

**Health Insurance Coverage in California**  
**Prepared by Health Access**  
**for the California Working Families Policy Summit 2009**

***The Importance of Health Insurance***

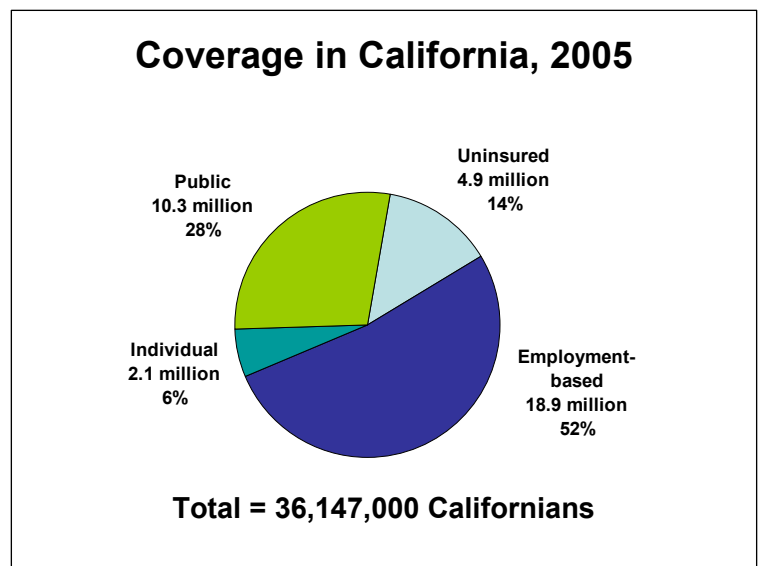
Health insurance is the primary way that Californians access and finance health care. Like auto and other forms of insurance, the purpose of health insurance is to spread the financial risk associated with health care across a broad group.

Health insurance coverage has been shown to improve access to care, provide a dependable source of care, offer a means of financing health care, reduce unmet medical needs, improve health, and reduce mortality rates.<sup>1</sup> Families without insurance face greater barriers in accessing health care services and are more at risk of being unable to pay off their medical debt when they do receive care.

***Coverage in California***

Over 85 percent of California's 36 million have health insurance either through an employer, from a public program, or purchased on the individual market.<sup>2</sup>

***Employment-based Coverage:*** Over half of all Californians have health insurance offered through their own or a family member's employer. In recent years, the cost of employer-sponsored coverage has been increasing greater than workers' earnings and inflation,<sup>3</sup> and as a result, employment-based coverage has been declining for throughout California over the past decade.<sup>4</sup>



***Public Coverage:*** Over one-quarter of Californians has some sort of public insurance financed by the state and federal government. Over 5.6 million low-income adults and children are covered by Medi-Cal (California's Medicaid) or Healthy Families (California's State Children's Health Insurance Program). Although these programs are extremely important during periods of economic decline and rising unemployment,<sup>5</sup> they unfortunately suffer from the perennial threat of budget cuts, and are often plagued by low provider reimbursement rates which have the effect of limiting access to care.<sup>6</sup> The vast majority of elderly Californians (over age 65) are covered through the federally-financed Medicare program. Most have also purchased private plans to supplement their Medicare coverage, however over one million low-income elderly Californians also receive Medi-Cal to help pay for and augment Medicare services.

***Individual Coverage:*** Less than six percent of Californians purchase coverage on their own through the individual private market. The private plans vary with respect to the benefit packages and can be prohibitively expensive for many families.<sup>7</sup> In California, these insurers can decline/defer coverage of pre-existing conditions and set different premium rates based on age, gender, geography, or health status.<sup>8</sup>

*Uninsured:* Californians are more likely to be uninsured than residents of all but seven other states.<sup>9</sup> In fact, one out of every seven Californians is uninsured. Over 80 percent of uninsured adults and children live in families with at least one worker, but most are not offered or are not eligible for employer-sponsored coverage.<sup>10</sup> Uninsured workers are disproportionately concentrated in blue-collar industries,<sup>11</sup> and communities of color, especially Latino communities, have greater rates of uninsurance.<sup>12</sup> The lack of insurance coverage is a chronic problem—over half of currently uninsured Californians have been uninsured for three years or more.<sup>13</sup> When the uninsured do receive care, it is usually in community clinics or emergency rooms and the costs are passed on to other consumers (a “hidden tax”), consumed by providers (uncompensated/charity care), or billed to the patient at higher rates than insured patients.<sup>14</sup>

### ***Underinsurance***

Although most Californians have insurance coverage, some are *underinsured*, meaning that the coverage they have may be inadequate to meet their health care needs.<sup>15</sup> For example, an individual may have coverage that does not cover certain benefits and/or limits other benefits. Underinsurance is a major issue in the individual insurance market and can lead to increased financial strain and medical debt.

### ***Health Coverage Security***

In addition, the recent economic downturn has made many insured families nervous that they will lose their health care. For example, a March 2008 poll found that 58 percent of Californian voters are “very concerned about having to pay more out of pocket for their health insurance coverage” (up from 40 percent in 2006), and 57 percent are “very concerned about either not having or potentially losing their health care coverage” (up from 48 percent in 2006).<sup>16</sup> With growing economic and health insecurity among Californian families, reforms to strengthen, improve, and streamline California’s fragmented health care system are much needed.

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<sup>1</sup> Kaiser Family Foundation, “[The Uninsured: A Primer](#),” (October 2008); and Institute of Medicine, [Hidden Costs, Value Lost: Underinsurance in America](#), (June 2003).

<sup>2</sup> Estimates are taken from the 2005 California Health Interview Survey available at <http://www.chis.ucla.edu/>.

<sup>3</sup> Kaiser Family Foundation/HRET, “[Survey of Employer Health Benefits, 2008](#),” (September 2008); and California HealthCare Foundation, “[California Employer Health Benefits Survey, 2007](#),” (December 2007).

<sup>4</sup> Economic Policy Institute, “[A Decade of Decline: The Erosion of Employer-Provided Health Care in the United States and California, 1995-2006](#),” (April 2008).

<sup>5</sup> Kaiser Commission on Medicaid and the Uninsured, “[Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses](#),” (April 2008).

<sup>6</sup> For example, see Health Access, “[Significant Side Effects: The Economic Impacts of Health Care Cuts in California Communities](#),” (August 2008).

<sup>7</sup> California HealthCare Foundation, “[Health Insurance: Can Californians Afford It?](#),” (June 2007).

<sup>8</sup> California HealthCare Foundation, “[Rules Governing California's Individual Health Insurance Market](#),” (April 2005).

<sup>9</sup> Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2007 and 2008 Current Population Survey, available at <http://statehealthfacts.org/index.jsp>.

<sup>10</sup> UCLA Center for Health Policy Research, “[The State of Health Insurance in California](#),” (July 2007).

<sup>11</sup> Center on Policy Initiatives, “[The Working Uninsured: Part 1](#),” (July 2007) and “[Part 2](#),” (July 2008).

<sup>12</sup> UCLA Center for Health Policy Research, “[The State of Health Insurance in California](#),” (July 2007).

<sup>13</sup> UCLA Center for Health Policy Research, “[The State of Health Insurance in California](#),” (July 2007).

<sup>14</sup> For example, see J. Hadley, *et al.*, “[Covering the Uninsured In 2008: Current Costs, Sources Of Payment, And Incremental Costs](#),” *Health Affairs*, 27: w399-w415 (August 2008).

<sup>15</sup> “[Consumer Reports Health Insurance Survey Reveals 1 in 4 People Insured But Not Adequately Covered](#),” *Consumer Reports* (September 2007).

<sup>16</sup> The Field Poll, release #2267 (April 28, 2008).