs, at a rate of more than \$4 billion annually and 23,000 lives each year.
- Fewer and fewer workers can get insurance through their jobs. Nationally the number of employers offering job-based coverage is declining, premium rates outpace inflation and job growth, and the annual increase in health insurance costs is 11 percent nationwide.
- The U.S. Senate Rules Committee estimates that nearly half of all personal bankruptcies in the U.S. are related to medical costs. Other estimates put this figure above 50 percent.

The Governor's health care initiative will reduce the hidden tax, lower costs, support better care and make California healthier.

- Governor Schwarzenegger's initiative is based on three building blocks:
 - Prevention and wellness
 - Coverage for all Californians
 - Affordability and cost containment
- These building blocks rest solidly on shared responsibility by individuals, government, doctors and hospitals, insurers and employers. California cannot reduce costs, increase coverage, restore emergency care or achieve the long-term cost savings that greater statewide health can achieve without the equal participation of every player.

Under the Governor's proposal:

- *All Californians:*
 - Everyone must have a minimum level of insurance to ensure that those with insurance no longer pay for the uninsured. Individuals will be responsible for securing health coverage for themselves and their children and contributing to paying for their coverage.
 - Have a responsibility to keep themselves healthy. The Governor's plan outlines a comprehensive prevention policy that encourages and rewards healthy behaviors; supports new efforts to fight diabetes, smoking and obesity; and reduces medical errors.
 - It is estimated that coverage for all will cut the hidden tax in half.
- *Government:*
 - Will return \$10-15 billion doctors and hospitals by increasing federal reimbursement for Medi-Cal.
 - Will provide subsidies for low-income families to buy health coverage through a new purchasing pool.
 - Will expand Medi-Cal to poor adults and expand Healthy Families/Medi-Cal to all children in families earning less than \$60,000.
- *Employers:*
 - Those with 10 or more employees who choose not to offer health coverage will contribute 4 percent of payroll toward the cost of employees' health coverage. Companies with less than 10 employees—a full 80 percent of businesses in California—are exempt.
 - The 4 percent fee will prevent employers of ten or more from dropping their health care coverage in light of the state's program.
- *Health Plans and Insurers:*
 - Must guarantee individuals access to coverage in the individual market, spend 85 percent 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 expand by 4-5 million and give insurers fair compensation for their services.
- *Doctors and Hospitals:*
 - Will be relieved of costs associated with caring for the uninsured and will receive significantly increased Medi-Cal rates—eliminating the need for any cost shifts or hidden tax.

- Will receive \$10-\$15 billion—and in turn, will contribute a portion back to universal coverage. Physicians will contribute 2 percent of revenues and hospitals will contribute 4 percent, ensuring some of the savings stays in the system to support total coverage and increased Medi-Cal rates to providers.
- Have a responsibility to provide affordable, quality care, partner with patients to improve wellness and health outcomes; and share in cost savings.

By engaging individual Californians, businesses, the state and federal government, health care providers and insurers, the Governor's plan will:

- Reduce the hidden tax by containing health-care costs and ensuring the insured no longer pay for the uninsured.
- Lower costs by fairly compensating hospitals, making health coverage available to every Californian and fighting chronic illnesses.
- Support better care by reducing medical errors, restoring emergency care, and developing innovative health information technology applications.
- Promote a healthier California by ensuring that everyone has access to health coverage, promoting affordability and rewarding good health choices.