



## *SB 2 Will Extend Coverage to 1 Million Uninsured Workers and Dependents*

**E. Richard Brown, PhD; Hongjian Yu, PhD; Shana Alex Lavarreda, MPP; Lida Becerra, MS; Arindrajit Dube, PhD; and Richard Kronick, PhD**

September 2003

Senate Bill 2 (SB 2), the Health Insurance Act of 2003, will enable more than 1 million uninsured workers and their dependents to obtain coverage through their employer or a new State program when it is fully implemented in 2007. SB 2, when fully phased in, will offer coverage to nearly one in four Californians who were uninsured in 2001.

Beginning January 1, 2006, employees who work for employers with 200 or more workers will be eligible for family coverage, with the employer paying at least 80% of the cost and the employee the balance. Beginning in 2007, employees in firms with 50-199 workers will be eligible for coverage, with the employer required to pay at least 80% for coverage only for the worker. Employers in firms with 20-49 workers will also be required to offer worker-only coverage, but only if the State provides subsidies to help offset their costs. SB 2 does not affect firms or employees with fewer than 20 workers.

Employers may meet their obligation either by providing health benefits or by paying into a State-administered fund that will contract for the mandated coverage for workers and, if eligible, their families. To be eligible under the provisions of SB 2, an employee must work at least 100 hours a month and be employed by the firm for at least three months.

### **The Data Used in Developing These Estimates**

This fact sheet provides estimates of the number of workers and spouses and children of workers who were uninsured in 2001 and who would be included in the provisions of SB 2 and therefore be eligible for coverage

when it is fully implemented. The fact sheet is based on analyses of data from the 2001 California Health Interview Survey (CHIS 2001), supplemented with analyses of the March 2001 and 2002 Current Population Survey to provide estimates for relevant factors not included in CHIS 2001.

The estimate of uninsured persons is based on respondents who were uninsured at the time they were interviewed in 2001. Based on this measure, a total of 4.52 million Californians were uninsured at any point during the year.<sup>1</sup> Another 1.75 million Californians were insured when interviewed but experienced a spell of uninsurance during some part of the previous 12 months. This analysis uses information on the 4.52 million persons who were uninsured at the time of the interview because they would newly gain coverage under SB 2 and because the relevant CHIS employment questions relate to the job held at the time of the interview.

### **Uninsured Workers and Uninsured Dependents Who Would Be Eligible for Coverage**

The first phase of SB 2, extending eligibility for family coverage to workers in firms with 200 or more employees, will cover 307,000 uninsured workers and 372,000 uninsured dependents of workers (Exhibit 1).

<sup>1</sup> Brown ER, Ponce N, Rice T, and Lavarreda SA, The State of Health Insurance in California: Findings from the 2001 California Health Interview Survey, Los Angeles: UCLA Center for Health Policy Research, June 2002.

Firm Size	Employees	Dependents	Total
<b>200+ Employees:</b> Family Coverage, Begins January 1, 2006	307,000	372,000	679,000
<b>50—199 Employees:</b> Worker-Only Coverage, Begins January 1, 2007	180,000	N/A	180,000
<b>20—49 Employees:</b> Worker-Only Coverage, Begins January 1, 2007 if Subsidies Are Provided to Employer	211,000	N/A	211,000
<b>Total Covered at Full Implementation</b>	<b>698,000</b>	<b>372,000</b>	<b>1,070,000</b>

\* Firm size includes only those firms that would be affected by the passage of SB 2 and thus the data for firms with fewer than 20 employees are not shown  
N/A = Not Applicable (Firm required to cover only the worker)  
Source: 2001 California Health Interview Survey, and March 2001 and 2002 Current Population Surveys

**EXHIBIT 1:**  
*Number of Uninsured Employees and Dependents by Firm Size,\* Ages 0-64, California, 2001*

The second phase, extending eligibility for coverage only to workers in firms with 50-199 employees, will cover 180,000 uninsured workers beginning in 2007. If a subsidy is implemented for firms with 20-49 employees, another 211,000 uninsured workers would also be covered.

Altogether, when fully implemented, SB 2 will cover 698,000 workers and 372,000 spouses and children who were uninsured in 2001. The total—1.07 million—represents 24% of the 4.52 million who were uninsured at any point in time in 2001.

### Conclusion

SB 2 would extend employment-based coverage to more than 1 million otherwise uninsured adults and children, providing them with the type of coverage already enjoyed by six in 10 nonelderly Californians. It requires employers and employees to share in the cost of coverage for a moderate benefits package. It protects small firms by excluding those with fewer than 20 employees and requiring those with 20-49 workers to contribute to coverage only for the worker—and then only if a subsidy is provided. It offers employers a choice of providing health benefits or simply paying into a public fund that will provide the coverage. And it is phased in over a time period that permits careful planning for implementation.

The moderate and incremental character of SB 2 should make it politically acceptable to those who wish to do something to ameliorate the plight of millions of Californians. Lack of health insurance causes many Californians to be sicker, lose time from work, be less productive on the job, and be more likely to die. Lack of insurance imposes large costs on employers and taxpayers is staggering for lost productivity, uncompensated care costs absorbed by those who pay private insurance premiums, and increased taxes for county indigent medical care and State-sponsored programs.

In implementing SB 2, it will be important to offer subsidies to low-wage workers and their employers and to keep required payments modest in relation to workers' wages. When implemented in that manner, SB 2 will not reduce employment or depress wages; instead, it is likely to lead to improved health for workers and greater productivity. SB 2 will create a level playing field between employers that currently provide health benefits and those that currently do not, ending this cost shift to other employers, to the workers themselves, and to taxpayers. By extending

coverage to so many persons who otherwise lack it, the program will help stem the rapidly rising number of uninsured workers.

### Data Source

*Both the 2001 California Health Interview Survey (CHIS 2001) and the 2001 and 2002 Current Population Surveys (CPS) were used to arrive at these estimates. CHIS 2001 includes information on health insurance status, age, hours worked per week, duration of employment at the main job, and firm size. This information was used to develop direct estimates for the number of uninsured workers who would be affected by the passage of SB 2, based on the stipulations of the bill itself. The analysis includes uninsured people who: are ages 18-64, work for an employer for wages (i.e. not self-employed and not unemployed), work at least 23 hours per week (roughly 100 hours per month), and have been employed in the same position for at least 3 months. Persons with any insurance were not included in this analysis. Finally, using a logarithmic function, we were able to establish the firm sizes as stipulated in the bill and estimate the population in each firm-size category.*

*The March 2001 and 2002 CPS were used to estimate the number of dependents that would be affected by the offer of health insurance to uninsured spouses and children of all workers in firms with 200 or more employees. We averaged two years of data in order to create more stable estimates with the smaller sample size available in the CPS. For this analysis, we created a "SB 2 family eligibility" variable that captured the eligibility status of the parents in a family and assigned any uninsured dependents (children and/or spouses) to the parent who worked in the largest firm. The ratio of the total number of non-working eligible dependents to the number of uninsured eligible-workers was used to compensate for the CPS's overestimate of the number of uninsured. This ratio was then applied to the direct estimates of workers in the CHIS population, giving us a total number of dependents that would be affected by SB 2.*

### Author Information

*E. Richard Brown is Director of the UCLA Center for Health Policy Research and Professor in the UCLA School of Public Health; Hongjian Yu is the Center's Associate Director for Statistical Support and Programming; Shana Alex Lavarreda is a Senior Research Associate and Project Manager at the Center; and Lida Becerra is a Statistician/Senior Programmer at the Center. Arindrajit Dube is a research economist at the Institute for Labor and Employment, University of California, Berkeley, and Richard Kronick is Professor in the Department of Family and Preventive Medicine, University of California, San Diego, School of Medicine.*

The views expressed in this policy brief are those of the authors and do not necessarily represent the UCLA Center for Health Policy Research or the Regents of the University of California.

Copyright © 2003 by the Regents of the University of California. All Rights Reserved.

Editor-in-Chief: E. Richard Brown, PhD; Communications Assistant: Celeste Maglan;

Graphic Production: Donna Bellock, Ikkanda Design Group

The UCLA Center for Health Policy Research is based in the  
UCLA School of Public Health and is also affiliated with the UCLA School of Public Policy and Social Research

FS2003-7