



Health in the Heartland:
Responding to the Crisis

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SB2- Health Insurance Act of 2003: Expanding Employment-Based Health Insurance in the San Joaquin Valley

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Introduction

Recent data from the 2001 California Health Interview Survey (CHIS) show that almost 285,000 or one in four full-time San Joaquin Valley workers, ages 18-64, were uninsured for all or part of 2001. The San Joaquin Valley includes the eight counties of Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus and Tulare. These workers and their dependents are among the working poor, who cannot afford to purchase their own health insurance and yet are not eligible for public programs. Lack of health insurance coverage interferes with an individual's ability to access primary and preventive health care and is associated with worse overall health for many San Joaquin Valley employees and their families. The Health Insurance Act of 2003, or Senate Bill 2 (SB 2), addresses the needs of these uninsured workers and their dependents. The bill was passed by the legislature and signed by Governor Davis in 2003. However, a coalition of business groups sponsored a referendum, Proposition 72, which will be on the November 2004 ballot, seeking to repeal the law prior to its implementation.

SB 2 requires large- and medium-sized California employers to either pay a fee to the state to provide health insurance for their employees or to provide coverage directly to their employees. The law requires employer-offered coverage for employees who have worked for the employer for at least three months and who work at least 100 hours per month. The employees will be required to contribute no more than 20% of the cost of the coverage. Firms with 200 or more employees are required to offer health insurance coverage for both workers and their dependents beginning January 1, 2006. Firms with 50 to 199 employees are required to offer coverage for their workers, but not their dependents, beginning January 1, 2007. The law also requires provisions for workers, but not their dependents, in firms with 20-49 employees. This last provision of the law will only be enacted if the state provides subsidies to partially offset employer costs.

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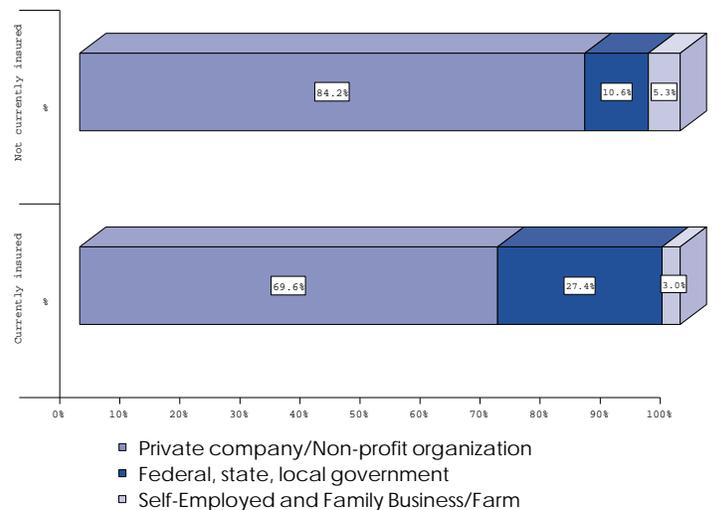


New Coverage for Uninsured Workers and Their Families

SB 2 would extend insurance coverage to many currently uninsured workers and their dependents. It is projected that approximately 142,000 San Joaquin Valley residents who were previously without health insurance would be covered with full implementation of SB 2. This could potentially represent as many as 27% of the uninsured in the region, based on 2001 CHIS data.

In 2001, data showed a total of 1,227,000 non-elderly adult workers (ages 18-64) in the San Joaquin Valley, 1,132,000 full-time workers and 95,000 part-time workers. Almost three-quarters (72%) of these full-time employees work in private companies and non-profit organizations.

Insurance Status of Full-Time San Joaquin Valley Employees* by Type of Employer, 2001

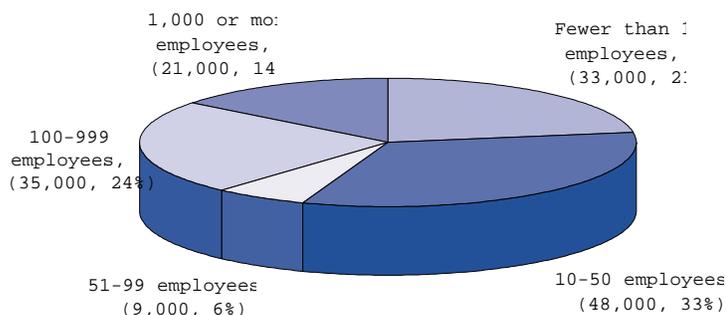


*Full-time employees (>21 hours/week)

Source: 2001 CHIS (UCLA Center for Health Policy Research, 2004).

Of the estimated 738,000 full-time San Joaquin Valley workers employed by private companies and non-profit organizations, 593,000 (80.5%) had health insurance. Of those who were uninsured at the time of the 2001 CHIS, 90,000 (12.2%) stated that they were uninsured because their employer did not offer health benefits. An additional 35,000 (4.7%) were not eligible for benefits offered. Only 19,000 (2.6%) did not accept offered health insurance benefits.

Uninsured San Joaquin Valley Employees* by Company Size, 2001



*Full-time (>21 hours/week) uninsured employees, ages 18-64, working in private businesses/non-profit organizations
Source: 2001 CHIS (UCLA Center for Health Policy Research, 2004).

In 2001, an estimated 442,000 San Joaquin Valley employees worked in private companies with 50 or more employees, the target firm size for SB 2 programs. As shown below, an estimated 58,000 of these employees lacked insurance for a variety of reasons.

The UCLA Center for Health Policy Research estimates that SB 2, when implemented for firms with 50 or more workers, will extend health insurance coverage to 860,000 workers and their dependents throughout California. This represents about 19% of those uninsured at the time of the 2001 CHIS interview. If SB 2 is fully imple-

mented and includes all firms with 20 or more employees, insurance coverage will be extended to a total of 1.07 million Californians, or 24% of the 4.52 million who were uninsured at the time of the interview. Although not included in the above estimates, some of the additional 1.75 million Californians who were uninsured at some time in 2001 (but had insurance at the time of the interview) might also have qualified for continuous coverage under SB 2.

Statewide, 71.4% of full and part-time workers, ages 18-64, have employer-offered health coverage, but only 67.1% of workers in the San Joaquin Valley have such coverage. Because San Joaquin Valley workers are less likely to receive employer-offered health benefits than workers in other parts of California, the effect of SB 2 could be greater in the Valley.

Projections of the number of San Joaquin Valley workers who could receive health insurance coverage with full implementation of SB 2 beginning in 2006/2007 are depicted in the table on the next page. CHIS (2001) data indicate that approximately 27% of those who were uninsured in the region could have been covered with full implementation of SB 2. These estimates were then adjusted for expected population and employment growth in the region by 2006. Population growth in the Valley for the SB 2 target group, adults, ages 18-64, is projected to be 15% for the period 2001 to 2006 according to the California Department of Finance. The Employment Development Department projections indicate a modest employment growth of 9.4% in the San Joaquin Valley counties for the same period.

The first phase of SB 2 extends eligibility for family coverage to workers in firms with 200 or more employees. It is estimated that the program would insure 40,500 employees previously without coverage and 49,000 of their dependents in the San Joaquin Valley. The second phase extends eligibility for coverage to workers, not their dependents, in firms with 50-199 employees and would extend coverage to an additional 24,000 uninsured workers in the San Joaquin Valley. If SB 2 is fully implemented to include firms with 20-49 employees, the law will extend coverage to an additional 28,500 employees, resulting in health insurance coverage to a cumulative total of 142,000 San Joaquin Valley residents.

Reasons for Lack of Insurance Among Employees in the San Joaquin Valley, 2001

	All Employees*	%	SB 2 Eligible Employees**	%
Currently Insured	593,000	80.5%	384,000	86.9%
Uninsured/Eligible, did not accept insurance	19,000	2.6%	13,000	2.9%
Uninsured/Not Eligible	35,000	4.7%	18,000	4.1%
Uninsured/Employer did not offer insurance	90,000	12.2%	27,000	6.1%
Total	738,000	100.0%	442,000	100.0%

* All employees working 21-40 hours per week, ages 18-64, employed by private businesses/ non-profit organizations of all sizes
** Number of employees working 21-40 hours per week, ages 18-64, employed by private business/non-profit organizations of 50 or more employees
Source: 2001 CHIS (UCLA Center for Health Policy Research, 2004).

**Projections of San Joaquin Valley Workers and Dependents Who Would Gain
Access to Health Insurance Coverage through SB 2 (2006/2007)**

Firm Size	# of Employees	# of Dependents	Total
200+ Employees	40,500	49,000	89,500
50-199 Employees	24,000	n/a	24,000
20-49 Employees	28,500	n/a	28,500
Total Covered at Full Implementation	93,000	49,000	142,000

Projections are based on the following sources: California Department of Finance, 2000; California Employment Development Department, 2003; Brown et al, 2003.

Preventing Erosion of Employment-Based Coverage

Implementation of SB 2 may assist in reversing the declines in coverage rates and increases in costs for those workers and their families who do have health insurance. Any economic advantage for employers in not offering health benefits would be eliminated and the potential private insurance pool would be increased. Further, providers and the range of public and private payers will face a reduced challenge in financing uncompensated care, if more employees have health insurance coverage. These conditions could slow the growth in costs and could prevent erosion of employment-based coverage for workers and their dependents.

The Center for Economic and Policy Research (CEPR) reported findings from national data indicating that access to employer-provided health insurance decreased from 64.0 % in 1999 to 61.6 % in 2002. During the same time period, the share of workers with employer-provided health insurance covering another family member fell from 56.0 % to 51.6 %. This trend is continuing as shown by the recent Center for Studying Health System Change study that shows the percentage of people under 65 who get health insurance through employers dropped from 67% in 2001 to 63% in 2003.

The share of costs that employees are required to contribute to their employer-provided health plan has risen significantly. The CEPR reports that in 1989, 47% of insured workers contributed to their own coverage and 66% contributed to their dependents' coverage. By 2003, these proportions had increased to 82% for self and 92% for dependents. In 2002, a third of the companies offering health insurance increased employee co-payments, coinsurance or share of premiums. In California, as elsewhere, enrollment in Medicaid (Medi-Cal) and S-CHIP (Healthy Families) programs have increased in part because of erosion of employment-based insurance coverage. Yet nationally and in the San Joaquin Valley, many remain uninsured even in households with two full-time workers.

Impact of SB 2 on San Joaquin Valley Workers

Based on this analysis of 2001 CHIS respondents and population growth projections in the San Joaquin Valley counties, SB 2 would extend insurance coverage to more than 140,000 persons in the region. It would be a major benefit to public health, since more than one quarter (26%) of the workers who could gain coverage indicated that they had delayed or did not get medical care in 2001. Only 14% of insured workers indicated such delays. Such delays are associated with lack of continuity in routine

primary care, preventative care, routine screenings, and prescription medications.

The implementation of SB 2 will directly benefit a cross-section of the uninsured population. Based on 2001 data, San Joaquin Valley workers who would qualify for benefits from SB 2 are 70% male and 30% female. Over 70% are minorities, including 64% Latinos. They are young, with approximately 50% between 18-29 years of age. SB 2 would also directly benefit the working poor. Of those that would be eligible for benefits, 38% have family incomes below the poverty level and 34% have family incomes between 100% and 200% of the poverty level. Seventy three percent of the proposed target population resides in an urban area. Approximately 48% are married and 45% have children. About half of these workers are employed in the retail, agriculture, and transportation industries.

Conclusions

Full implementation of SB 2 could extend employment-based health insurance to over 140,000 uninsured adults and children in the San Joaquin Valley by 2007. However, it does not place new financial burdens on small companies, as firms with fewer than 20 employees are excluded from the provisions of the law and firms with 20-49 employees would be required to provide coverage only for the employee and only when a state subsidy is provided. SB 2 will also benefit those employers already providing health benefits to their employees by imposing the same requirements on similar-sized employers not currently providing the same benefits. This will help to contain the rapidly rising number of uninsured workers and their dependents.

SB 2 makes good economic sense for the San Joaquin Valley. The lack of health insurance coverage for 479,000 San Joaquin Valley residents has many negative effects. Large numbers of people without insurance places additional pressure on both private and government-sponsored health care financing programs. County and local governments generally end up paying the costs of indigent care. Employers face the cost of lost productivity while taxpayers are forced to pay for county and state-sponsored health programs for uncompensated care. Government officials often need to divert funds from other priorities to do this. Finally, large numbers of uninsured persons drive health care inflation, as providers must increase their costs to accommodate the loss of revenue caused by individuals who lack insurance.

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