

January 9, 2007

California Plan for Health Care Would Cover All

By [JENNIFER STEINHAUER](#)

Correction Appended

LOS ANGELES, Jan. 8 — Gov. [Arnold Schwarzenegger](#) on Monday proposed extending health care coverage to all of [California](#)'s 36 million residents as part of a sweeping package of changes to the state's huge, troubled health care system.

A total of 6.5 million people, one-fifth of the state's population, do not have health insurance, far more than in any other state. At least one million of the uninsured are illegal immigrants, state officials say.

Under Mr. Schwarzenegger's plan, which requires the approval of the Legislature, California would become the fifth and by far the largest state to attempt near universal health coverage for its citizens. The other four states are Maine, Massachusetts, Vermont and Hawaii.

The governor outlined his proposal to an audience of health care experts and reporters via satellite from Los Angeles. He made it clear that a variety of mechanisms would be used to provide all Californians with insurance and that the responsibility of providing it would fall on the government, employers, health care providers and the uninsured themselves.

The plan, which Mr. Schwarzenegger estimated would cost \$12 billion, calls for many employers that do not offer health insurance to contribute to a fund that would help pay for coverage of the working uninsured. It would also require doctors to pay 2 percent and hospitals 4 percent of their revenues to help cover higher reimbursements for those who treat patients enrolled in Medi-Cal, the state's Medicaid program.

"Everyone in California must have health insurance," Mr. Schwarzenegger said.

As he made his proposal, the federal government announced that health care spending in 2005 showed the slowest growth in six years. [Page A13.]

Mr. Schwarzenegger's plan includes elements that quickly provoked opposition from many powerful interests, including doctors and the governor's Republican colleagues in the Legislature.

But the speaker of the State Assembly, Fabian Núñez, a Democrat, said in a statement, "I'm glad the governor is on board with coverage for all kids."

Over the last two years, state legislatures have grown increasingly concerned with how to provide health

insurance to citizens as the number of employers offering coverage has fallen and the number of workers entering fields where health insurance is not an option has grown.

Because of its great size, California is likely to set the stage for a national conversation about health care this year.

“This is a very significant proposal,” said Karen Davis, president of the Commonwealth Fund, a nonprofit foundation. “It is not just children he is talking about. It is really dealing with the whole problem of the uninsured, with concrete positions to raise revenues to pay for that coverage, and the philosophy of shared responsibility. I think this shows health care is going to be a major issue in the 2008 presidential election.”

In many ways, Mr. Schwarzenegger’s proposal mirrors the plan in Massachusetts, the most comprehensive of its sort, which is projected to cover about 515,000 of the state’s 550,000 uninsured. The law enacted there transformed a \$1 billion pool that had long paid for health care for uninsured patients into a mechanism to help subsidize insurance for those who could not afford it.

In many states, spending on Medicaid, the federal government’s health program for the poor, has surpassed that for education in recent years. In New York, Gov. [Eliot Spitzer](#) has vowed to insure all the state’s children and enroll all eligible adults in Medicaid. And New Jersey is among a handful of states considering some form of universal coverage.

Under Mr. Schwarzenegger’s proposal, Medi-Cal would be extended to adults who earn as much as 100 percent above the federal poverty line and to children, regardless of their [immigration](#) status, living in homes where the family income is as much as 300 percent above that line, about \$60,000 a year for a family of four. Medi-Cal is currently limited to adults with children, and children with documented residency are covered if their family’s income is up to 250 percent above of the poverty line.

Adult illegal immigrants would continue to be barred from Medicaid benefits but would still be entitled to health services from their counties and the state’s hospital system.

Employers would have new responsibilities as well. Businesses with 10 or more workers that choose not to offer coverage would be required to pay 4 percent of their total Social Security wages to a state fund that would be created to subsidize the purchase of coverage by the working uninsured. The cost of such coverage would be measured on a sliding scale depending on what an employee earned, and employees would be able to pay for it using pretax dollars.

This component seems intended to give employers an incentive to offer health insurance, and to level the playing field between employers that do not offer insurance — and are therefore essentially paying lower wages — and those that do.

“If you look at where the uninsured lie,” said Laura Tobler, a health policy analyst for the National Conference of State Legislatures, “most of them are working, and most work for small businesses.”

On the provider side, the governor's plan contains privileges and responsibilities. Doctors and hospitals, which have long complained about Medi-Cal's low reimbursement rates, would benefit from a \$4 billion increase in annual reimbursement. But the state would tax doctors 2 percent of their total revenues, and hospitals 4 percent, to help pay for the greater reimbursement.

The proposal would prohibit insurance companies from denying coverage to people because of their age or health status. They would also be required to put 85 percent of their premiums directly into health care services.

Aides to the governor said financing for the program would come from roughly \$5 billion in federal money the state believes it will be owed through restructuring of its health care programs, and through a redirection of state money that now goes toward what is basically charity care, among other measures.

The chief executive of Blue Shield of California, Bruce G. Bodaken, described what might happen once the Legislature began to debate the governor's proposal.

"Taking each part separately, there's something for everyone to hate," Mr. Bodaken said. "But taken as a whole, there's a lot to like."

The governor's plan signals a growing trend among state legislatures. "What we are seeing this year," said Enrique Martinez-Vidal, acting director of the State Coverage Initiatives, a program that assists states looking to expand health care programs, "is that instead of just trying to take on reform in an incremental way, there are some states trying to do this in a comprehensive way, by trying to get buy-ins from all the different players."

But it is likely to set Mr. Schwarzenegger, [a Republican](#), on a collision course with many state lawmakers from his party, who are the minority in the Legislature.

"Some of the areas he put out there we are probably not going to support," said State Senator Dick Ackerman, the minority leader. Among his concerns, Mr. Ackerman said, were the coverage of illegal immigrants, which he said his members would not support, and a tax on doctors or providers.

"We don't think taxing folks is something that is popular in California," he said in a telephone interview from Sacramento. "But this isn't going to be an up-or-down vote on one bill. It will be a debate. And we welcome it."

Correction: January 12, 2007

A front-page article on Tuesday about a proposal by Gov. Arnold Schwarzenegger to extend health care coverage to all of California's residents misstated a requirement for insurers. They would have to contribute 85 percent of premiums to health care services, not 85 percent of profits. The article also referred incorrectly to the precedent for universal coverage. California would be the fifth state, not the fourth, to try near universal coverage. (Besides Maine, Massachusetts and Vermont, Hawaii has also

tried.)

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