

Stay Well
Afford Care
Secure Coverage

A Broken Health Care System

- 6.5 million uninsured
- Stressed emergency rooms
- “The hidden tax”
- Rising health care costs
- Chronic illness; poor health choices
- Medical errors
- Financial strain, bankruptcy

Fixing Our Broken System

- **Reduce the hidden tax;
lower costs**
- **Coverage for all; support
better care**
- **Healthy California**

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

■ Affordability

Prevention & Wellness

Healthier State – Long Term Affordability

- **Benefit designs to incentivize and reward healthy practices**
- **Diabetes prevention and treatment**
- **Patient safety**
- **Obesity prevention**
- **Tobacco cessation**

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

Shared Benefit

GOVERNMENT

Healthy, productive & economically
competitive state

EMPLOYERS

Affordable
coverage

Healthy,
productive
workforce

INDIVIDUALS

Access to
affordable coverage
Health care security
Healthier CA

DOCTORS & HOSPITALS

Expanded insured
population
Fair compensation

HEALTH PLANS

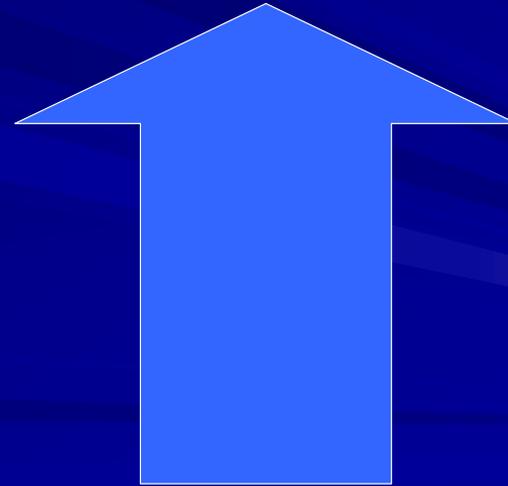
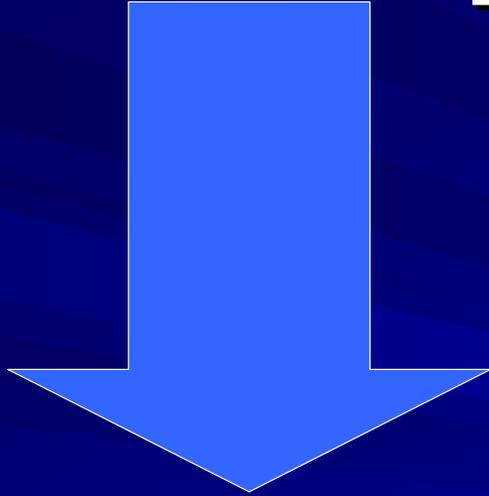
Expanded market
Fair compensation

Fixing the Broken System

Creating an efficient,
competitive market dynamic

Payment Sources

Commercial payer overpayment



Medi-Cal/Uninsured underpayment

Shared Responsibility

INDIVIDUALS

**Obtain Health
Coverage**

Shared Responsibility

GOVERNMENT

Promote functional health care market
Provide access to affordable coverage
Fairly compensate Medi-Cal providers

INDIVIDUALS

Obtain health
coverage

Shared Responsibility

GOVERNMENT

Promote functional health care market
Provide access to affordable coverage
Fairly compensate Medi-Cal providers

INDIVIDUALS

Obtain health
coverage

DOCTORS & HOSPITALS

Provide affordable,
quality care
Share cost savings

Shared Responsibility

GOVERNMENT

Promote functional health care market
Provide access to affordable coverage
Fairly compensate Medi-Cal providers

INDIVIDUALS

Obtain health
coverage

DOCTORS & HOSPITALS

Provide affordable,
quality care
Share cost savings

HEALTH PLANS

Guarantee access to affordable coverage
Pass along savings

Shared Responsibility

GOVERNMENT

Promote functional health care market
Provide access to affordable coverage
Fairly compensate Medi-Cal providers

EMPLOYERS

Support
employee
access to
affordable
coverage

INDIVIDUALS

Obtain health
coverage

DOCTORS & HOSPITALS

Provide affordable,
quality care
Share cost savings

HEALTH PLANS

Guarantee access to affordable coverage
Pass along savings

Enrollment and Enforcement

GOVERNMENT

Facilitate public program enrollment
Enforce mandate through tax system
Schools - partner with parents

EMPLOYERS

Certify employee
coverage
through check
off

INDIVIDUALS

Provide proof of
insurance with tax
returns

DOCTORS & HOSPITALS

Utilize on-site
enrollment
mechanisms

HEALTH PLANS

Accept default enrollment into
appropriate plans

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

■ Affordability

Promoting Affordability

- A more functional health care marketplace: reduction of the “hidden tax” → Relieves pressure on commercial payers currently bearing a cost shift up to 17%
- Individual market expansion: 1 million additional insured lives → Promotes competition for business
- Market reforms: 85% of premiums & hospital dollars on patient care → Moderates premium increases

Promoting Affordability

- Statewide purchasing pool: Competitive plan price point → Drives broader market
- Tax system: Health Savings Accounts (HSAs), Section 125 plans → Provides tax breaks
- System improvements: regulatory reforms, HIT, value-driven health care → Promotes efficient, cost-effective health care

FISCAL IMPACT

\$12 Billion

Prevention

\$300

Tax Incentive

\$900

Counties

\$2,000

Subsidized Coverage

\$2,270

Medi-Cal/HFP

Coverage

\$2,638

Medi-Cal Rate Increase

\$4,039

Other - \$203

Employer in lieu

\$1,000

County Funds

\$2,000

Physician/Hospitals

Recapture

\$3,472

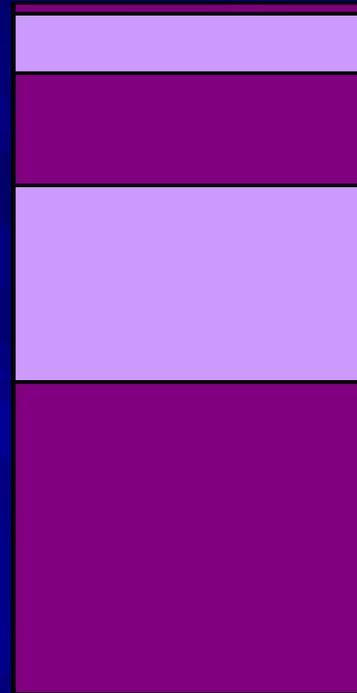
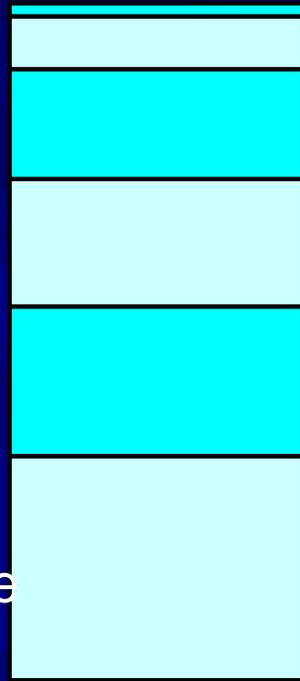
Federal Funds

\$5,474

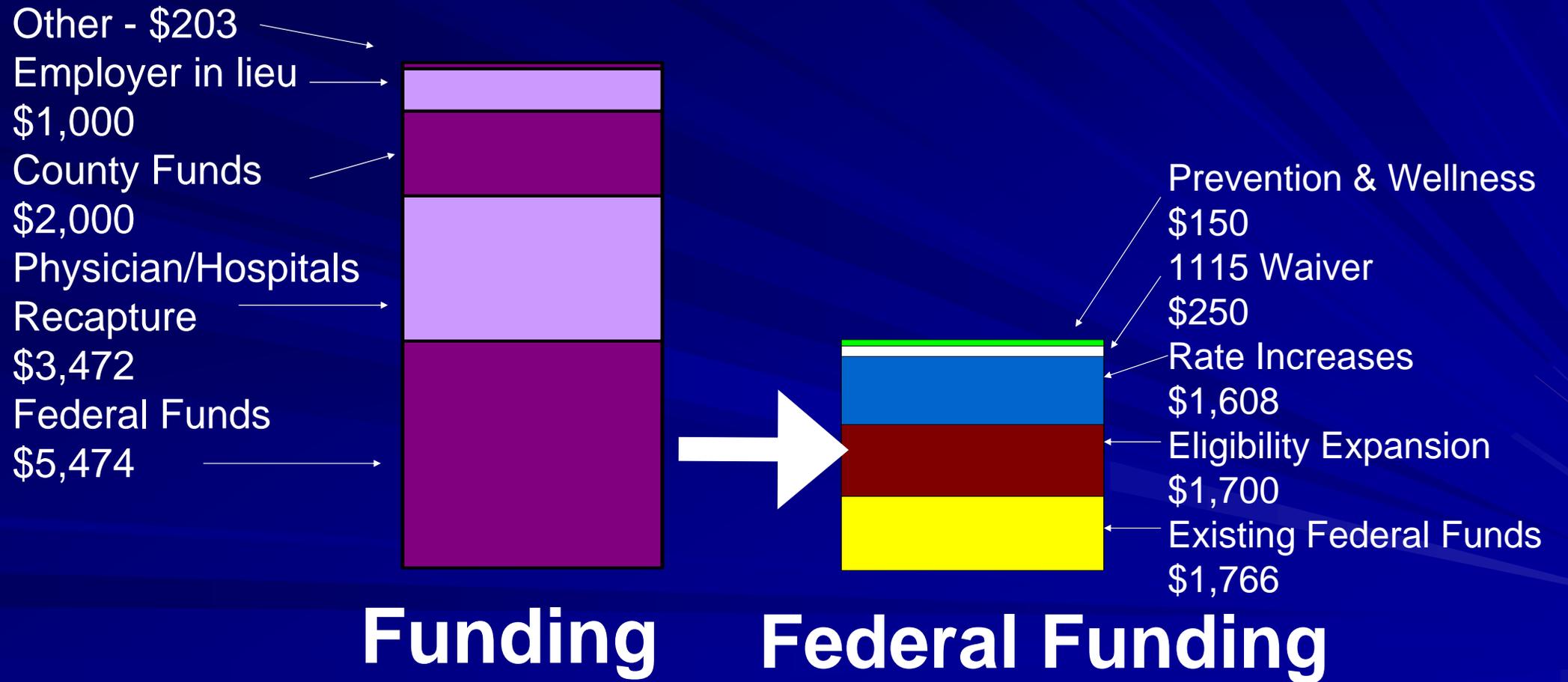
Cost

Funding

\$ in millions



FEDERAL FUNDING



\$ in millions

Fixing Our Broken System: Shared Responsibility

- Reduce the hidden tax;
lower costs**
- Coverage for all; support
better care**
- Healthy California**