

Improving Access to Health Coverage:

San Diego County and Federal Healthcare Reform

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In 2010, more than one in six San Diego County residents lived without health insurance. Besides the impact on quality of life, the lack of health coverage also threatens the financial sustainability of the local healthcare system.

The county's system of non-profit community clinics and hospitals relies heavily on public funding for programs such as Medi-Cal and Healthy Families. That funding has decreased in recent years as healthcare costs have increased.

As the federal Affordable Care Act (ACA) revitalizes delivery of public funding and gives nearly 5 million more Californians access to health coverage, San Diego County must be proactive for the good of community residents and healthcare providers. An estimated 203,000 county residents will be newly eligible for Medi-Cal, and others will be eligible for additional publicly funded programs. The County needs a program of outreach and education to eligible residents to ensure maximum enrollment in the expanded public programs and subsidized programs available under the ACA.



Improving Access to Health Coverage: San Diego County and Federal Healthcare Reform

Findings

1. The structure of the regional economy leads to high rates of uninsurance in San Diego County.
2. San Diego County spends relatively little on the uninsured, compared to other major California counties, and that amount has been diminishing as state funding has decreased.
3. Community clinics and private hospitals are at financial risk as operating funds are disappearing and uninsured rates are rising.
4. The Affordable Care Act provides an opportunity to provide healthcare for many more San Diego County residents – including more than 200,000 newly eligible for Medi-Cal – and to bring badly needed federal funding to the region.

Uninsurance in San Diego County

San Diego County was home to 3 million residents in 2010¹. The 2010 American Community Survey by the US Census Bureau estimated that 14.8% of the county's residents had incomes under the federal poverty level. The poorer a resident, the more likely they are to be uninsured. In 2010, 30% of San Diego County residents in poverty were uninsured. San Diegans making less than \$50,000 per year were much more likely to be uninsured (26%) than those making over \$100,000 per year (7.8%).

Among African Americans and Hispanics in San Diego County, the poverty rate was almost 21%. One in 3 (30%) Latinos were uninsured in 2010. African Americans (15.9%) were more likely to be uninsured than Asians (11.2%) or whites (10.9%).

The Healthcare System and the Role of Counties

California's counties are the core of the public healthcare safety net and are responsible for enrollment, coordination of service provision and payment for care for low-income and disabled residents in public healthcare programs.^{2 3} The healthcare safety net is a complex web of major and smaller programs with multiple and overlapping federal, state and county funding streams to meet various healthcare needs whether episodic or chronic.

Health insurance is accessed either through private means (employment-based or individually purchased) or through public programs such as Medi-Cal and Medicare.

Half of California residents receive coverage through their employers, with 32% in large group plans (50+ employees), 9% in small group plans (2-50 employees), and 9% self-insured.⁴ Employment-based coverage fell during the recession, while uninsured and public coverage rates increased among nonelderly Californians.⁵

¹ US Census Bureau. American Community Survey.

² Kelch, Deborah Raidy. *Caring for Medically Indigent Adults in California: A History*. 2005
<http://www.chcf.org/~media/Files/PDF/C/PDF%20CaringForMedicallyIndigentAdults.pdf>

³ California Welfare and Institutions Code §17000 "Every county and every city and county shall relieve and support all incompetent poor, indigent persons, and the incapacitated by age, disease or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives or friends, by their own means or by state hospitals or other state or private institutions."

⁴ California HealthCare Foundation, "California's Individual and Small Group Markets on the Eve of Reform," August 2011.

⁵ Ibid.

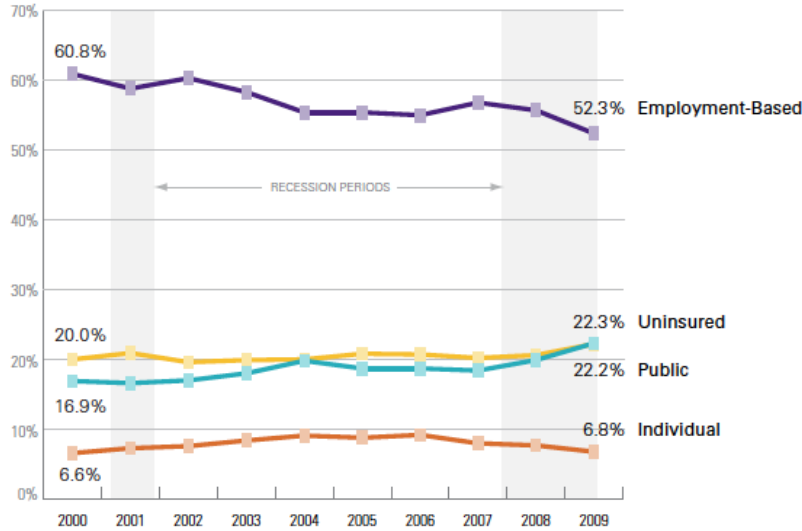


Figure 1. Sources of Coverage for the Nonelderly, California 2000-2009.

Source: California HealthCare Foundation, "California's Individual and Small Group Markets on the Eve of Reform," August 2011.

San Diego County Economic Structure Impacts Access to Health Insurance

The San Diego County economy is structured in a way that increases the rate of uninsurance, because of the dominant types of employment sectors and their low access to health insurance and low wages.

Unemployment skyrocketed from 2006 to 2010. As workers lost their jobs, they also lost access to health insurance, if it had been offered. Unemployment in San Diego County has grown from 6% in 2008 to 10.5% in 2010.⁶ This has significantly impacted access to employer-sponsored health insurance and ability to purchase insurance.

Still, San Diego County had one of the lowest unemployment rates of the largest 12 counties in California in 2010, but had more people uninsured than six other counties. This indicates that while unemployment is a cyclical problem, lack of health insurance in San Diego County is also a structural problem caused by the industries that define the economy. As employment rates improve, insurance rates will continue to lag behind the most populated counties.

	Unemployment %	Number of Uninsured	Uninsured %
Los Angeles	12.6%	2,291,120	23.5%
San Bernardino	14.2%	433,728	21.6%
Riverside	14.7%	459,365	21.1%
Fresno	16.8%	185,812	20.1%
Orange	9.6%	538,668	18.0%
San Diego	10.5%	527,303	17.6%
Ventura	10.8%	132,916	16.3%
Sacramento	12.8%	195,025	13.9%
Alameda	11.3%	199,030	13.3%
Contra Costa	11.2%	132,069	12.6%
San Francisco	9.5%	96,727	12.1%
Santa Clara	11.1%	214,250	12.0%

Source: US Census Bureau. "American Community Survey". 2010.

⁶ California Economic Development Department. "San Diego County Annual Employment Rates, Not Seasonally Adjusted".

- **Low Access to Health Insurance in Top Local Industries**

While the civilian San Diego labor force grew by almost 4% since 2006, the number of jobs in all but one sector (Education & Health Services) dropped. It is important to note that not all employment offers the same access to health insurance, with higher wage jobs more likely to offer health coverage than lower wage ones.⁷ Nationally, 73% of workers have access to health insurance through their jobs – at various levels of cost to the individual – and 60% participate in those programs. In San Diego County, two of the top three largest employment sectors (Trade, Transportation & Utilities and Leisure & Hospitality) have health insurance access rates below 50%, meaning that the majority of workers in those industries do not access health insurance through their employer but must find it elsewhere, or be uninsured.⁸

Table 2: San Diego County Labor Force by Number Employed by Sector and Access to Private Employer Sponsored Health Insurance (ESI)

	2006	2007	2008	2009	2010	% Change ('06-'10)	ESI Access/ Participation
Civilian Labor Force	1,499,900	1,518,300	1,547,300	1,554,100	1,558,200	3.9%	73%/60%
Civilian Employment	1,440,400	1,449,500	1,455,100	1,404,500	1,393,900	-3.2%	
Civilian Unemployment	59,400	68,900	92,300	149,600	164,300	176.6%	
Civilian Unemployment Rate	4.0%	4.5%	6.0%	9.6%	10.5%		
Construction	92,700	87,000	76,100	61,100	55,500	-40.1%	32%/28%
Manufacturing	103,900	102,500	102,800	95,300	92,400	-11.1%	62%/52%
Trade, Transportation & Utilities	222,000	222,300	215,900	199,600	196,700	-11.4%	45%/33%
Information & Telecommunication	31,700	31,300	31,400	28,200	25,200	-20.5%	88%/71%
Financial Activities	83,700	80,300	75,200	69,800	67,100	-19.8%	87%/73%
Professional & Business Services	219,200	223,200	222,300	206,800	208,000	-5.1%	67%/56%
Educational & Health Services	121,800	121,700	122,500	125,100	129,500	6.3%	74%/57%
Leisure & Hospitality	156,500	161,800	164,000	154,800	154,600	-1.2%	34%/22%

Source: State of California Employment Development Department, Labor Market Information Division "San Diego Carlsbad San Marcos MSA (San Diego County) Industry Employment and Labor Force – by Annual Average (1990-2010); March 2010 Benchmark (Not Seasonally Adjusted)." Bureau of Labor Statistics. National Compensation Survey. "Healthcare benefits: Access, participation and take-up rates, private industry workers. March 2011. <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table05a.pdf>

- **San Diego County Employees Work in Lower Wage Industries**

Over half (51.5%) of the private sector workers in San Diego County are in industries with average annual wages below \$50,000. In 2010, nearly 155,000 worked in the Leisure & Hospitality Industry with an average annual wage of \$21,424.⁹

Data show that workers are less likely to be uninsured the lower their wages.

⁷ Bureau of Labor Statistics. National Compensation Survey. "Healthcare benefits: Access, participation and take-up rates, civilian workers. March 2011. <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table05a.pdf>

⁸ Bureau of Labor Statistics. National Compensation Survey. "Healthcare benefits: Access, participation and take-up rates, private industry workers. March 2011. <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table05a.pdf>

⁹ California Economic Development Department. "Quarterly census of Employment and Wages, Major Industry Level, San Diego County, 2010."

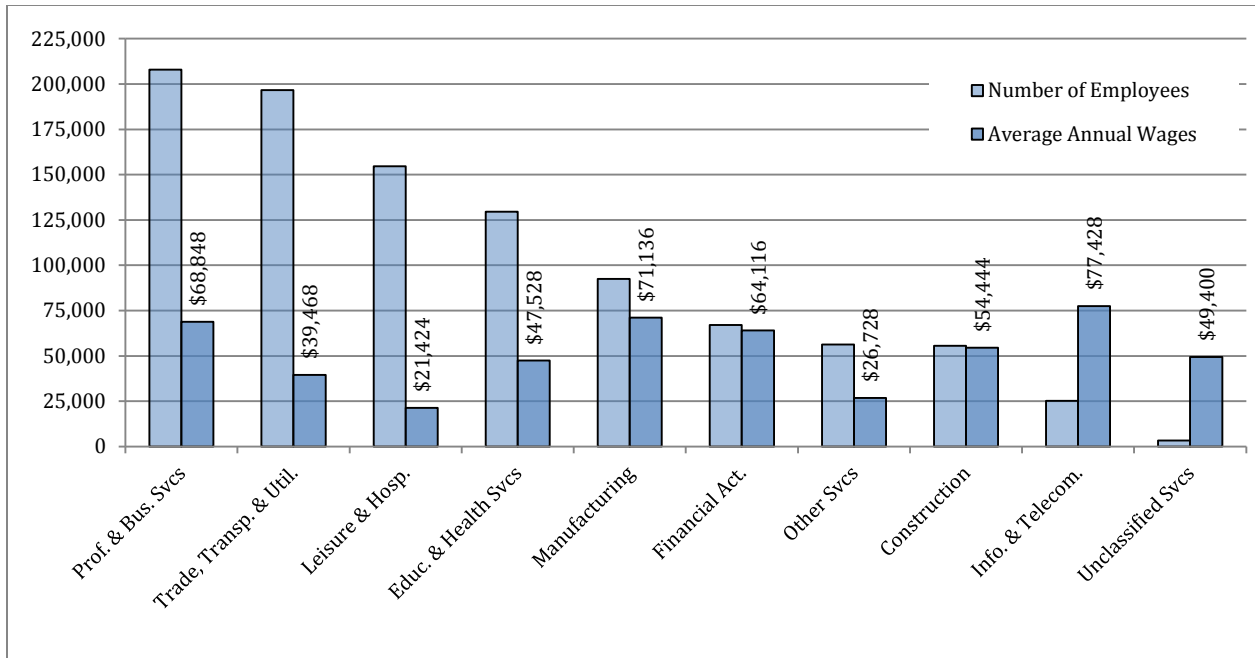


Figure 2. San Diego County Industries by Number of Employees and Average Annual Wages.

Source: State of California Employment Development Department, Labor Market Information Division "San Diego Carlsbad San Marcos MSA (San Diego County) Industry Employment and Labor Force – by Annual Average; March 2010 Benchmark (Not Seasonally Adjusted)." and State of California Employment Development Department, Labor Market Information Division "Quarterly Census of Employment and Wages – Major Industry Level, San Diego County Annual Averages, 2010".

Indeed, in San Diego County, more than half (52.5%) of residents had incomes below \$50,000 in 2010 (26.2% below \$25,000). More than one in three (42.9%) residents making below \$50,000 were uninsured. The chart below shows the correlation between income and uninsurance. To improve access to coverage, San Diego County needs to increase wages at the lower end of the economic spectrum through increasing job growth in higher wage industries and improving job quality at in lower wage industries.

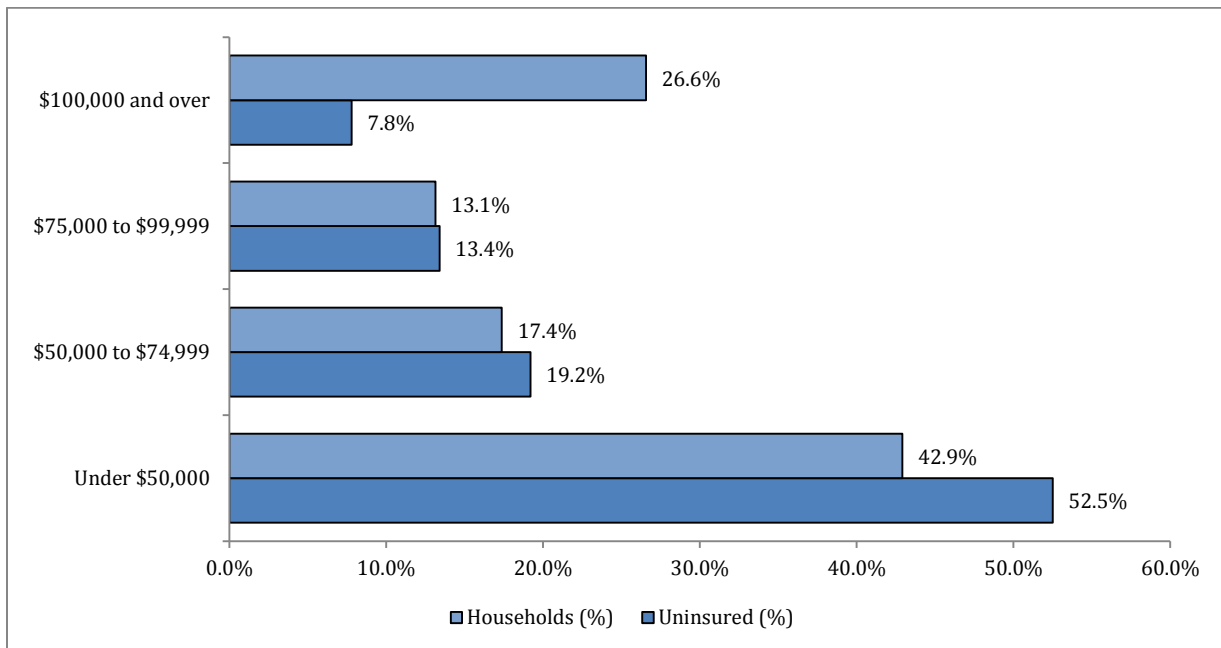


Figure 3. Percentage of San Diego County Residents by Annual Household Income and Uninsurance

Source: US Census Bureau, American Community Survey, 2010 data.

Cost of Health Insurance Premiums and Impact on Employees

As the cost of healthcare continues to skyrocket, employers are passing the cost on to workers. Since 2002, healthcare premiums have increased over 134%, more than five times California's rate of inflation.¹⁰ In response to rising costs, 28% of California businesses either reduced benefits or increased how much the employee pays for healthcare insurance in 2010.

By shifting the increasing cost of health insurance from employers to workers, access to healthcare through employment decreases and the population of those eligible for government healthcare programs increases. Studies have shown that workers picked up most, if not all of the increase in healthcare costs. In 2010, workers with a family plan saw an average increase of 14% in insurance premiums, while the average employer saw no increase in premiums.¹¹ If an employee cannot afford to pay the increase, they lose their healthcare coverage. Today, more than 75% of the uninsured are a part of a working family with at least one adult working full or part time.¹²

The Impact of Uninsurance on Healthcare in San Diego County

As health insurance costs increase, more residents are at risk of being uninsured. Funding for the healthcare safety net in San Diego County – community clinics and hospitals – is becoming more reliant on fewer, weaker revenue streams due to the on-going budget crises at the state, county and local levels.

Whenever a provider receives less than what the services cost, this is called uncompensated care. Uncompensated care occurs in three main ways: when someone uninsured uses medical care and cannot pay the full cost, when someone insured cannot pay their portion of the cost of care, and the difference between the Medi-Cal reimbursement rate and the actual cost of care.¹³ At the same time that funding is diminishing, the amount of uncompensated care and the numbers of the uninsured are growing, imperiling the financial sustainability of the safety net.

The cost of caring for the uninsured increases the cost of health insurance coverage for policyholders, accounting for 8% of the average annual premium. In 2009, the average Californian paid an additional \$500/year and the average family paid an additional \$1400/year.¹⁴

Community clinics and hospitals play a large role in providing care to the uninsured and insured alike. However, the cost of services has been increasing and revenues have been decreasing. Without addressing funding cuts, both community clinics and hospitals may face financial solvency problems.

San Diego County's Low Spending on the Insured Impacts Clinics and Hospitals

Community clinics and hospitals receive revenue from both government and private sources. Fees paid by private insurers generally provide the largest source of funds. Federal reimbursement funds for providing care for those with safety net insurance such as Medi-Cal or Medicare provides another significant revenue source. The remainder of the revenue is allocated from state and county funds.

¹⁰ California HealthCare Foundation. "California Employer Health Benefits Survey." *California Healthcare Almanac*. 2010. <http://www.chcf.org/publications/2010/12/california-employer-health-benefits-survey>

¹¹ Kaiser Family Foundation. *The Uninsured: A Primer: Key Facts About Americans Without Health Insurance*. 2010. <http://www.kff.org/uninsured/upload/7451-06.pdf>

¹² *Ibid.*

¹³ When Medi-Cal patients access medical care, the state pays the provider a flat fee based on the service given, known as fee-for-service. However, reimbursement rates are not equal to the full cost of care.

¹⁴ Furnas, B. & Harbage, P. "The Cost Shift from the Uninsured." Center for American Progress. 2009. http://www.americanprogressaction.org/issues/2009/03/cost_shift.html

Funding is at risk due to budget crises at all levels. County funding streams for San Diego¹⁵ are composed of realignment funds (funds collected at the state level which are sent back to counties to provide services), Proposition 99 revenues (taxes on tobacco products), tobacco litigation settlement funds and funds raised locally by the County. Realignment funds, which are financed by a percentage of the state sales tax and vehicle license fees, dropped 10.1% between 2006 and 2009.

High unemployment and the foreclosure crisis have decimated federal and state revenue streams – income taxes, property taxes and sales taxes. California has cut \$2.7 billion from Medi-Cal in 2008-12.¹⁶ Yet, Medi-Cal enrollment has increased 12.5% in 2007-10.¹⁷

San Diego County spent less per uninsured resident than most of the other large counties in California. Spending decreased by 13.8% between 2006 and 2009, from \$240.65 to \$207.47. Other counties experienced larger drops, but San Diego started out with lower spending per uninsured resident than the spending average of the 12 largest counties.

Table 3: County Funding per Uninsured Resident, Sorted by 2009

	2006	2007	2008	2009	% Change ('06-'09)
Riverside	\$188.64	\$179.71	\$178.36	\$134.30	-28.80%
San Bernardino	\$197.74	\$218.58	\$218.98	\$163.53	-17.30%
Orange	\$233.31	\$258.88	\$258.61	\$207.09	-11.20%
San Diego	\$240.65	\$267.45	\$265.30	\$207.47	-13.80%
Ventura	\$253.14	\$273.36	\$274.81	\$212.27	-16.15%
Santa Clara	458.58	371.96	367.58	\$262.07	-42.85%
Fresno	\$262.05	\$368.80	\$363.93	\$273.48	4.36%
Contra Costa	\$391.33	\$433.27	\$430.16	\$277.38	-29.12%
Los Angeles	\$371.96	\$383.88	\$382.48	\$281.85	-24.20%
Sacramento	\$398.17	\$449.63	\$447.48	\$312.48	-21.52%
California State	\$411.54	\$428.00	\$430.13	\$331.23	-19.50%
Alameda	430.73	\$720.98	\$713.10	\$470.07	9.13%
San Francisco	1374.29	\$1,564.37	\$1,537.31	\$1,107.78	-19.39%
<i>Average</i>	<i>\$454.69</i>	<i>\$473.87</i>	<i>\$472.34</i>	<i>\$394.63</i>	<i>-20.06%</i>

Sources: State of California Controller's Office – Division of Accounting and Reporting, "FY2005-06 Program Allocation (New Base for FY2006-07);" "FY2006-07 Program Allocation (New Base for FY2007-08);" "FY2007-08 Program Allocation (New Base for FY2008-09);" & "FY2008-09 Program Allocation (New Base for FY2009-10)." State of California Employment Development Department, Labor Market Information Division "Industry Employment and Labor Force – by Annual Average (1990-2009); March 2009 Benchmark (Not Seasonally Adjusted)." UCLA Center for Health Policy Research, "2009 California Health Interview Survey" & "2007 California Health Interview Survey."

Figure 4 further illustrates how San Diego County spending on the uninsured differs from the other 12 largest counties in California. San Diego County receives similar healthcare funding amounts as other counties but spends a smaller percentage of that funding. In fact, spending on the uninsured in San Diego County is in the bottom 1/3 of all counties studied.

Only Fresno and Ventura counties spend a lower percentage of their healthcare funding on the uninsured. San Diego County spends 28% (\$62.7 million) of its available healthcare funds on County Medical Services, which provides healthcare for adults who are poor, uninsured and not covered by other public programs. Most other major California counties use 45-70% of their funds for that purpose.

¹⁵ As a payor county that pays for care delivered in private hospitals/clinics, San Diego County does not receive disproportionate share hospital (DSH) funding or safety net care pool (SNCP) funds.

¹⁶ California Budget Project, "Recent Cuts to the Medi-Cal Program Have Impaired Access to Services". June 10, 2011.

¹⁷ Ibid.

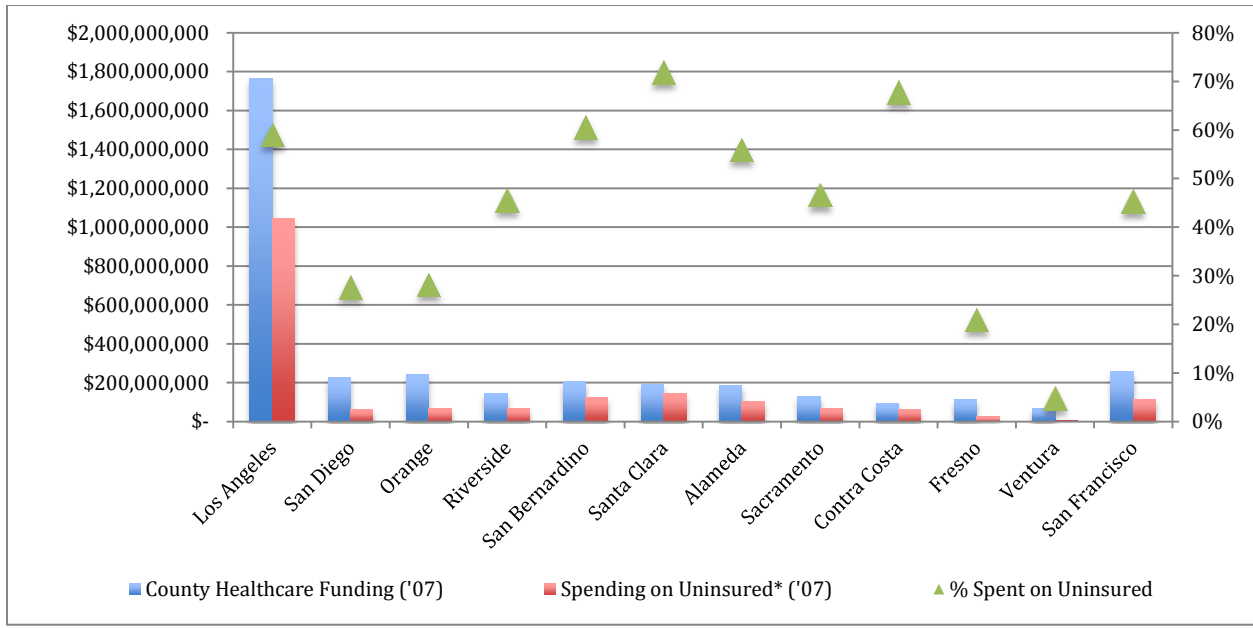


Figure 4. County Funding, Indigent Expenditures and Percent of Funding Spent on Uninsured. 2007¹⁸

*Uninsured = County Medical Services program for poor and medically needy residents
 Source: State of California Department of Public Health – Medically Indigent Care Reporting System (MICRS), County Healthcare Program Expenditures for the Medically Indigent Fiscal Year 2006-2007.

Community Clinics Serving More Patients with Less Funding

San Diego County has a robust network of over 100 non-profit community clinics with over 1.8 million visits in 2009. These clinics provide care to a range of patients, particularly to the uninsured (34.2%), Medi-Cal beneficiaries (29.7%), and patients with other coverage (26.1%).¹⁹

Visits to community clinics have increased substantially, both by insured and uninsured patients. In 2009, the clinics provide care for 768,756 patient visits with no form of coverage, more than 100,000 additional visits compared to 2006.

	2006	2007	2008	2009	% Change ('06-'09)
Insured	820,201	867,246	924,290	1,040,639	21.2%
Uninsured	661,740	684,386	709,893	768,756	13.9%
Total	1,481,941	1,551,632	1,634,183	1,809,395	18.1%

Sources: Office of Statewide Health Planning and Development, "2006 State Utilization Data File of Primary Care Clinics;" "2007 State Utilization Data File of Primary Care Clinics;" "2008 State Utilization Data File of Primary Care Clinics;" & "2009 State Utilization Data File of Primary Care Clinics."

Total operating revenues for clinics increased by a third between 2006 and 2009 largely because of a \$67 million increase in patient fees. Patient fees constituted 69.6% of community clinic operating revenue in 2006 and 76.8% in 2009.

¹⁸ California no longer tracks this data as of 2007.

¹⁹ Office of Statewide Health Planning and Development, "2009 State Utilization Data File of Primary Care Clinics."

While they did not constitute a large fraction of the total funds, state and county/local funding to community clinics dropped a staggering 74.4% and 82.3% respectively, a decrease from approximately \$19 million in 2006 to just over \$4 million in 2009, despite high utilization rates by the uninsured. Figure 5 demonstrates the increasing reliance on patient fees as other funding sources disappear.

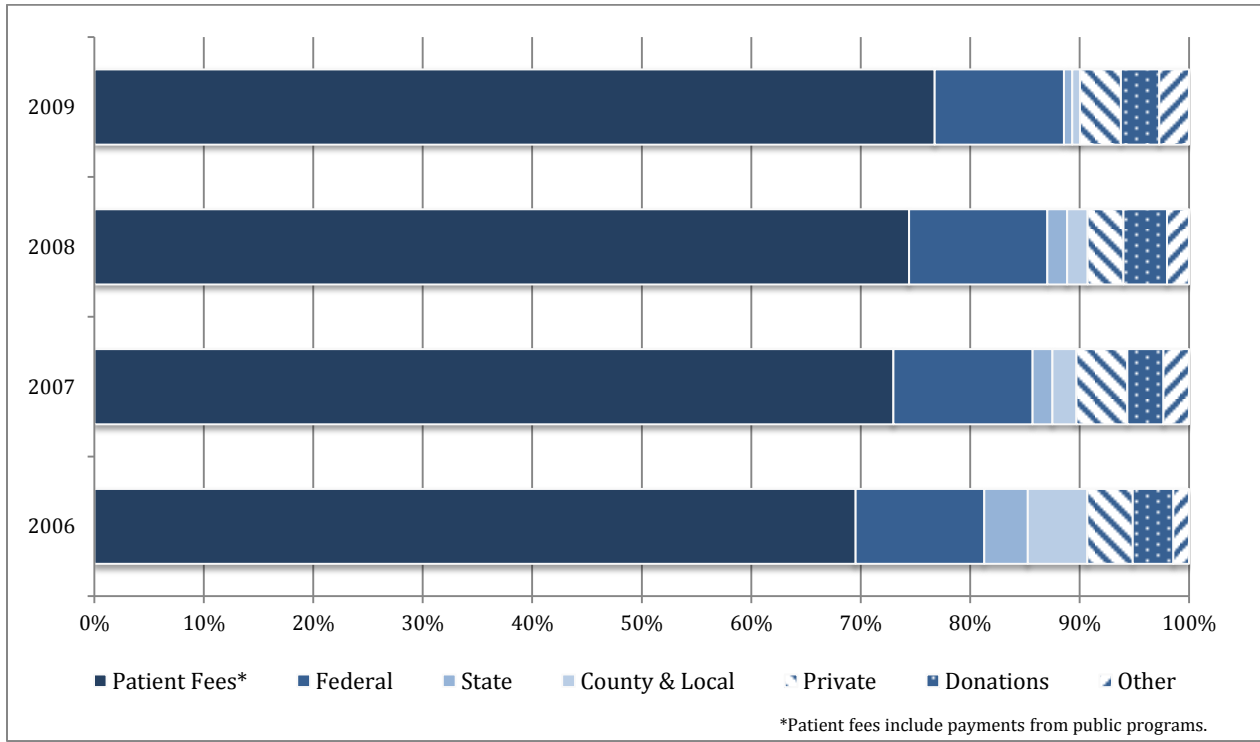


Figure 5: Patient Fees are Largest and Growing Source of San Diego Community Clinic Funding, 2006-09

Sources: Office of Statewide Health Planning and Development, "2006 State Utilization Data File of Primary Care Clinics;" "2007 State Utilization Data File of Primary Care Clinics;" "2008 State Utilization Data File of Primary Care Clinics;" & "2009 State Utilization Data File of Primary Care Clinics."

Patient fees comprise an ever-larger portion of community clinic operating revenues, as other state, county and local funding shrinks. Patient fees are mainly reimbursements from public programs with 50.7% coming from Medi-Cal and 7.2% from Medicare in 2009, but a full 34.3% of operating revenue in 2009 came from sliding-scale fees paid by the uninsured.

	2006	2007	2008	2009	% Change ('06-'09)
Patient Fees	\$142,000,638	\$154,503,409	\$178,438,015	\$209,421,265	47.50%
Medicare	\$8,441,007	\$8,893,398	\$10,311,189	\$14,980,089	77.47%
Medi-Cal	\$74,764,124	\$80,232,157	\$91,657,942	\$106,260,659	42.13%
Healthy Families	\$5,003,109	\$5,684,518	\$6,599,661	\$6,482,035	29.56%
Private	\$5,442,098	\$6,384,146	\$5,698,473	\$6,598,381	21.25%
Other Coverage	\$4,161,344	\$6,011,854	\$6,811,908	\$3,295,647	-20.80%
Uninsured (Sliding Scale)	\$44,188,956	\$47,297,336	\$57,358,842	\$71,804,454	62.49%

Currently, San Diego County community clinics appear to be doing well with the funding they receive. In 2009, San Diego clinics saw high utilization rates among the uninsured with 1240.6 services per 1000 uninsured, almost double the 12-county average of 742.7. Uncompensated care costs exceeded \$13 million in 2009, accounting for only 5.0% of all clinic expenses, compared to the 12-county average of 11.5% in Southern California counties.

Table 6: Community Clinic Utilization and Compensation (2009)			
	Services per 1000 Unins.	Uncompensated Care	% of Clinic Expenses
San Francisco	2307.8	\$45,302,350	27.3%
Alameda	499.3	\$34,842,846	16.1%
Ventura	788.7	\$5,794,548	15.5%
Los Angeles	717.4	\$73,786,412	14.3%
Sacramento	222	\$6,659,571	14.1%
Contra Costa	656.4	\$2,818,769	9.7%
Fresno	863.9	\$5,563,404	8.9%
Santa Clara	581.7	\$5,387,345	8.5%
Riverside	275.2	\$3,552,428	7.8%
San Bernardino	209	\$2,015,059	5.9%
Orange	550.7	\$4,049,849	5.0%
San Diego	1240.6	\$13,045,429	5.0%
<i>Average</i>	<i>742.7</i>	<i>\$16,901,501</i>	<i>11.5%</i>

Sources: Office of Statewide Health Planning and Development, "2009 State Utilization Data File of Primary Care Clinics."

While community clinics in San Diego County have succeeded in providing care to the uninsured, the high utilization rates coupled with decreasing financial support from the state and county may threaten their future financial health.

Hospitals in San Diego Receive Low County Funding

In 2009, 27 San Diego hospitals provided residents with 1.7 million inpatient days and 3.1 million outpatient visits, as well as 650,000 emergency department visits in 2008. The majority of inpatient and outpatient visits were by Medicare and Medi-Cal beneficiaries.

When hospitals provide care to uninsured patients who cannot pay their expenses, the hospital essentially writes it off. There are federal programs that provide reimbursement funds for hospitals that treat more than their regional share of the uninsured. However, in San Diego County very few hospitals qualify for this funding because most are privately owned.²⁰ The majority of reimbursement funds are available to publicly owned hospitals (county, university and district).

Treatment to the uninsured falls under the term, "bad debt and charity care." In San Diego County, bad debt and charity care increased 34.3% from 2006 (\$185.6 million) to 2009 (\$261.0 million), a larger increase than the regional (21.6%) and state (25.5%) figures. In contrast, hospitals reported decreasing county reimbursement rates from 1.58% to 1.52% of hospitals' patient revenues, a drop of \$19.2 million.

²⁰ Botelho, Jamie and Lucien Wulsin, Jr., JD. "A Summary of Healthcare Financing for Low-Income Individuals in California, 1998-2007." Insure the Uninsured Project. August 2007.

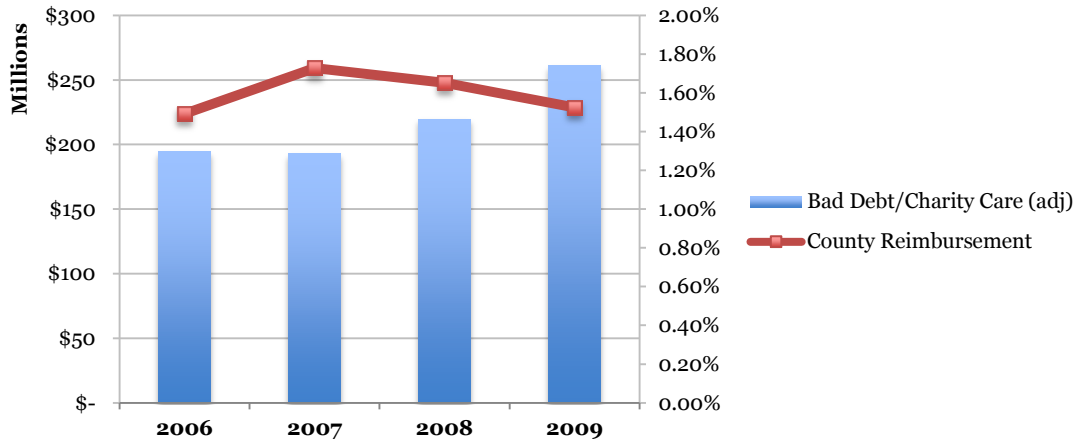


Figure 6. Hospital Bad Debt/Charity Care and County Reimbursement, San Diego County, 2006-2009

Source: State of California, Office of Statewide Health Planning and Development, "Hospital Annual Financial Selected Data: CY 2009."

In San Diego County, uninsured patients sought more of their services at community clinics than hospitals; both inpatient and outpatient hospital utilization was comparatively low at 60.2 and 73.4 services per 1000 uninsured residents as compared to other counties. Services provided at community clinics are generally primary and preventative care and are often less expensive than care received at hospitals.

San Diego hospitals received much less of their patient revenues from the county (1.5% of their operating revenue) compared to the 12 county average of 2.7%, but reported a higher level of bad debt/charity care to its residents (4.6% of operating revenue).

	County Payments to Hospitals	County payments% of Op. Rev.	Bad Debt/ Charity Care	Bad debt and charity care % of Hospital Op. Rev.
Alameda	\$72,947,134	2.6%	\$324,800,414	3.5%
Contra Costa	\$65,180,640	4.1%	\$58,238,474	3.4%
Fresno	\$18,374,934	1.3%	\$51,659,020	3.5%
Los Angeles	\$933,133,388	4.3%	\$548,114,707	2.9%
Orange	\$62,829,974	1.2%	\$169,289,054	3.1%
Riverside	\$57,311,184	2.7%	\$112,027,930	5.1%
Sacramento	\$57,466,417	2.0%	\$115,447,533	3.7%
San Bernardino	\$79,242,349	2.5%	\$179,167,562	5.7%
San Diego	\$83,506,696	1.5%	\$260,966,292	4.6%
San Francisco	\$94,275,273	2.4%	\$103,308,582	2.6%
Santa Clara	\$210,723,482	4.4%	\$116,013,667	2.3%
Ventura	\$43,858,454	3.8%	\$45,967,398	3.9%
<i>Average</i>	<i>\$148,237,494</i>	<i>2.7%</i>	<i>\$173,750,053</i>	<i>3.7%</i>

State of California, Office of Statewide Health Planning and Development, "Hospital Annual Financial Selected Data: CY 2009."

Providing Financial Sustainability for San Diego County Healthcare

The financial future of healthcare in San Diego County is at risk. Several paths to bolstering revenues are available. San Diego County needs to better utilize programs aimed at providing insurance to the uninsured. These programs are both public and private, providing access to individuals directly and through their employer.

To increase access to health insurance, there are four potential programs available:

1. Medi-Cal and Medi-Cal expansion under the Affordable Care Act
2. Healthy Families Program and its integration into Medi-Cal
3. California Health Benefits Exchange
4. Small Business Health Options Plan

The Medi-Cal Program

Medi-Cal (California's name for Medicaid) provides healthcare coverage for low-income families who meet specific income and other requirements. In 2010, there were 7.4 million beneficiaries, a fifth of all Californians. Currently, US citizens and legal permanent residents²¹ (LPRs) are eligible for full scope benefits,²² with the undocumented eligible only for emergency Medi-Cal.

Medi-Cal enrollment trends show moderate growth in San Diego, with 422,000 enrollees in 2010, or 13.0% of the total population. Statewide Medi-Cal enrollment is 20%.

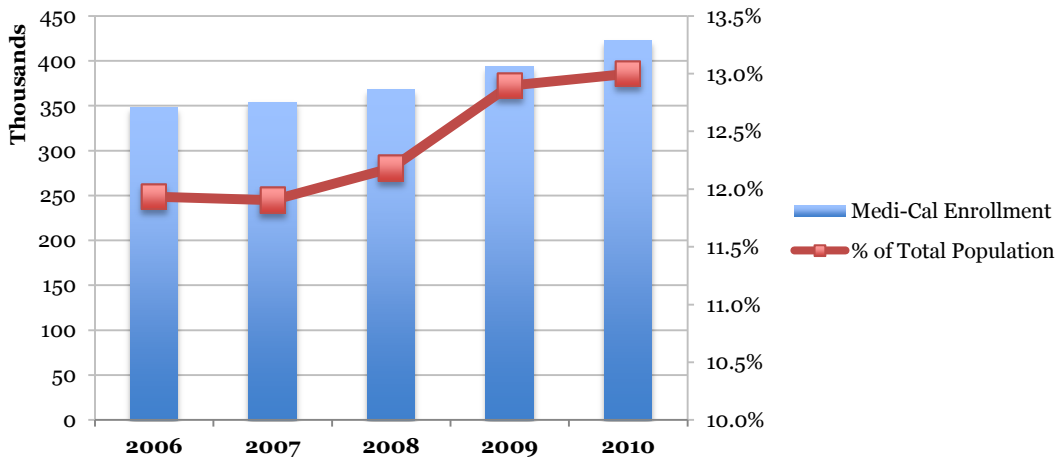


Figure 7. Medi-Cal Enrollment, San Diego County, 2006-2010.

Source: State of California, Department of Healthcare Services – Research and Analytical Studies Section, Medi-Cal Population Enrollment Trends, 2006-2010.

²¹ Unlike other states, California does not impose a five-year LPR requirement. If otherwise eligible, LPRs with less than five years of residency are eligible for full-scope Medi-Cal. Federal funds, however, cannot be used to treat this population.

²² 22 CCR §50301

Table 8: Medi-Cal and Healthy Families Program (HFP) Enrollment by County, 2009

	Medi-Cal Enrollment %	HFP Enrollment %
Alameda	15.50%	1.50%
Contra Costa	12.40%	1.40%
Fresno	32.40%	2.60%
Los Angeles	23.70%	2.60%
Orange	13.50%	3.10%
Riverside	17.00%	4.00%
Sacramento	21.80%	2.10%
San Bernardino	21.30%	3.50%
San Diego	12.90%	2.80%
San Francisco	15.60%	1.60%
Santa Clara	14.00%	2.00%
Ventura	14.90%	2.90%

Source: State of California, Department of Healthcare Services – Research and Analytical Studies Section, Medi-Cal Population Enrollment Trends by County, 2009. State of California, Managed Risk Medical Insurance Board, Healthy Families Program Subscribers Currently Enrolled by County, 2009.

One possible explanation for lower Medi-Cal participation in San Diego County would be if there were fewer residents eligible for the program. However, a report by the Rose Institute²³ found that San Diego enrolls a lower percentage of eligible persons in Medi-Cal than the other largest counties²⁴ in California suggesting that lower participation is not a result of San Diego County having less eligible residents. Based on data from the American Community Survey by the Census Bureau, San Diego ranked last among the counties studied, enrolling only 81% of eligible people, defined as those with incomes under 125% of the federal poverty level (FPL).

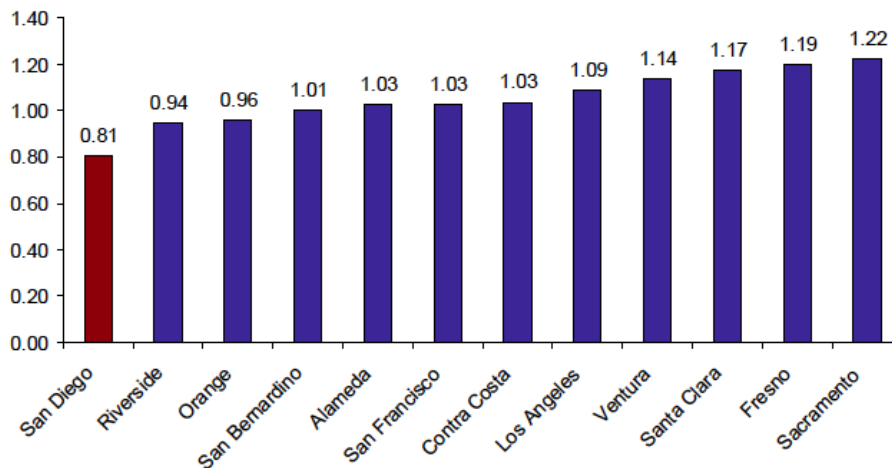


Figure 8. Estimated Ratio of Monthly Medi-Cal Beneficiaries to Persons Under 125% of FPL, 2005-2007

Sources: United States Census Bureau, American Community Survey 2005-2007. State of California, Department of Healthcare Services – Research and Analytical Studies Section, Medi-Cal Program Enrollment Totals - FY2007-08.

²³ Rose Institute of State and Local Government, “Comparing San Diego County Services: A Twelve-County Analysis,” February 2010.

²⁴ These counties include Alameda, Contra Costa, Fresno, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, Santa Clara and Ventura counties.

Medi-Cal Expansion

A key component of the federal Affordable Care Act (ACA) is the expansion of Medicaid to include most adults with incomes below 133%²⁵ of Federal Poverty Level (FPL) and the creation of an “exchange” where individuals will be able to purchase health insurance using a sliding scale subsidy for premiums.²⁶

Studies estimate that between 1.7 million and 3 million Californians will be newly eligible for Medi-Cal, with the federal government providing 100% of the cost of care.²⁷ An additional 3 million to -4 million will be eligible for coverage through the newly established Health Benefits Exchange, with sliding scale federal subsidies based on income levels.²⁸

The ACA is expected to be fully implemented by 2014. The role of counties from now until 2014 is to begin moving eligible residents into the new system, including enrollment in Medi-Cal.

Until the ACA is implemented, California has expanded its Medi-Cal program through a §1115 Medicaid Waiver to provide care to its indigent population. Specifically, the Low Income Health Program (LIHP) will begin phasing in coverage for newly eligible adults aged 19-64. Under this program, California counties can access tens of millions of dollars in federal matching funds. However, to do this, counties must identify and enroll the newly eligible, have sufficient state, county and local funds to meet the federal match, develop new delivery systems, and increase access to care.²⁹

The numbers of newly eligible are expected to be sizable due to the combined effects of the recession, high unemployment rates, and a slower-than-predicted economic rebound.³⁰ Nearly 41% of San Diego County residents who fall below 133% FPL were uninsured in 2009. These numbers suggest that 203,000 more San Diegans will be eligible for Medi-Cal under the ACA.

²⁵ In 2011, \$14,483 for an individual and \$28,725.50 for a family of four. Centers for Medicare and Medicaid Services, “2011 Poverty Guidelines”.

²⁶ UCLA Center for Health Policy Research, Lavarreda SA and Cabezas L. “Two-Thirds of California’s Seven Million Uninsured May Obtain Coverage Under Healthcare Reform,” February 2011, at <http://www.healthpolicy.ucla.edu/pubs/files/twothirdspb-2-16-2011.pdf>

²⁷ UCLA Center for Health Policy Research, Lavarreda SA and Cabezas L. “Two-Thirds of California’s Seven Million Uninsured May Obtain Coverage Under Healthcare Reform,” February 2011, at <http://www.healthpolicy.ucla.edu/pubs/files/twothirdspb-2-16-2011.pdf>. and Long P, Gruber J, “Projecting the Impact of the Affordable Care Act on California,” *Health Affairs* 30, No. 1 (2011): 63-70.

²⁸ *Ibid.*

²⁹ Insure the Uninsured Project. “County LIHP Proposals: Summary and Analysis”. March 31, 2011.

³⁰ LAO budget outlook predicts that California employment levels will not reach 2007 pre-recession rates until 2016.

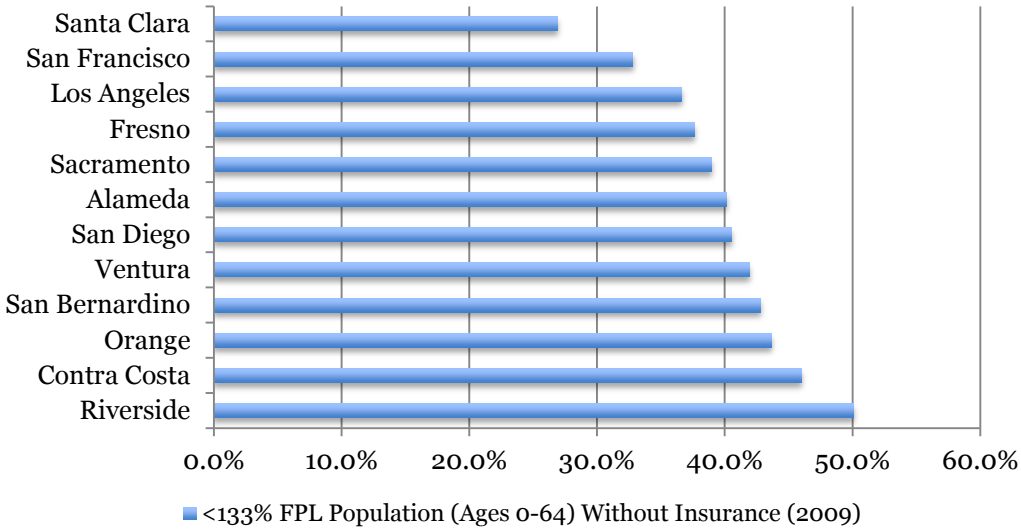


Figure 9. Percent of 0-64 Population Under 133% of FPL without Insurance, 2009

Source: UCLA Center for Health Policy Research, "2009 California Health Interview Survey."

The Healthy Families Program

The Healthy Families Program is California's state-administered Children's Health Insurance Program (CHIP) that provides health, dental and vision coverage to uninsured children and teens in families whose incomes are slightly too high to qualify for Medi-Cal. Income requirements vary from 100% FPL to up to 250% FPL depending on the age of the child. Families pay a sliding scale monthly premium, with the program subsidizing the remainder of the costs.

Enrollment in Healthy Families had steadily increased until 2008, when it experienced a slight decline among San Diego residents from 75,135 beneficiaries to 71,946 in 2010. Some possible explanations for this trend include: 1) an enrollment freeze from July to December of 2009 for state budgetary reasons; 2) the recession that may have caused some families previously eligible for Healthy Families to lose income and become eligible for Medi-Cal (0-100% FPL); and 3) the increase in premiums and co-pays that went into effect November 2009 and priced some enrollees out of the program.

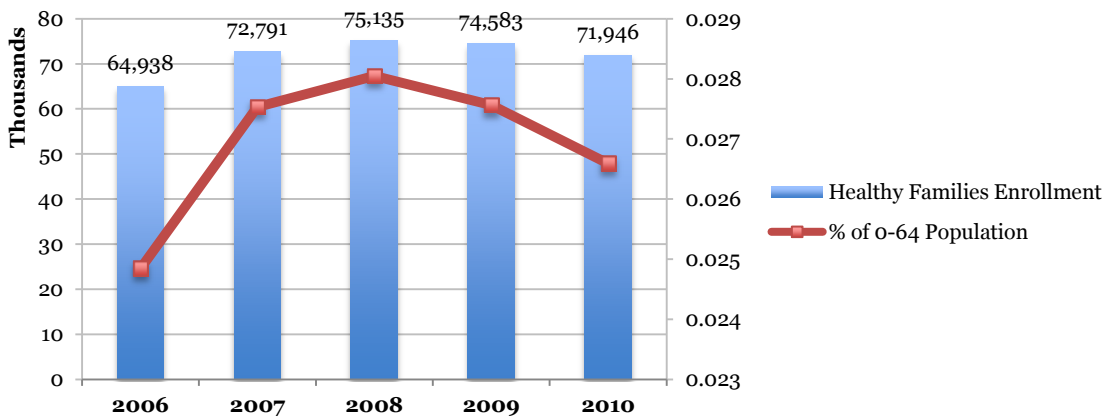


Figure 10. Healthy Families Enrollment, San Diego County, 2006-2010

Source: State of California, Managed Risk Medical Insurance Board, Healthy Families Program Subscribers Currently Enrolled by County, 2006-2010.

One method of increasing access to insurance proposed in the FY2011-12 Governor’s May Revise was to integrate of Healthy Families into Medi-Cal. In doing so, Healthy Families would become an entitlement program, which would prohibit the state from applying wait lists or caps; vision and dental coverage would also be covered through this integration. This plan will eliminate most cost-sharing for children with family incomes under 150% of FPL, and might reduce cost-sharing for children with family incomes between 150-250% of FPL, since there will be no co-premiums and lower co-payments. However, this proposal was not included in the spending plan signed in June³¹ so the state has not addressed these challenges to extending healthcare coverage to more children.

New Programs Under the Affordable Care Act: Exchange and SHOP

Studies estimate that among the roughly 7 million uninsured in California, between 3.4 million and 4.7 million non-elderly adults and children who were uninsured for part or all of 2009^{32 33} will be eligible for subsidized insurance coverage under the Affordable Care Act.

Over 4 million and 1.7 million Californians are expected to access health insurance through the newly created Exchange and Medi-Cal, respectively.³⁴

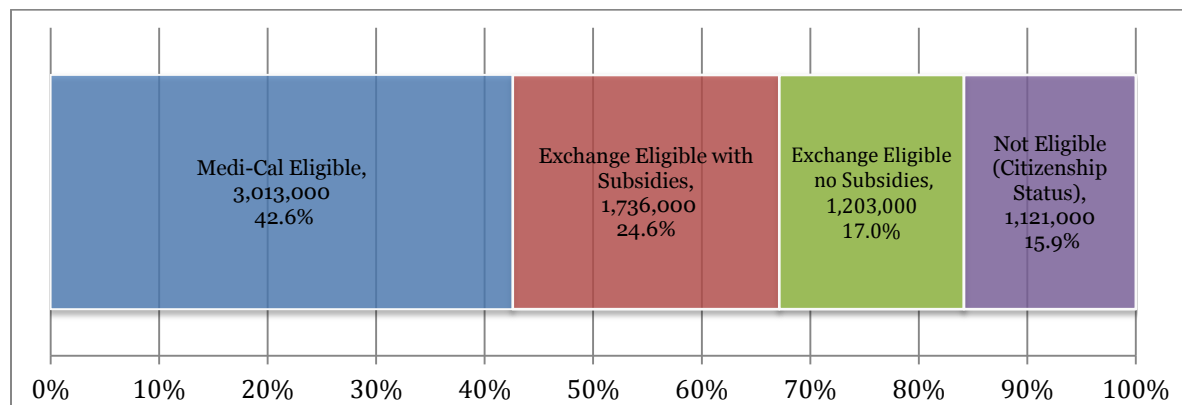


Figure 11. How Californians Will Access Insurance Coverage by 2016 as a Result of the ACA (Projected)

Source: UCLA Center for Health Policy Research, Lavarreda SA and Cabezas L. “Two-Thirds of California’s Seven Million Uninsured May Obtain Coverage Under Healthcare Reform,” February 2011, at <http://www.healthpolicy.ucla.edu/pubs/files/twothirdspb-2-16-2011.pdf>.

Among the 3.4 million previously uninsured who would gain coverage in 2016, 38% would be covered by Medi-Cal, 16% by employer-sponsored insurance, 30% by subsidized Exchange plans and 16% by unsubsidized Exchange plans.³⁵

³¹ California Budget Project. “Governor Signs 2011-12 Spending Plan,” July 8, 2011.

³² UCLA Center for Health Policy Research, Lavarreda SA and Cabezas L. “Two-Thirds of California’s Seven Million Uninsured May Obtain Coverage Under Healthcare Reform,” February 2011, at <http://www.healthpolicy.ucla.edu/pubs/files/twothirdspb-2-16-2011.pdf>, and Long P, Gruber J, “Projecting the Impact of the Affordable Care Act on California,” Health Affairs 30, No. 1 (2011): 63-70.

³³ The UCLA study used data from the 2009 California Health Interview Survey.

³⁴ Long P, Gruber J, “Projecting the Impact of the Affordable Care Act on California,” Health Affairs 30, No. 1 (2011): 63-70.

³⁵ Ibid.

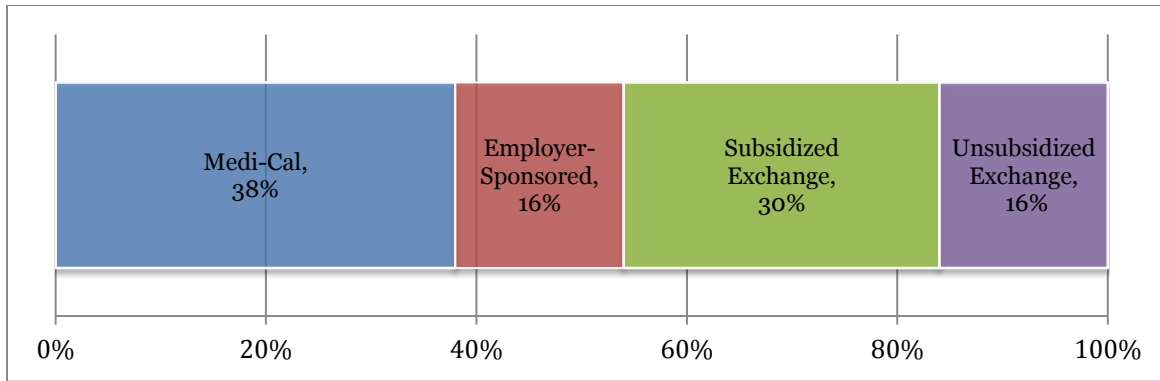


Figure 12. Where 3.4 Million Previously Uninsured Californians Will Access Health Insurance under the Affordable Care Act

Source: Long P, Gruber J, "Projecting the Impact of the Affordable Care Act on California," Health Affairs 30, No. 1 (2011): 63-70.

Despite ACA reforms, 3.1 million Californians are projected to remain uninsured. About 900,000 are projected to be exempt from the individual mandate, while 660,000 are projected to not purchase insurance despite being subject to the mandate.³⁶

The California Health Benefits Exchange:

The Exchange was created in response to the Affordable Care Act to enable individuals and small businesses to buy health insurance on the private market. Its goals are to provide the same advantages to all participants including a more stable risk pool, greater purchasing power, more competition among insurers and detailed information about the insurance for ease of comparison when shopping.³⁷

Individuals with incomes under 400%³⁸ of the FPL will be eligible for sliding scale premium subsidies provided by the federal government. Individual contributions are capped between 2.0 and 9.5% of their household incomes. Individuals must be lawfully present residents of the state.³⁹ Qualified employers include small and eventually mid-sized employers that elect to make all full-time employees eligible for one or more qualified health plans in the small group market through the Exchange.

Table 9: Exchange Premium Caps by Federal Poverty Level

Income Level	Maximum Income Limit for an Individual	Premium as % of Income
0-133% FPL	\$14,483.70	2%
133-150% FPL	\$21,780.00	3-4%
150-200% FPL	\$27,225.00	4-6.3%
200-250% FPL	\$32,670.00	6.3-8.05%
250-300% FPL	\$38,115.00	8.05-9.5%
300-400% FPL	\$43,560.00	9.5%

Source: Patient Protection and Affordable Care Act §1401 and Centers for Medicare and Medicaid Services, "2011 Poverty Guidelines".

To make coverage affordable for individuals/families, the ACA includes provisions to lower cost-sharing obligations as well. The limits are based on the maximum out-of-pocket limits for Health Savings Account-qualified health plans (\$5,950 for single coverage and \$11,900 for family coverage in 2010), which will be indexed to the change in the Consumer Price Index until 2014.⁴⁰ If the provision were in

³⁶ Ibid.

³⁷ California Health Benefit Exchange. <http://www.healthexchange.ca.gov/Pages/Default.aspx>

³⁸ Individuals with incomes under 133% of FPL will be also eligible for full-scope no-cost Medi-Cal.

³⁹ ACA § 1312(f)(3).

⁴⁰ 26 U.S.C. § 223(g).

effect in 2010, an individual with an income of 250% of FPL purchasing coverage through the Exchange would have their out-of-pocket maximum limited to \$2,975 instead of \$5,950.

The role of California counties vis-a-vis the Exchange has yet to be determined. One of the options is for the state to completely manage the Exchange including outreach and enrollment. Another option is for the counties to manage the outreach and enrollment for the Exchange, as they currently do for Medi-Cal and other social safety net services. A third option is a hybrid where the counties would continue to do outreach and enrollment for those currently accessing health insurance through the county but who will be transitioned to the Exchange, while the state would manage all the newly eligibles.

Regardless of the ultimate role of the County in the management of the Exchange, it is in the County's interest to do what it can to help increase the numbers of insured residents, to help address the uncompensated care costs that community clinics and hospitals currently face.

The Small Business Health Options Program (SHOP):

ACA does not mandate that small employers provide health insurance to their employees or that they participate in exchanges, but instead provides avenues that make it easier for them to do so, such as allocation of tax credits and the creation of an exchange for small business employers: the Small Business Health Options Program.

In addition to individual coverage options in the Exchange, the ACA provides states with the option of creating an exchange for small employers, with federal tax credits available towards SHOP Exchange coverage. Such an exchange was established in California through AB 1602 (Perez), and will provide small business employees a range of affordable qualified health plans to choose from.

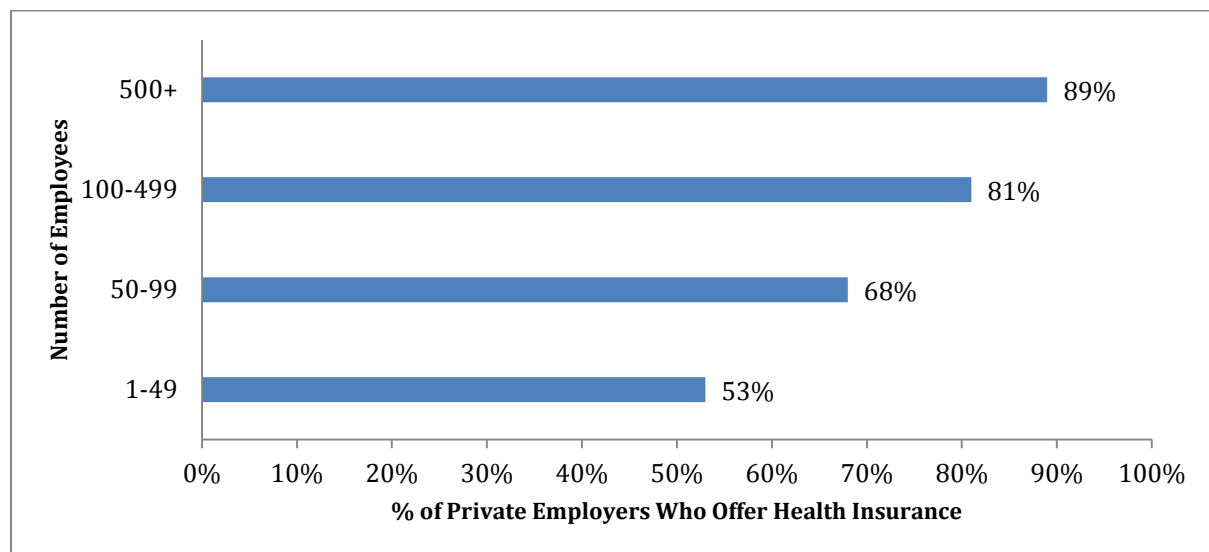


Figure 13: Percentage of US Employers Who Offer Health Insurance by Number of Employees

Source: Bureau of Labor Statistics. National Compensation Survey. "Healthcare benefits: Access, participation and take-up rates, private industry workers. March 2011." <http://www.bls.gov/ncs/ebs/benefits/2011/ownership/private/table05a.pdf>

Eligible employers will receive tax credits to subsidize the cost of coverage for their employees. To be eligible, an employer must have less than the equivalent of 25 full-time workers and pay an average wage below \$50,000, in addition to paying for at least 50 percent of the cost of health coverage for its workers based on the single rate⁴¹. The tax credit now offsets up to 35% of a small business' premium costs and up to 25% for tax-exempt employers. Beginning January 1, 2014 the credit will increase to 50% for taxable businesses and 35% for tax-exempt employers, but these credits are only available for two years.⁴²

⁴¹ Ibid.

⁴² <http://www.irs.gov/newsroom/article/0,,id=223666,00.html>

Conclusions and Recommendations

Almost 1 in 5 San Diego County residents lacks health insurance while the county has the lowest enrollment rate for Medi-Cal eligible individuals among the 12 largest counties in California. San Diego County also spends some of the lowest amounts on caring for the uninsured.

Costs of providing care to all San Diegans are increasing and funding streams are shrinking. Bad debt and charity care for regional hospitals increased 34% from 2006 to 2009 while net patient revenue increased only 27% over the same period. Uncompensated care in community clinics exceeded \$13 million in 2009 or 5% of all clinic expenses. Limiting access is not the solution to solving the financial impact of caring for the uninsured.

To protect the financial sustainability of the region's healthcare providers and to take full advantage of available federal funding, San Diego County must prepare for the implementation of the Affordable Care Act and utilize programs that will provide insurance to the currently uninsured. This includes:

- Performing outreach and education to those already eligible for Medi-Cal and the Healthy Families Program and enrolling them in these programs.
- Taking steps now to prepare to fully implement the ACA:
 - Evaluate County staffing levels and systems for the quality and quantity of outreach, enrollment and case management of enrollees. If it is found to be insufficient, develop plans for meeting staffing and system needs.
 - Enroll eligible adults into the Low Income Health Program.
 - Identify the more than 200,000 County residents who will be newly eligible for Medi-Cal and educate them on how to access coverage under the ACA.
 - Perform outreach and education to eligible County residents on purchasing health insurance through the Health Benefits Exchange.
 - Provide education on the Small Business Health Options Program (SHOP), to increase access to employer-sponsored health insurance.