The State of Health Insurance in California

August 2009

Findings from the 2007 California Health Interview Survey

E. Richard Brown, PhD
Richard Kronick, PhD
Ninez A. Ponce, PhD, MPP
Jennifer Kincheloe, PhD, MPH
Shana Alex Lavarreda, PhD, MPP
Erin C. Peckham, MPH

UCLA CENTER FOR HEALTH POLICY RESEARCH

Funded by grants from The California Endowment
and The California Wellness Foundation

The State of Health Insurance in California

August 2009

Findings from the 2007 California Health Interview Survey

E. Richard Brown, PhD
Richard Kronick, PhD
Ninez A. Ponce, PhD, MPP
Jennifer Kincheloe, PhD, MPH
Shana Alex Lavarreda, PhD, MPP
Erin C. Peckham, MPH

UCLA CENTER FOR HEALTH POLICY RESEARCH

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

www.healthpolicy.ucla.edu

The California Endowment

The California Wellness Foundation

Funded by grants from The California Endowment and The California Wellness Foundation

The views expressed in this report are those of the authors and do not necessarily represent the UCLA Center for Health Policy Research, the Regents of the University of California, The California Endowment, or The California Wellness Foundation.

Suggested Citation:
ER Brown, R Kronick, NA Ponce, J Kincheloe, SA Lavarreda, EC Peckham. *The State of Health Insurance in California: Findings from the 2007 California Health Interview Survey*, Los Angeles, CA: UCLA Center for Health Policy Research, 2009.

CHIS california health interview survey

www.chis.ucla.edu

This study and report were funded by grants from The California Endowment and The California Wellness Foundation. The report is based on data from the 2007 California Interview Survey, which was supported by funds received from The California Department of Health Care Services; The California Department of Public Health; The California Endowment; the National Cancer Institute; First 5 California; the Robert Wood Johnson Foundation; the California Department of Mental Health; the California Office of the Patient Advocate; Kaiser Permanente; the San Diego County Health and Human Services Agency; the Blue Shield of California Foundation; the California Attorney General's Crime and Violence Prevention Center; the California Wellness Foundation; L.A. Care Health Plan; and the National Institutes of Health/Office of Behavioral and Social Sciences Research.

UCLA CENTER FOR HEALTH POLICY RESEARCH

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

www.healthpolicy.ucla.edu

Table of Contents

List of Exhibits

EXECUTIVE SUMMARY

Californians' Health Insurance Coverage Before the Great Recession

As California implements policy changes in its public programs and as the state's policy makers and advocates contemplate the implications of national health care reforms, it is instructive to examine health insurance coverage in California just before the state and nation sank into the worst economic recession in decades. The latest data available for California provides a clear picture of the adequacy of health insurance arrangements at the end of the most recent period of economic growth.

In California, 6.4 million adults and children were uninsured at some point in 2007. From 2001 to 2007, the uninsured rate trended downward from 21.9% to 19.5% of all nonelderly Californians, a result of shifting sources of coverage. Employment-based insurance (EBI) rose slightly to cover 55.6% of the population but failed to climb back to its 2001 level of 56.4%, despite economic growth from 2005 to 2007. The economic recession that hit California and the nation in 2008 has likely reduced these gains; because the driver of uninsurance is the employment-based coverage market, the number of uninsured is, therefore, probably larger than it was in 2007.

Medi-Cal (California's Medicaid program) and Healthy Families (California's State Children's Health Insurance Program) continued to cover 15.3% of children and nonelderly adults. Only 5.5% were insured through coverage they purchased themselves, and the remaining 4.2% were covered by other government programs or a combination of insurance types during the previous year.

Trends in Coverage for Nonelderly Californians

In 2007, 10.2% of children (ages 0-18) were uninsured all or part of the year, continuing the decline that has occurred in the uninsured rate for this population since 2001. Slightly more than half (52.2%) were covered through their parent's employer, a significant two percentage point increase over the rate in 2005 but still well below the high of 55.1% in 2001. The economic decline of 2008 likely reduced children's gains in EBI. Since 2001, public programs have grown to offset reductions in EBI, keeping the uninsured rate low. In 2007, nearly 3 in 10 children were covered through the Medi-Cal or Healthy Families programs (29.3%).

The proportion of uninsured adults (ages 19-64) is more than twice as high as the uninsured rate for children. In 2007, 23.9% of adults were uninsured all or part of the year, down slightly from 2005. This decrease corresponded to a slight increase in employment-based coverage, which rose to 57.3% in 2007, the same level as in 2001. Adults' Medi-Cal coverage remained flat at 8.5%, with privately purchased insurance covering an additional 5.9%.

The Uninsured Are a Low- or Moderate-Income Working Population

Nearly 9 in 10 of the uninsured are in working families, with 87.1% working full-time in 2007. Three-fourths of the uninsured have low to moderate incomes, underscoring the need for subsidies to make health insurance affordable for most of those who lack coverage. Of those uninsured all or part of the year in 2007, 29% had family incomes below the Federal Poverty Level (FPL). An additional 30.6% had incomes up to twice the FPL, and 16.1% had moderate incomes of between two and three times the FPL.

The main determinant of whether nonelderly persons have coverage is their access to affordable health insurance through their own or a family member's employment. EBI coverage, though, varies directly with income. Only 11.1% of the 5.3 million nonelderly persons below the official FPL had EBI all year, a rate that has fluctuated only slightly over recent years. In 2007, employment-based insurance covered 28.9% of persons just above poverty, 55.1% of those between 200% and 300% of the poverty level, and 70% or more of those above 300% of the FPL.

Although Medi-Cal and Healthy Families programs do protect many very-low-income persons from being uninsured, they form an incomplete safety net even for poor adults. Only 6% of currently uninsured adults are eligible for public coverage, while nearly 80% of currently uninsured children are eligible for a public insurance program under existing rules.

Demographic Disparities Pervade Health Insurance Coverage

Racial and Ethnic Disparities

Health insurance coverage reflects the nation's social and economic disparities by race and ethnicity.[1] Among nonelderly whites, 12.4% were uninsured for all or some of the year in 2007, the lowest uninsured rate among race/ethnic groups, changing little since 2001. Two-thirds of nonelderly whites (68.1%) were covered by EBI throughout the year, the highest rate among race/ethnic groups. Only a little more than 6% were enrolled in Medi-Cal or Healthy Families, while about 8% of nonelderly whites had privately purchased health insurance.

African Americans had a higher rate of uninsurance than whites (17.2% in 2007); that rate has been relatively unchanged since 2003 but remains well above their uninsured rate of 14% in 2001. African Americans' increased rate of uninsurance was attributable to a loss of EBI since 2001 (down to 48.6% in 2007) without a significant increase in Medi-Cal or Healthy Families coverage above the level of 1 in 4 in 2001.

The ethnic group with the highest uninsured rate is Latinos, 28.6% of whom were uninsured in 2007, though this reflects a downward trend since 2001. This improvement in coverage was the product of a slight uptick in EBI coverage—from a low of 38.4% in 2001 to 40.8% in 2007—while enrollment in Medi-Cal and the Healthy Families program remained fairly constant at approximately 1 in 4 nonelderly Latinos.

Citizenship and Immigration Status Disparities

Among California's 18.2 million U.S.-born and naturalized nonelderly adult citizens, 18.5% were uninsured for all or some of the year in 2007, and 62.8% had EBI. In contrast, the uninsured rate among the 2.2 million noncitizen adults with green cards was twice as high (39.9%), and nearly equal to their rate of employment-based insurance (41.4%). The state's 1.8 million noncitizens without green cards are even more disadvantaged: 57.9% were uninsured all or part of 2007 and just 22.4% had EBI all year.

Children's health insurance coverage is, like adults', affected by their own citizenship, but it is also affected by their parents' immigration status. Among citizen children with citizen parents, 61.2% had EBI all year and only 21.7% relied on Medi-Cal or Healthy Families. But among citizen children with parents who have a green card, 38.4% had EBI all

1 Beginning with CHIS 2007, the UCLA Center for Health Policy Research has changed the way we classify race and ethnicity. We now use the standard race and ethnic classification adopted by the federal Office of Management and Budget.

year and 40.8% relied on Medi-Cal or Healthy Families. Among citizen children with parents who have no green card, only 11.2% had employment-based coverage and 76.2% depended on Medi-Cal or Healthy Families. Although noncitizen children had slightly higher rates of EBI, they were less likely to be enrolled in Medi-Cal or Healthy Families and far more likely to be uninsured.

Despite their lower rate of uninsurance, U.S. citizens constituted 66.1% of the uninsured in 2007. A little more than 14% of the uninsured were noncitizen adults and children with green cards, less than 3% were noncitizen children without green cards, and a little more than 16% were noncitizen adults without green cards.

Geographic Disparities

Each county's uninsured rate is driven by its rate of health insurance coverage through employment. Significantly more than 1 in 5 nonelderly residents of Los Angeles County, the San Joaquin Valley, and the rural northern and Sierra counties was uninsured for all or part of the year in 2007. In contrast, fewer than 1 in 7 residents of San Francisco Bay Area and Sacramento Area counties was uninsured because nearly two-thirds had EBI.

The Coverage of California's Working Adults

California's 17.2 million workers, ages 19-64, rely on both the private and public sectors to get their coverage. In 2007, most (10.9 million) were covered through their jobs or through a family member's EBI. The privately purchased (or "non-group" market) covered more than 900,000 adult workers. An additional 840,000 were covered by Medi-Cal. Still, nearly 1 in 5 (18.4%, totaling 3.1 million) of these working adults was uninsured at some point in 2007.

Trends in Insurance Coverage, 2003-2007

Between 2003 and 2007, significant changes occurred in workers' own and dependent EBI, which together covered more than 6 in 10 workers in the state.[2] Own job-based insurance covered 51.1% of California workers in 2003, then dropped slightly but not significantly to 49.4% in 2007. Despite the percentage drop in own EBI, the number of nonelderly workers covered increased from 7.7 million in 2003 to 8.5 million in 2007, as the labor force expanded.

2 When workers participate in their own employer's health plan, we classify this as "employer-based own coverage" and when workers opt to receive coverage from a family member's employer-sponsored plan, we refer to this as "employer-based dependent coverage."

Between 2003 and 2007, own EBI declined for all groups, but workers in the lower-income categories appear to have lost more from what was already a low rate in 2003. Dependent EBI appears to have increased for most income groups, although statistically significant gains were seen for workers only in the top income category and for workers in the 200%-299% FPL category.

Own job-based coverage declined between 2003 and 2007 among adults in the 30-44, 45-54 and 55-64 age categories. Interestingly, dependent coverage increased from 2003 to 2007 for these same groups. So on average, there appears to be a compensatory relationship between own and dependent coverage among workers in these age groups.

This trend was also true for workers who were white; in the larger, less vulnerable citizenship groups; or who had a vocational or college degree or higher. This suggests that workers in the more traditionally advantaged groups are most likely to have family members with "good" (versus "peripheral") jobs that offer coverage and set reasonable prices for the employee share of premiums, making take-up of dependent EBI more affordable.

California witnessed a gradual erosion in own coverage for the smallest firms, those with fewer than 10 employees: from 21.3% in 2003 to 19.5% in 2005 to 17.4% in 2007. In almost a mirror-image offset of the percentage changes, since 2003 there has been an increase in dependent coverage for these firms. A total of 34,000 workers in small firms lost their own job-based coverage between 2003 and 2007 compared to the 20,000 who gained dependent EBI—small numbers but a reflection of the falling number of small firms that offer coverage at all.

Offer, Eligibility, and Take-up of Employment-Based Insurance

In 2007, 84% of employees worked for a firm that offered insurance, 88.9% of those whose employer offered coverage were eligible, and 83.5% of those who were eligible participated in (or took up) their employer's plan. As a result of this sequence of employer and employee decisions, 62.4% of California employees had their coverage through their own employer in 2007.

Offer and eligibility rates were flat between 2003 and 2007, but take-up rates significantly declined from 85.6% in 2003 to 83.5% in 2007. This suggests that California employer decisions on offer and eligibility have not dramatically changed in the 2003-2007 period despite the growth in the labor force.

In 2007, among the 1.9 million California workers who declined their employer's plan, nearly 6 in 10 employees secured EBI from a family member. Another 6.8% of decliners were covered by Medi-Cal and other public coverage, and 4.7% privately purchased a health plan. Yet despite these coverage options, a considerable proportion, 24.5% or nearly half a million employees, were uninsured in 2007 even though they worked for a firm that offered health insurance and were eligible to participate. Workers decline such coverage for a variety of reasons, but the great majority reported that their employer's plan was unaffordable.

California's Self-Employed Adults

In 2007, there were 2,543,000 self-employed adults contributing to California's economy. EBI remained stable between 2003 and 2007 at approximately 43%, though it decreased to a level of 40% in 2005. Privately purchased coverage was constant between 2005 and 2007 but significantly down from 2003. Other coverage sources dropped between 2005 and 2007 but 2007 rates were similar to 2003 rates. The significant decline in privately purchased insurance was the principal driver in the growing ranks of uninsured among California's self-employed adults between 2003 and 2007.

Who Can Afford Privately Purchased Insurance?

The privately purchased or "non-group" insurance market is not just the reservoir for the self-employed. In 2007, nearly 930,000 adult workers (5.4%), both employees and the self-employed, relied on the non-group market for their coverage. For all workers, this market has remained stable since 2003. However, among the self-employed, coverage from the non-group market—the traditional source of insurance for these individuals—has declined since 2003.

In 2007, compared to the uninsured those who purchased in the non-group market tended to be older but to have higher incomes and report being in better health, suggesting a market that better served those who could afford privately purchased insurance than those who needed it. The non-group market was dominated by employees, not the self-employed. And among employees, even those working in larger firms were represented in the non-group market (16.6%). The non-group market also overwhelmingly covers full-time rather than part-time workers. There are indications that the non-group market meets a need of workers in small firms, who typically have poorer coverage rates from the employment-based insurance market. By firm size, the majority (57%) of purchasers in the privately purchased market were workers in the smallest firms.

Children's Insurance Coverage

EBI is still the main source of coverage for children in California. In 2007, more than half (52.2%) of California's children had insurance coverage through a parent's employer for all of the previous year. This is the highest rate since 2001 (55.1%) and a two percentage-point increase over the 2005 rate (50.3%). However, the fact that at the end of a period of strong economic growth children's EBI remained three percentage points below the level in 2001 suggests that it is declining as a source of coverage. The long and deep recession has undoubtedly further weakened this source of coverage for children.

Public programs remained an important source of coverage for low- to moderate-income families. Twenty-nine percent of all California children were enrolled all year in either Medi-Cal or Healthy Families, a rate that has remained relatively unchanged since 2003, although it is substantially greater than the rate in 2001. If proposals to cut back eligibility for these programs or eliminate the Healthy Families program are enacted in California, this safety net for children will be severely undermined.

More than 10% of California's children experienced a lack of coverage for either all or part of 2007, leaving them medically vulnerable. There was a steady decrease in the rate of uninsurance among children between 2001 (14.8%) and 2005 (10.7%), largely attributable to an increase in public coverage. However, there was no significant change between 2005 and 2007. If children lose Medi-Cal and Healthy Families coverage as well as coverage through a parent's EBI, the number and percentage of uninsured children will grow.

Disparities in Employment-Based Insurance Remain

More than half (55.6%) of California children had EBI of some kind at some time during the year, but a considerably lower rate was found among Latino children. Only 40.6% of Latino children had dependent coverage for at least part of the year, compared to 74.5% of white children.

As family income goes up, rates of children's EBI also increase. Although 86.7% of children with household incomes above 400% FPL had dependent coverage, the rate drops to just 9.4% among the poorest children. The decline in EBI seen between 2003 and 2007 was limited to groups of children whose families earned less than 400% FPL.

Public Coverage Fills an Important Gap for Low- to Moderate-Income Children

Most (91.9%) of the children who had Medi-Cal at the time of the CHIS 2007 interview had been covered under Medi-Cal for all of the previous 12 months. Among children enrolled in Healthy Families, 83.6% were enrolled for at least a full year. These numbers suggest that retention efforts, most notably continuous and presumptive eligibility, are working.

Most publicly insured children have parents who are also insured, either through Medi-Cal (48.6%), an employer or the employer of a spouse (25.4%). But 1 in 5 children enrolled in Medi-Cal or Healthy Families has two uninsured parents, a proportion that has remained unchanged since 2003.[3] More than two-thirds of these uninsured parents work full-time or have a full-time working spouse.

Children who are uninsured but who would be eligible for Medi-Cal or Healthy Families if they applied are more than three times more likely to have parents who are uninsured (72.2%) compared to children who are enrolled in Medi-Cal or Healthy Families. Nearly two-thirds of these families have at least one full-time worker.

Expanded eligibility for children alone will not fully address the issue of children's uninsurance. It is a family problem. Comprehensive family-based coverage is needed to increase eligible, uninsured children's participation in public health insurance programs.

Of the 683,000 children who were uninsured at the time of the CHIS interview, more than a quarter (26.4%) were Healthy Families eligible, and almost one-third (30%) were eligible for Medi-Cal. Another 22.7% were eligible for a local Healthy Kids program that did not have sufficient resources to accommodate them. Only 1 in 5 (20.9%) was not eligible for a state health insurance program.

If all uninsured eligible children were enrolled in Medi-Cal or Healthy Families, 385,000 fewer California children would be uninsured. If existing county-based Healthy Kids programs were fully funded to accommodate all eligible children, and these children enrolled, another 155,000 uninsured children would gain coverage.

3 Comparable data were not collected in 2001.

The Consequences of Lacking Health Insurance

The uninsured were much less likely to have a usual source of care than people with employer-based insurance. In 2007, among children who were uninsured all year 38.3% had no usual source of care, compared to 5.8% of children covered all year by EBI. The association of insurance with having a usual source of care is even larger for adults: 55.4% of full-year uninsured adults did not have a usual source of care, compared to 11.5% of adults with EBI.

Medi-Cal and Healthy Families coverage clearly has strong and beneficial effects on increasing the likelihood that Californians covered by these programs have a usual source of care, but may not provide quite as much access to care as private insurance. Among children, 11.4% covered by Medi-Cal or Healthy Families do not have a usual source of care, compared to 5.8% of those with EBI. Among adult Medi-Cal beneficiaries who are not disabled, 26.4% report having no usual source of care, compared to 11.5% of adults with employment-based coverage. Among apparently disabled Medi-Cal beneficiaries, only 6.8% report no usual source of care, a proportion that is lower than among those with EBI but still disturbingly high for people with disabilities.

As with having no usual source of care, there are very large differences between Californians who are uninsured and those with EBI in the proportion that has seen a physician in the past year, and these differences are greater for adults than for children. A total of 33.5% of full-year uninsured children did not see a physician in the previous 12 months, compared to 10.1% of children with EBI. Among adults, the comparable figures were 44.1% and 13.4%.

Californians who were uninsured for a full year also were more likely than those with EBI to report that they delayed getting needed care in the previous year because of cost or lack of insurance—10.9% compared to 4% among children, and 20.3% compared to 14.4% among adults.

In 2005 the proportion of uninsured children that had received a flu shot (22%, uninsured part year; 24.6%, uninsured all of the year) was not much different from the proportion among children with EBI (25.9%) or Medi-Cal (28.5%). By 2007, the proportion of insured children that had received a flu shot increased substantially (33.6%, EBI; 34.8%, Medi-Cal); the proportion of uninsured children receiving a flu shot did not change much, and the disparities by insurance status widened. Adults exhibited the same pattern.

Utilization of preventive services among adults is uniformly lower among the full-year uninsured than among adults with EBI and Medi-Cal beneficiaries. The association between type of insurance and receipt of preventive services is smallest for Pap tests, intermediate for mammograms and largest for colon cancer screenings.

Among all Californians who reported that they felt they needed to see a mental health professional during the previous 12 months, approximately 56% did not see any professional despite the perceived need to do so. More than 50% of uninsured Californians who reported that they needed mental health care also reported that they did not receive it because of the cost of care. Among Californians with public or private insurance the cost of care was a much smaller factor; between 9% and 16% of those with public or private insurance who perceived a need for mental health care did not receive it because of cost.

Medical Debt

More than 2.2 million Californians, or 13% of nonelderly adults,[4] reported having medical debt. Approximately two-thirds of those with debt incurred the debt while insured, and one-third incurred the debt while uninsured. Among those with medical debt, 62.8% had debts less than $2,000; 17% had debts from $2,000-$4,000; 9.4% from $4,000-$8,000; and 8.7%, 200,000 persons in all, had debts above $8,000. Californians with medical debt were much more likely than those without debt to report delays in getting needed medication or health care. Among those with medical debt, 32.3% reported delays in getting needed medical care, compared to 16.1% of those without medical debt.

High-Deductible Plans

Among California adults with EBI all year, 7.2% reported having high-deductible coverage[5] without a health savings account, and 3.5% reported having high-deductible coverage with a health savings account. High-deductible plans, both with and without health savings accounts, are much more common among Californians with privately purchased coverage than among those with employment-based coverage. More than 38% of adults with privately purchased insurance had a high deductible, compared to 10.7% of those with job-based insurance.

Conclusions and Policy Issues

The changes that occurred between 2001 and 2007 in Californians' health insurance coverage were concentrated in the first half of this decade. Although coverage changed little between 2005 and 2007, the volatility of EBI between 2001 and 2007 is cause for concern as California and the nation cope with a deep and prolonged recession. Disparities in coverage related to income have not diminished, and health insurance disparities continue to affect ethnic and racial groups and many counties throughout the state.

Reforms in the employment-based market must be particularly sensitive to the income disparity that prevails and that has probably worsened with a weak economy. Expansions in public coverage can guarantee a safety net for low-income adults, and policy changes in the privately purchased market may improve affordability of this type of coverage.

Policies that aim to expand coverage through privately purchased insurance require significant insurance market reforms. Such reforms should require health plans to accept applicants regardless of medical condition and limit the ability of plans to charge more based on health conditions. Significant subsidies are also needed to make health insurance affordable to low- and moderate-income persons.

California has had some success reducing rates of children's uninsurance, primarily between 2001 and 2005. These gains are largely attributable to an increase in public coverage achieved through outreach campaigns, simplification of enrollment processes, and continuous eligibility. However, policy changes proposed for Medi-Cal and Healthy Families by California elected officials would shred much of this health care safety net for uninsured children just

4 Because of survey administration, these questions were asked only of adults who had their own employment-based insurance, privately purchased coverage, Medi-Cal or were uninsured.

5 A "high-deductible plan" is an insurance plan that has a deductible of $1,000 or higher for single-person coverage, or $2,000 or higher for family coverage.

as the economic downturn has dramatically increased the need for expanded participation in these programs. These policy changes represent a complete reversal of the goals of fairly recent proposals to expand health insurance coverage to all California children, regardless of citizenship or immigration status.

Not having insurance has consequences: It is associated with much lower likelihood of having a usual source of care, lower likelihood of seeing a doctor in the previous 12 months, lower likelihood of receiving preventive health care services, and a higher likelihood of reporting delays in receiving needed medical care. In addition, the uninsured with mental health needs are much more likely than the insured to report that they did not receive treatment because of the cost. For most of these outcome measures, the access barriers created by lack of insurance loom larger for adults than for children. Although there is rightly much concern about low levels of physician participation in Medi-Cal and about barriers in access to care for Medi-Cal beneficiaries, having public coverage appears to be as good or almost as good as having private insurance in providing access to care.

1 Californians' Health Insurance Coverage Before the Great Recession

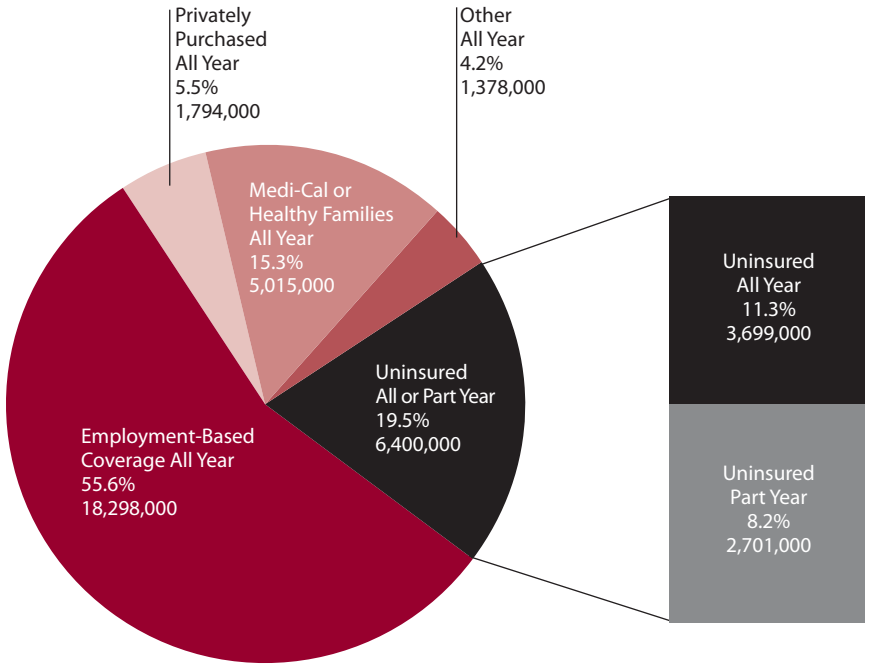
E. Richard Brown, PhD

As California implements policy changes in its public programs and as the state's policy makers and advocates contemplate the implications of national health care reforms, it is instructive to examine health insurance coverage in California just before the state and nation sank into the worst economic recession in decades. The latest data available for California provides a clear picture of the adequacy of health insurance arrangements at the end of the most recent period of economic growth.

An Overview of Nonelderly Californians' Uninsurance and Coverage in 2007

In California 6.4 million people—1 in 5 nonelderly adults and children—were uninsured for all or some of 2007 (Exhibit 1), just before the nation's economy began its decline.[6] Nearly 3.7 million of them were without coverage the entire year. Well into the great recession, these numbers undoubtedly have grown.

Exhibit 1.
Health Insurance Coverage During Last 12 Months Among Nonelderly Persons, Ages 0-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

Source: 2007 California Health Interview Survey

6 The estimates for 2007 that are shown in Exhibit 1 are generated from the full sample, which includes an added sample of persons from households that have only a cell phone, a sampling methodology not available in earlier surveys. See appendix for more information about the CHIS 2007 sampling methods.

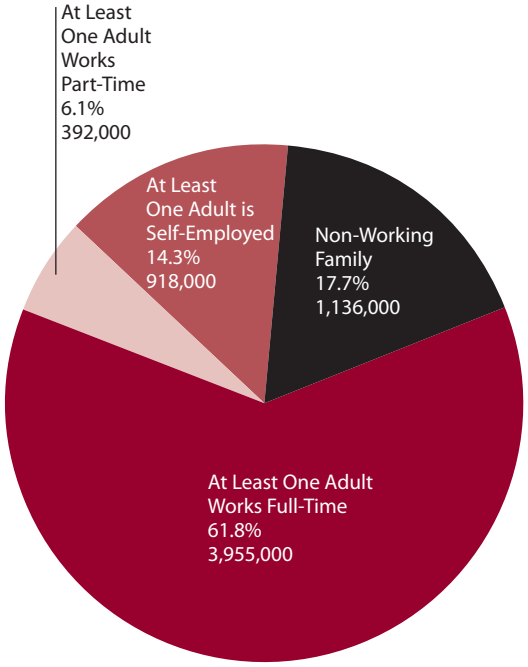
More than 55% of the nonelderly population was covered by employment-based insurance—the foundation of health insurance coverage for the nonelderly—throughout 2007. An additional 15.3% was enrolled in Medi-Cal (California's Medicaid program) or Healthy Families (California's State Children's Health Insurance Program) for all of 2007 (Exhibit 1).

Health insurance purchased privately through the individual insurance market, as distinguished from group coverage obtained through employment, covered about 5% of the nonelderly population. Other types of public coverage and combinations of different types of insurance protected 4.2%.

The Uninsured Are Overwhelmingly a Working Population

Eight in 10 of the uninsured are in working families. Among the 6.4 million Californians who were uninsured all or part of the year in 2007, 61.8% were in families in which at least one adult worked full-time as an employee (Exhibit 2). An additional 6.1% were in families headed by part-time employees, and 14.3% were in families headed by self-employed adults. Fewer than 1 in 5 lived in nonworking families: those in which all adults were either unemployed or not in the workforce at all at the time of their CHIS 2007 interview.

Exhibit 2.
Family Work Status Among Nonelderly Persons Uninsured All or Part of the Last 12 Months, Ages 0-64, California, 2007



Note: Numbers may not add up to 100% because of rounding.

Source: 2007 California Health Interview Survey

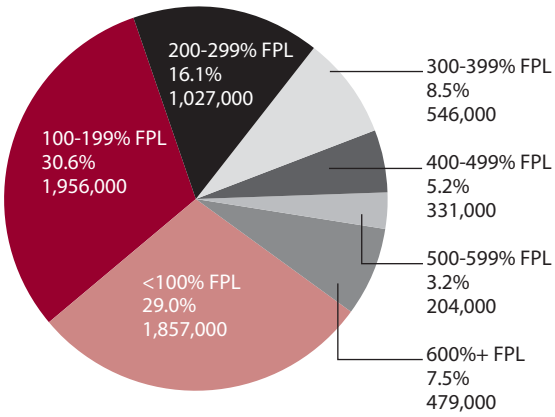
Uninsured workers are overwhelmingly employed full time: 87.1% worked full-time in 2007. More than a third (37.7%) are young adults ages 19-29, an equal share are ages 30-44 and a quarter are ages 45-64. Nearly 9 in 10 uninsured workers in each of these age groups worked full time. Yet, in spite of this high rate of full-time employment, the uninsured are far from being an affluent population.

The Uninsured Are Mainly Low- and Moderate-Income People

Three-fourths of the uninsured have low to moderate incomes, underscoring the need for subsidies to make health insurance affordable for those who lack coverage. Among nonelderly Californians who were uninsured all or part of the year in 2007, 29% had family incomes below the Federal Poverty Level (FPL) ($10,787 per year for an individual and $16,530 for a family of three), an additional 30.6% had incomes just above that level and 16.1% had moderate incomes (that is, between two and three times the poverty level; Exhibit 3). Taken together, 8 in 10 of the uninsured had family incomes below 300% FPL (81%), compared to 46.9% of the general population (data not shown). However, 1 in 9 of the uninsured had incomes at least five times the poverty level ($82,650 or more for a family of three).

The FPL is a measure of poverty that is set nationally and updated annually, using a metric related to the cost of food that was developed four decades ago.[7]

Exhibit 3.
Household Income as Percent of the Federal Poverty Level Among Nonelderly Persons Uninsured All or Part Year, Ages 0-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

The 2007 Federal Poverty Level was $10,787 for one person, $13,954 for a two-person family and $16,530 for a three-person family.

Source: 2007 California Health Interview Survey

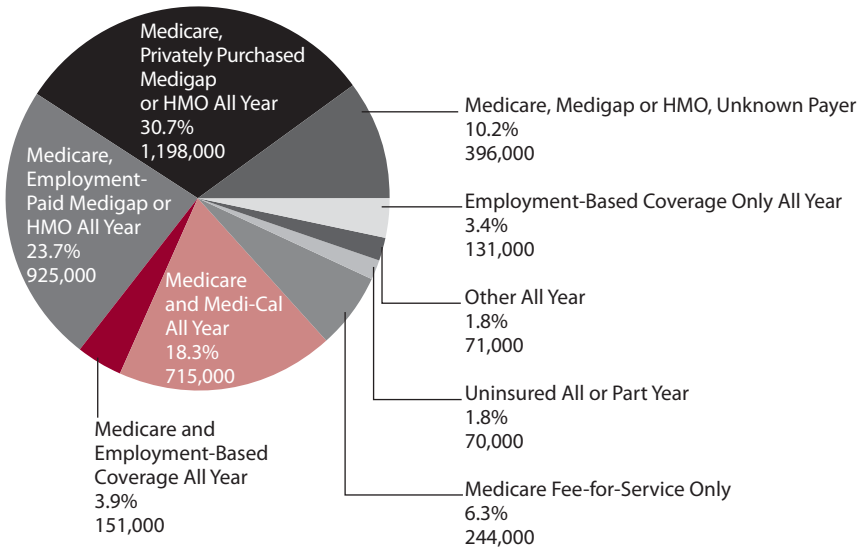
7 The Federal Poverty Level (FPL) is a standardized yet somewhat arbitrary measure used by the U.S. Census Bureau to estimate the number of persons who live at a basic economic level. It is determined by taking an estimate of the national average cost of a subsistence-level diet and multiplying that number by three, assuming that food costs constitute about one-third of a family budget (an assumption that was probably more accurate in the 1960s when it was developed than it is today). The FPL is a composite of family income and family size. The 2007 FPL was $10,787 for one person under age 65, $13,954 for a two-person family, $16,530 for a three-person family and $21,203 for a family of four.

Using a methodology developed by the UCLA Center for Health Policy Research to take better account of variations in actual household expenditures,[8] we adjusted the FPL by the relative cost of housing in each county in California. When taking account of the county-level relative cost of housing, the proportion of uninsured Californians below twice this adjusted poverty level is 73% (compared to 60% below twice the official FPL), and the proportion at least five times the adjusted poverty level is only 5% (compared to 11% using the official FPL). Whatever relative income standard one uses, the great majority of uninsured Californians have incomes that leave health insurance coverage out of reach.

An Overview of Elderly Californians' Coverage in 2007

Reflecting Medicare's virtually universal eligibility among adults ages 65 and older, less than 2% of the elderly lacked health insurance coverage for even part of the year—a rate that is comparable to other countries' coverage of their populations of all ages. In 2007, two-thirds of the elderly were covered by Medicare and some form of private insurance: either comprehensive coverage through health maintenance organizations called Medicare Advantage plans or supplemental health plans (Exhibit 4). An additional 18.3% were covered all year by Medicare plus Medi-Cal, a population frequently called "dual eligibles."

Exhibit 4.
Health Insurance Coverage During Last 12 Months Among Elderly Persons, Ages 65 and Older, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

"Medicare and Medi-Cal All Year" includes 98,000 individuals who also have employer-paid coverage.

Source: 2007 California Health Interview Survey

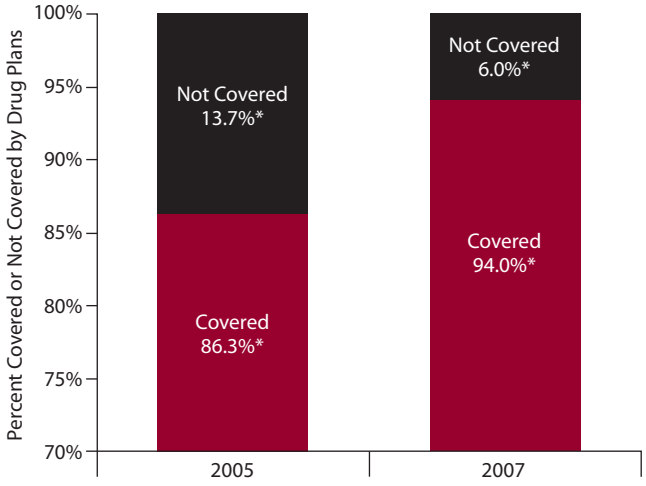
8 Wallace SP and Molina LC, *Federal Poverty Guideline Underestimates Costs of Living for Older Persons in California*, Los Angeles: UCLA Center for Health Policy Research, February 2008.

Just 6.3% had only Medicare coverage, which would leave them exposed to potentially significant financial costs for services not adequately covered by Medicare, such as deductibles and coinsurance, plus services not covered at all, such as dental care.

It is noteworthy that 1 in 3 persons ages 65 and older depended on employment for part of his or her coverage or even all coverage throughout the year. This reflects the high proportion of the older population that continues to work as well as the shrinking proportion of persons with retiree benefits. Among the 10% of Californians ages 65 and older who work full-time, nearly half report having either Medicare plus some type of employer-paid insurance or only employment-based insurance (data not shown). And many Californians in this age group who do not work full time nevertheless have a spouse who does; nearly 60% of those with an employed spouse receive some or all of their coverage through their spouse's employment.

In 2007, only 6% of persons ages 65 and older did not have coverage for prescription drugs, less than half the percentage without drug coverage in 2005 (Exhibit 5). This improvement is undoubtedly the direct result of the implementation of Medicare Part D, the recently enacted prescription drug plan, a reform that enabled 300,000 elderly Californians to obtain coverage for their prescription medications. More than half (54.3%) of elderly Californians obtain their health care coverage through Medicare Advantage plans and other HMOs (data not shown), which cover a larger share of the over-65 population in this state than nationally.

Exhibit 5.
Coverage for Prescription Drugs by Year Among Elderly Persons, Ages 65 and Older, California, 2005 and 2007



Note: Numbers may not add up to 100% because of rounding.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2005 and 2007 California Health Interview Surveys

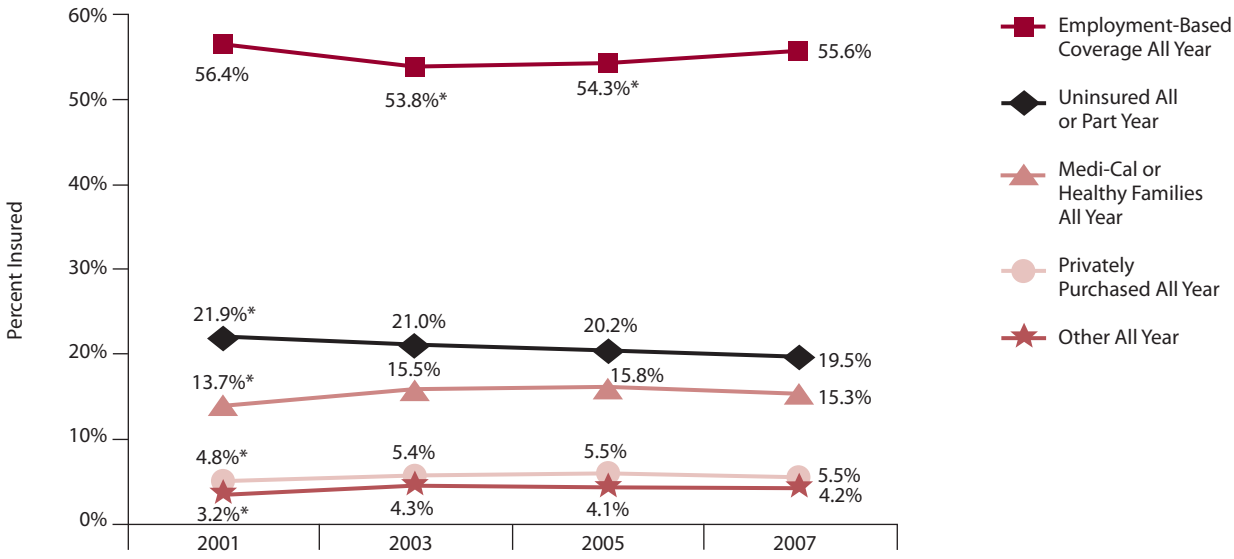
Trends in Coverage for Nonelderly Californians

The percent of nonelderly Californians overall who have been uninsured all or part of the year trended downward between 2001 and 2007,[9] a result of shifts in sources of coverage (see Exhibit 6).

Employment-based health insurance fell between 2001 and 2003 as the economy declined and unemployment increased. Job-based insurance gradually recovered, along with the economy, through 2007, following a pattern that is different from estimates of coverage at the national level.[10] Most of these changes have been modest, but the changes in the early period (between 2001 and 2003) and in the latter period (between 2005 and 2007) were statistically significant. However, the 2007 rate of 55.6% remained nearly a percentage point below the 2001 rate. The improvements through 2007 will almost certainly be reversed by the current long and deep recession.

Coverage through California's public programs, Medi-Cal and Healthy Families, expanded between 2001 and 2003, accounting for the slight decline in uninsurance during that period even as Californians lost employment-based coverage. This California trend tracked closely with national trends. Between 2003 and 2007, the proportion of the nonelderly

Exhibit 6.
Health Insurance Coverage During Last 12 Months Among Nonelderly Persons, Ages 0-64, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

9 As noted earlier, the estimates for 2007 include a subsample of persons from households that have only a cell phone, a sampling methodology not used in CHIS 2001 through CHIS 2005, all of which relied exclusively on random-digit dial (RDD) survey sampling. The authors have compared estimates from the full sample with estimates that use only the RDD sample data, and mention in the narrative where including the cell phone sample in 2007 may have affected the results. See appendix for more information about the CHIS 2007 sampling methods.

10 The health insurance trend reflected in CHIS data for this period is similar to the trend in California measured by the Current Population Survey (CPS). Based on our analysis of CPS data, employment-based insurance coverage in California rose by one percentage point between 2005 and 2007, despite declining slightly at the national level.

population enrolled in these public programs held steady, thus contributing to the reduction in the uninsured rate during this period as employment-based coverage improved.

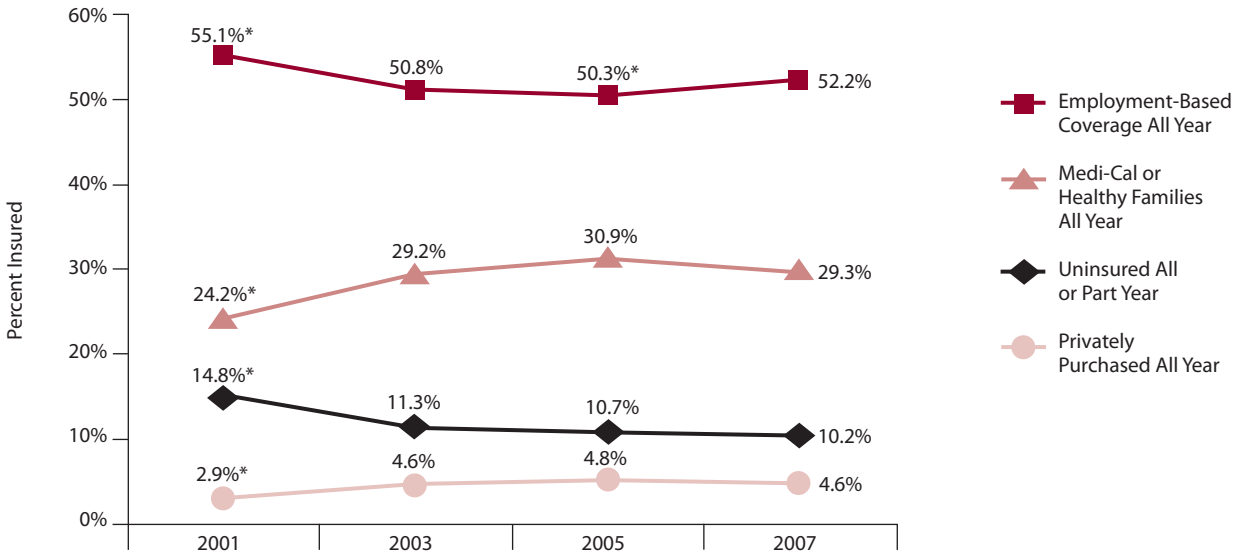
The proportion of the nonelderly population that has privately purchased health insurance through the individual insurance market has remained small and relatively unchanged, particularly since 2003 (Exhibit 6). Other types of public coverage (including military-based insurance) and combinations of different types of coverage throughout the year have also, as a group, remained flat during this period.

Changes in Children's Coverage

In 2007, 10.2% of children were uninsured all or part of the year (Exhibit 7). The uninsured rate for children declined dramatically between 2001 and 2003 and continued on a slow, but not significant, downward trend through 2007.

More than half of children (52.2%) received coverage through a parent's employer in 2007, a statistically significant increase over 2005. Children's employment-based insurance coverage fell between 2001 and 2003, mainly because of the recession. It has

Exhibit 7.
Health Insurance Coverage During Last 12 Months Among Children, Ages 0-18, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

remained fairly steady since then, rising slightly (but not significantly) in 2007 with the strengthening economy. The economic downturn in 2008 is likely to reduce children's coverage through their parents' employment, contributing to an increase in children's uninsurance unless the Medi-Cal and Healthy Families programs offset the declines in other coverage.

Nearly 3 in 10 California children are enrolled throughout the year in Medi-Cal or Healthy Families, a health insurance safety net intended to protect low-income children, although the eligibility criteria leave many unable to qualify. California has adopted modestly generous income eligibility rules for children in Medi-Cal and Healthy Families. California includes moderate-income children in these programs to a greater extent than most states, but a dozen states have more generous income eligibility than California's.[11] California also has limited programs such as Aid to Infants and Mothers and California Children's Services to fill in some of the health insurance gaps left by the Medi-Cal and Healthy Families eligibility rules.

Children's coverage in Medi-Cal and Healthy Families rose sharply between 2001 and 2003 because of changes in eligibility processes that were designed to enroll and retain children who otherwise would have been uninsured.

The privately purchased insurance market for children rose by 50% from 2001 to 2007, from 2.9% to 4.6%. This increase also helped to offset the reduction in job-based coverage, keeping the uninsurance rate low.

Changes in Nonelderly Adults' Coverage

The proportion of uninsured adults is more than twice as high as the uninsured rate for children. In 2007, 23.9% of nonelderly adults were uninsured all or part of the year (Exhibit 8), down slightly from the stable rate that prevailed between 2001 and 2005.

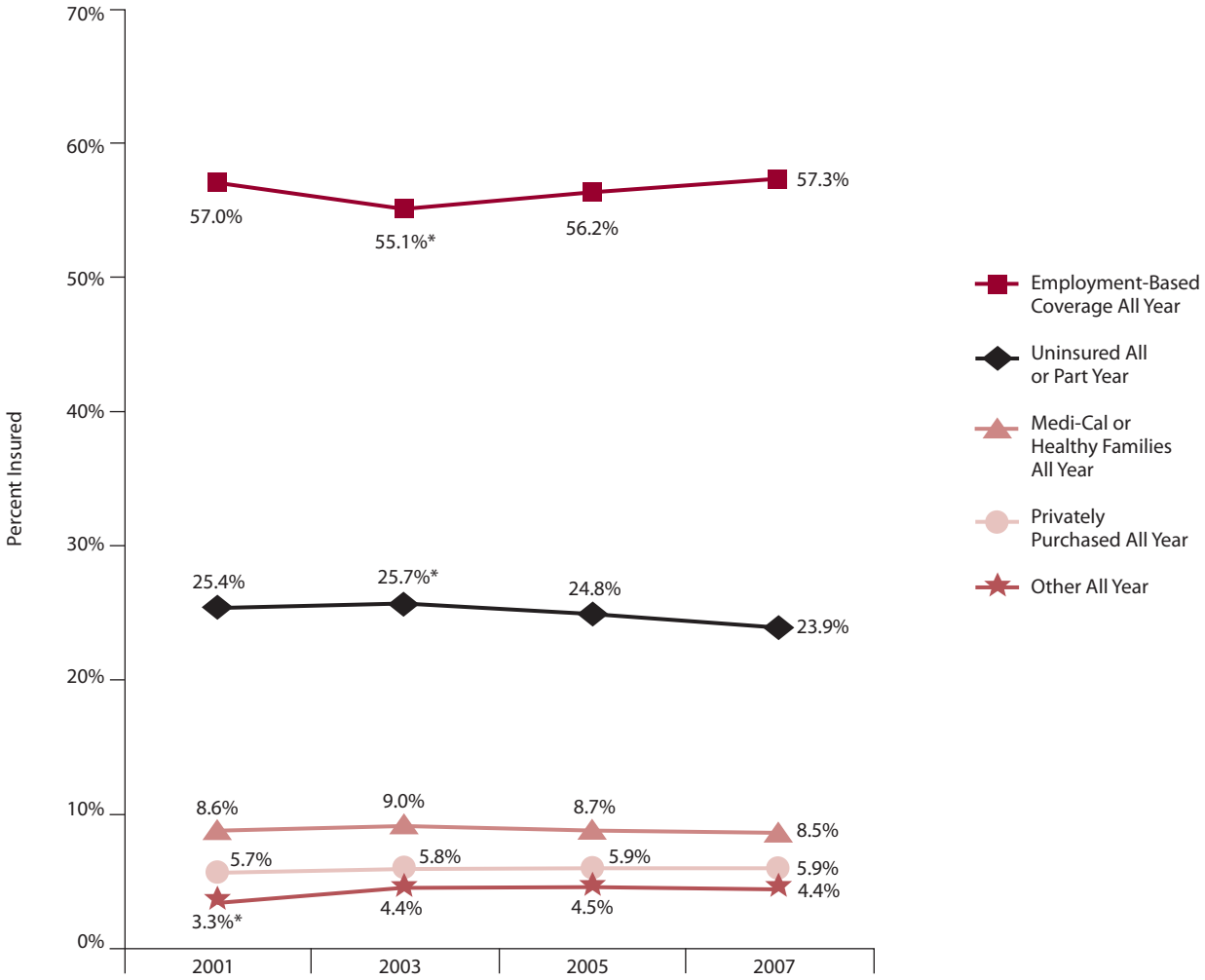
This slight decline in adults' uninsurance in 2007 was driven by a very slight increase in employment-based insurance, which covered 57.3% throughout the year, about one percentage point higher than in 2005. Thus, adults' employment-based insurance coverage recovered to essentially the same level as in 2001. As noted above, though, this trend will almost certainly be reversed by the rapid economic contraction and higher unemployment that hit California and the nation beginning in 2008.

Adults' Medi-Cal coverage remained flat from 2003 to 2007, insuring only 9% of nonelderly adults. Privately purchased coverage through the individual health insurance market covered less than 6% of nonelderly adults throughout the year.

11 Connecticut, the District of Columbia, Hawaii, Massachusetts, Maryland, Minnesota, Missouri, New Hampshire, New Jersey, Pennsylvania, Vermont, and Wisconsin all have adopted and implemented income eligibility for their Medicaid and/or SCHIP programs that exceed California's level of 250% of the federal poverty level. See Kaiser Family Foundation's statehealthfacts.org website.

Exhibit 8.

Health Insurance Coverage During Last 12 Months Among Adults, Ages 19-64, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

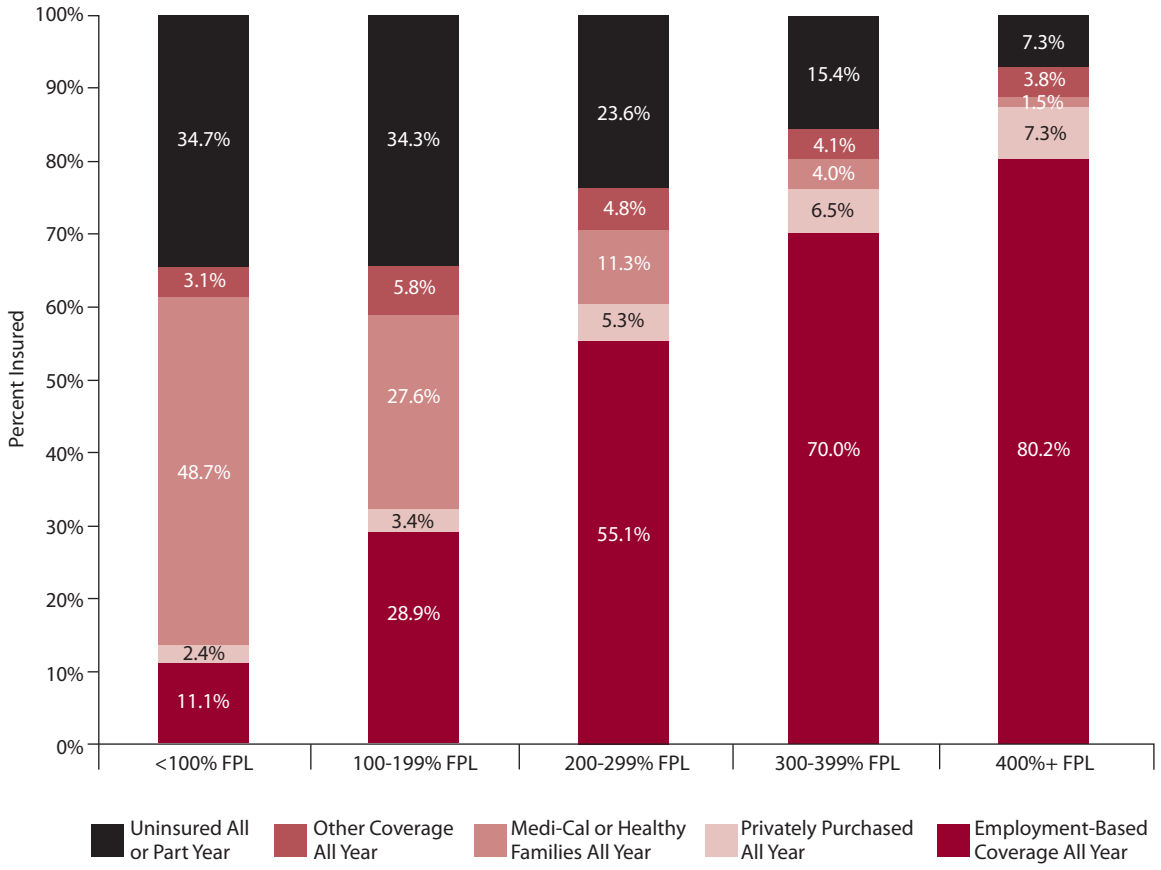
The Powerful Effect of Income on Health Insurance Coverage

The large proportion of the uninsured with low or moderate incomes (Exhibit 3) is the result of the high rates of uninsurance among these income groups. The main determinant of whether nonelderly persons have coverage is their access to affordable health insurance through their own or a family member's employment, and employment-based insurance coverage rates are directly related to income.

Only 11.1% of the 5.3 million nonelderly persons below the official FPL had employment-based insurance all year, a rate that has fluctuated only slightly over recent years. In 2007, employment-based insurance covered 28.9% of persons just above poverty, 55.1% of those between 200% and 300% of the poverty level and 70% or more of those above that income level (see Exhibit 9).

Employment-based coverage rates for each income group have remained remarkably stable between 2003 (data not shown), when unemployment in California had reached 6.8% during the depths of that recession, and 2007, when unemployment was one-fifth lower at 5.4%. The fact that employment-based health insurance did not increase significantly

Exhibit 9.
Health Insurance Coverage by Household Income as Percent of the Federal Poverty Level Among Nonelderly Persons, Ages 0-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

The 2007 Federal Poverty Level was $10,787 for one person, $13,954 for a two-person family and $16,530 for a three-person family.

Source: 2007 California Health Interview Survey

for any income group during this period suggests the effects of rising unaffordability, which may have reduced the tendency for economic growth to expand this source of coverage.

Health insurance coverage rates for working families have been relatively unchanged in this decade. Among nonelderly persons in full-time employee families, two-thirds had coverage via employment throughout the year in 2007, compared to less than one-third in families headed by a self-employed person. Among the 3 million adults and children in self-employed families, 21.1% had coverage obtained through the individual market, nearly 10 times the rate for persons in full-time employee families and about twice the percent of those in families with only a part-time employee (data not shown).

Health insurance purchased privately through the individual market covered about 7% of more affluent adults and children and a smaller share of low- and moderate-income persons; these rates did not change during this decade.

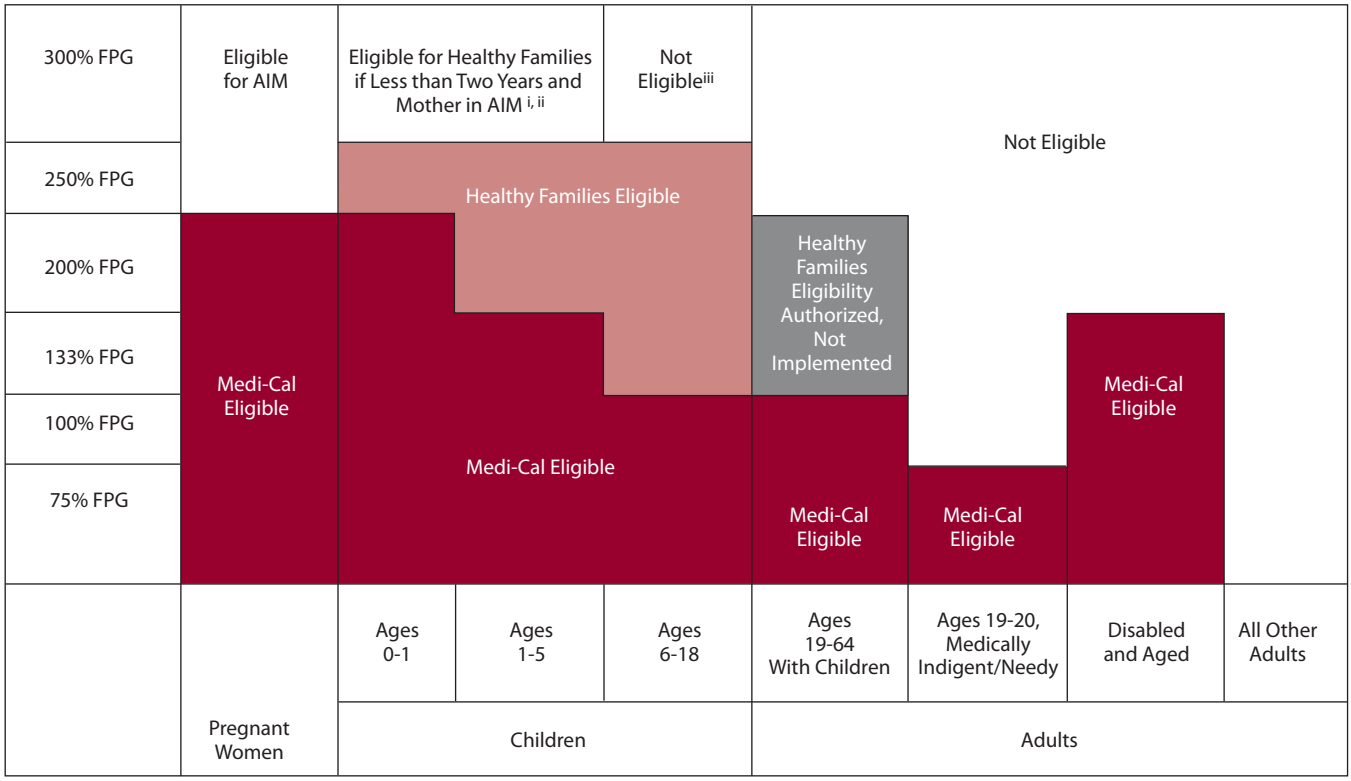
Medi-Cal and Healthy Families provide a safety net for much of the low-income population. In 2007 these two programs covered 2.6 million very-low-income children throughout the year, including 72.8% of children living below the poverty level (up from 67% in 2003) and 47% of children with family incomes between 100% and 199% of the FPL (up three percentage points since 2003).

Although much less generous toward nonelderly adults, Medi-Cal nevertheless covered more than 1.9 million adults under age 65 throughout the year in 2007, along with about a third of those living below poverty and 16% of the near-poor (100% to 199% of the poverty level). Medi-Cal covers a small percent of nonelderly adults above that income level, mainly those who qualify as disabled and have very high medical expenses. The cutbacks being proposed for Healthy Families and Medi-Cal will reverse many of the gains made by these programs.

The combination of employment-based insurance and coverage through Medi-Cal and Healthy Families drives the differing uninsurance rates across income groups. In 2007, 34.7% of persons below the FPL were uninsured for all or part of the year (two-thirds of them were uninsured the entire year). Although adults and children living in poverty have little financial access to employment-based insurance, Medi-Cal protects about one-third of poor adults and nearly three-fourths of poor children. As a result of these differences in Medi-Cal coverage, 48.3% of adults living in poverty were uninsured in 2007, compared to 15.4% of poor children.

Medi-Cal and Healthy Families programs thus protect many very-low-income persons, but they form an incomplete safety net even for the poor (Exhibit 10). Both are state-administered programs that receive federal matching funds and operate under strict federal guidelines. To be eligible for Medi-Cal, adults under age 65 must (1) have very low incomes (in most cases, below the FPL), (2) have very few financial assets and (3) be either disabled or in a family with dependent children. Medi-Cal covers pregnant women more generously to encourage them to begin prenatal care in their first trimester, enhancing their prospects for a healthy birth outcome.

Exhibit 10.
Medi-Cal, Healthy Families and AIM Income Eligibility as Percent of Federal Poverty Guidelines (FPG), California, 2007



Notes: FPG = Federal Poverty Guidelines, which are used to administer federal means-tested programs and are similar but not identical to the Federal Poverty Levels.

[i] Pregnant women with household incomes up to 300% FPG are, however, eligible for the Access for Infants and Mothers program (AIM).

[ii] Children up to 2 years old with household incomes under 300% FPG and mothers in the AIM program are automatically enrolled in the Healthy Families program.

[iii] In 2007, 22 counties (including county regions) had county-based public-private partnership programs (most often called "Healthy Kids") that insured children through age 18 up to 300% FPG, regardless of immigration status.[12]

Medi-Cal = "full scope" Medi-Cal only, excluding eligibility for the share-of-cost program.

12 California Children's Health Initiatives Current CHI Enrollment as of October 2008. Accessed at *http://www.cchi4kids.org/data.php*

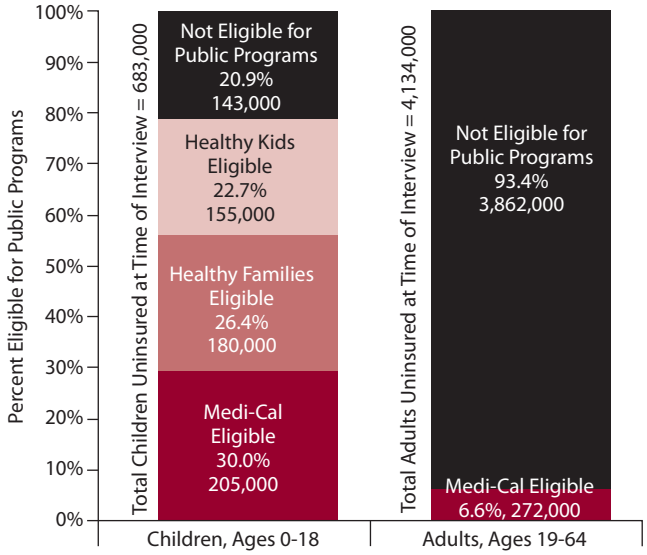
The tight eligibility rules for most adults are in contrast to the more generous policies for children, who are eligible for Medi-Cal at somewhat higher income levels (e.g., infants up to 200% of FPL, children through age 5 up to 133% of FPL, etc.). The Healthy Families program, established a decade ago, covers children only above the Medi-Cal income eligibility level, up to 250% of the FPL.

More than half of the 683,000 children who were uninsured at the time of the survey were eligible for Medi-Cal or the Healthy Families program (56.4%; Exhibit 11). An additional 22.7% were eligible for their county's Healthy Kids program, although most of these public-private partnerships have closed enrollment because of a lack of sustainable funding. One in 5 uninsured children was ineligible for any public program, either because the child's family income was too high or because of the child's immigration status.

Facing entirely different eligibility rules, nearly all uninsured adults have no health insurance safety net. Only 6.6% of the 4.1 million adults who were uninsured at the time they were interviewed were eligible for Medi-Cal, leaving nearly 3.9 million uninsured adults without any public coverage option. Three-fourths of these ineligible adults either have financial resources that exceed the very low level allowed by Medi-Cal or do not meet the "categorical" requirements for Medi-Cal eligibility. Unless nonelderly adults have dependent children or are disabled, they are not eligible for Medi-Cal, regardless of their income or need. The remaining one-fourth of ineligible uninsured adults is not eligible because of immigration status (data not shown).

Together, more than 8 in 10 uninsured adults and children in California are not eligible for any of the major public coverage options.

Exhibit 11.
Eligibility of Currently Uninsured Children and Adults for Public Insurance Programs, Ages 0-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

Eligibility for Healthy Kids programs is determined by meeting the eligibility criteria, and disregards whether there is room in the program to accept new enrollees.

Source: 2007 California Health Interview Survey

Racial and Ethnic Health Disparities Pervade Health Insurance Coverage

Health insurance coverage reflects the nation's social and economic disparities by race and ethnicity. Among nonelderly whites, 12.4% were uninsured for all or some of the year in 2007, the lowest uninsured rate among all race/ethnic groups and little changed since 2001 (Exhibit 12). Two-thirds of nonelderly whites (68.1%) were covered by employment-based insurance throughout the year, the highest rate among all race/ethnic groups. Only a little more than 6% were enrolled in Medi-Cal or Healthy Families, whereas about 8% had privately purchased health insurance (data not shown).

African Americans had a higher rate of uninsurance than whites (17.2% in 2007); the rate was relatively unchanged since 2003 but well above their uninsured rate of 14% in 2001 (Exhibit 12). This increased rate of uninsurance from 2001 to 2007 resulted from African Americans losing employment-based coverage during that period (down from 55.1% to 48.6% in 2007) while not significantly increasing their Medi-Cal or Healthy Families coverage above the level of 1 in 4 in 2001.

The ethnic group with the highest uninsured rate is Latinos, 28.6% of whom were uninsured in 2007, though this reflects a downward trend since 2001 (Exhibit 12). The improvement in Latinos' coverage was the product of a slight uptick in employment-based insurance coverage—from a low of 38.4% in 2001 to 40.8% in 2007—while enrollment in Medi-Cal and the Healthy Families programs remained fairly constant at approximately 1 in 4 nonelderly Latinos.

Among Latino ethnic groups, Salvadorans, Guatemalans and other Central Americans had even higher rates of uninsurance: More than 1 in 3 was uninsured all or some of the year in 2007 (data on Asian ethnic groups not shown). Their high uninsured rates were the result of very low rates of coverage through employment: 26.5% for Guatemalans, 31.3% for Salvadorans and 40.8% for other Central Americans. Mexican Americans' coverage rates reflected the overall Latino averages because they account for three-fourths of all nonelderly Latinos in California.

Asians, Native Hawaiians and Pacific Islanders showed gains in employment-based insurance coverage, from 60.7% in 2001 to 63.2% in 2007. The increase in that source of coverage drove down their rate of uninsurance to 16.8% even as coverage from Medi-Cal and Healthy Families declined slightly in response to expanding coverage through employment (Exhibit 12).

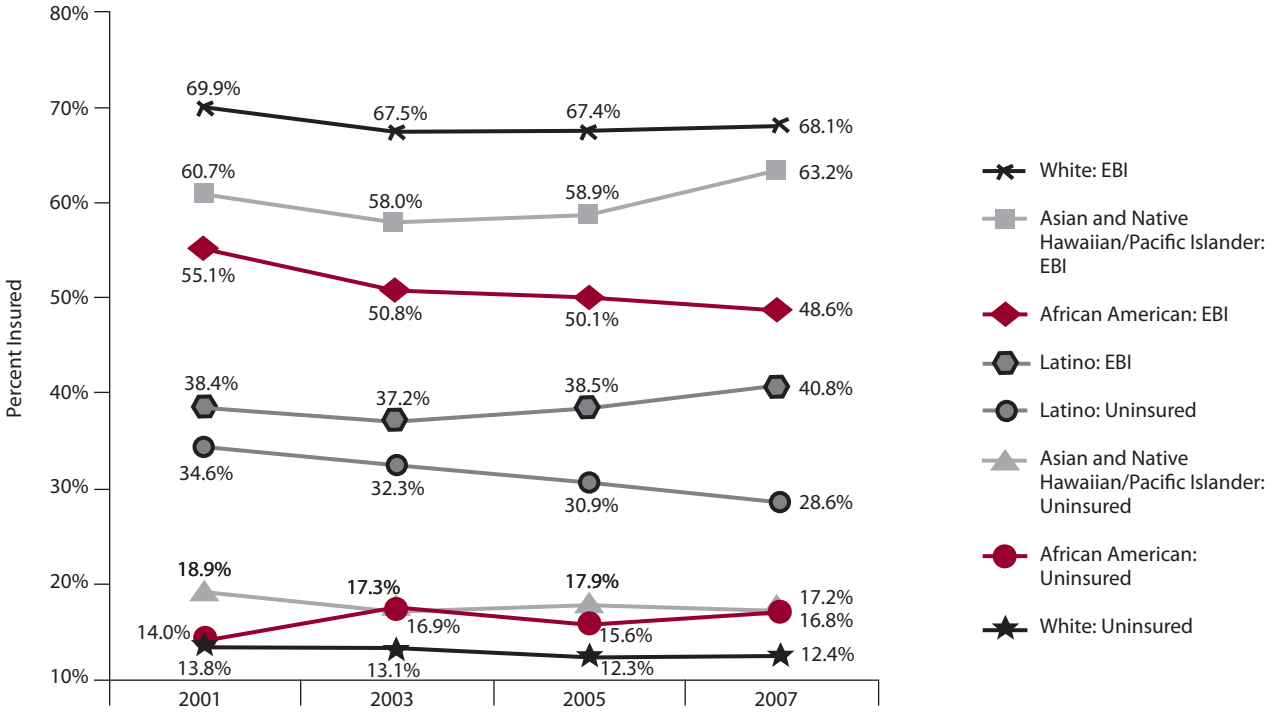
However, Asian ethnic groups' insurance coverage is heterogeneous, reflecting the particular social and economic circumstances of each group. Chinese Americans, on average, increased coverage through privately purchased health insurance: This drove their uninsured rate down by three percentage points, to 14% uninsured all or part of the year in 2007 (data on Asian ethnic groups not shown). Filipino Americans increased their coverage through employment and privately purchased insurance, also driving down their uninsured rate—from 16% in 2001 to 12.1% in 2007. Japanese Americans made slight gains in employment-based and privately purchased insurance, reducing their already low uninsured rate from 10.8% in 2001 to 7.9% in 2007.

Two Asian ethnic groups have very different patterns of coverage. Vietnamese Americans experienced a slight increase in uninsurance, from 20.7% in 2001 to 22.1% in 2007. This was due to a sharp drop in Medi-Cal and Healthy Families coverage (from 28.8% in 2001 to 22.9% in 2007), only partially

13 Beginning with CHIS 2007, the UCLA Center for Health Policy Research has changed the way we classify race and ethnicity. We now use the standard race and ethnic classification adopted by the federal Office of Management and Budget.

Exhibit 12.

Rates of Uninsurance and Employment-Based Health Insurance During Last 12 Months by Race/Ethnicity Among Nonelderly Persons, Ages 0-64, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

EBI = Employment-Based Insurance

Differences in rates are not statistically significant at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

offset by an increase in employment-based insurance (from 43.7% in 2001 to 46.7% in 2007) and a slight increase in other combinations of coverage.

Korean Americans also showed gains in employment-based coverage (from 39.2% in 2001 to 45.7% in 2007) and privately purchased insurance (which rose 2.5 percentage points to 8.5% in 2007). Increases in these sources of coverage pushed Koreans' uninsured rate down from 40.4% in 2001 to 35% in 2007, although this remains the highest uninsured rate among all Asian ethnic groups.

American Indians' health insurance coverage changed little during this period. In 2007, about 47% had employment-based insurance all year (a rate just below that for African Americans), an additional 1 in 4 was covered by Medi-Cal or Healthy Families and 18.2% were left without any coverage for all or part of the year (data not shown because of small sample sizes and wide confidence intervals). Most American Indians in California do not have access to health care through the Indian Health Service (IHS), which serves members of federally recognized tribes through facilities on their tribal land. There is only one American Indian health clinic serving Los Angeles County, which has the largest concentration of American Indians in the United States.

Among all these race and ethnic groups, health insurance coverage patterns reflect broader social and economic conditions. For example, when controlling for income, the ethnic and racial differences in coverage are dramatically reduced. Among nonelderly adults and children with family incomes below 200% of the FPL, 23.9% of whites had employment-based insurance all year, as did 18.8% of Latinos, 16.4% of African Americans, and 26.2% of Asians and Native Hawaiians and Pacific Islanders. Among the nonelderly with family incomes four or more times the poverty level, there were virtually no differences in rates of employment-based coverage: 80.3% for whites, 79.4% for Latinos, 77.5% for African Americans and 81.9% for Asians and Native Hawaiians and Pacific Islanders. Thus, most of the racial/ethnic differences in health insurance coverage are due to disparities in income, although public policies also facilitate or create barriers to coverage through the Medi-Cal and Healthy Families programs.

Citizenship and Immigration Status Dramatically Affect Health Insurance Coverage

Not surprisingly, U.S. citizens have the lowest rate of uninsurance. Among California's 18.2 million U.S.-born and naturalized nonelderly adult citizens, 18.5% were uninsured for all or some of the year in 2007, and 62.8% had employment-based insurance (Exhibit 13). In contrast, the uninsured rate among the 2.2 million noncitizen adults with green cards was twice as high (39.9%) and nearly equal to their rate of employment-based insurance (41.4%). The state's 1.8 million noncitizens without green cards are even more disadvantaged: 57.9% were uninsured all or part of 2007, and just 22.4% had employment-based insurance all year.

Neither Medi-Cal nor Healthy Families provides full-scope coverage to undocumented or "illegal" immigrants; in CHIS these individuals are generally classified as "noncitizens without green cards." The federal government contributes its share of cost for emergency medical care (mainly, hospital care) only if a person is in a Medicaid-eligible category (children, pregnant women, those in families with dependent children, or persons who are elderly or disabled) and meets other income and residency requirements except for immigration status rules. But Medicaid emergency services cover only conditions for which not receiving immediate medical care would cause serious harm to the patient's health. Medi-Cal does cover all pregnant women regardless of their documentation status if they meet other requirements related to financial resources, with some federal funding under the "unborn child" optional benefit.

Children's health insurance coverage is, like adults', affected by their own citizenship, but is not affected by their parents' immigration status. Among children who are citizens and whose parents are also citizens, only 7.9% were uninsured in 2007 (Exhibit 14), a rate not statistically different from that of citizen children with noncitizen parents (including parents who have green cards and those without them).

Among citizen children with citizen parents, 61.6% had employment-based insurance all year and only 21.7% relied on Medi-Cal or Healthy Families. But among citizen children with parents who have a green card, 38.4% had employment-based insurance all year and 40.8% relied on Medi-Cal or Healthy Families. And among citizen children with parents who have no green card, only 11.2% had employment-based

Exhibit 13.

Citizenship and Immigration Status by Health Insurance Coverage During Last 12 Months Among Adults, Ages 19-64, California, 2007

	Insurance Status					
Own Citizenship Status	**Uninsured All or Part Year**	**Employment-Based Coverage All Year**	**Medi-Cal or Healthy Families All Year**	**Privately Purchased All Year**	**Other All Year**	**Total**
U.S. Citizen	18.5	62.8	7.4	6.5	4.8	100%
Noncitizen With a Green Card	39.9	41.4	12.3	3.7	2.8	100%
Noncitizen Without a Green Card	57.9	22.4	14.9	2.5	2.3	100%

Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

Source: 2007 California Health Interview Survey

Exhibit 14.

Family Citizenship and Immigration Status by Health Insurance Coverage During Last 12 Months Among Children, Ages 0-18, California, 2007

	Insurance Status					
Family Citizenship Status	**Uninsured All or Part Year**	**Employment-Based Coverage All Year**	**Medi-Cal or Healthy Families All Year**	**Privately Purchased All Year**	**Other All Year**	**Total**
Child and Parents Citizens	7.9	61.6	21.7	5.1	3.8	100%
Child Citizen and Parent Noncitizen With a Green Card	13.0	38.4	40.8	3.6	4.3	100%
Child Citizen and Parent Noncitizen Without a Green Card	8.4	11.2	76.2	***	3.6	100%
Child Noncitizen	37.4	16.3	37.5	5.4	3.4	100%

Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

***Data unstable because of coefficient of variation greater than 30%.

Source: 2007 California Health Interview Survey

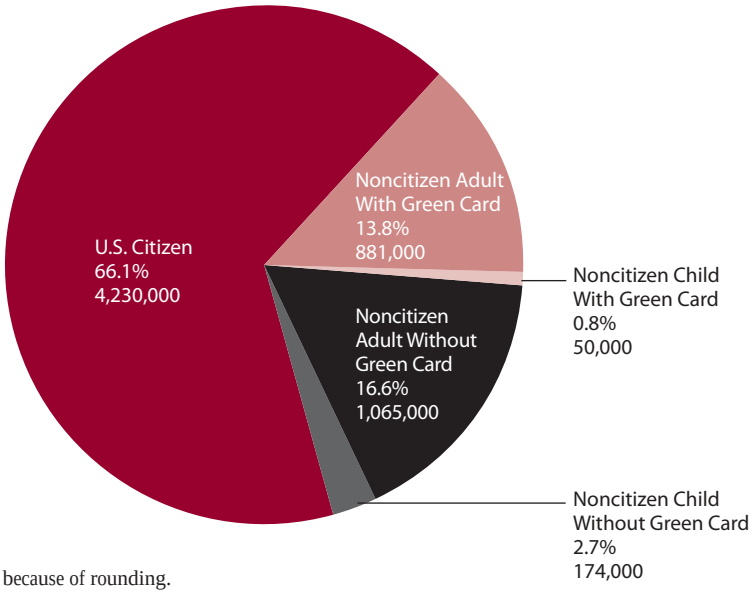
coverage and 76.2% depended on Medi-Cal or Healthy Families. Although noncitizen children had slightly higher rates of employment-based coverage, they were less likely to be enrolled in Medi-Cal or Healthy Families and far more likely to be uninsured.

Despite their low rate of uninsurance, 66.1% of the uninsured were U.S. citizens in 2007, reflecting their very large share of the state's population. A little more than 14% were noncitizen adults and children with green cards, less than 3% were noncitizen children without green cards and a little more than 16% were noncitizen adults without green cards (Exhibit 15).

Geographic Areas of State Differ in Uninsured Rates

Each county's uninsured rate is driven by its corresponding rate of health insurance coverage through employment. At least 22% of nonelderly residents of Los Angeles County, the San Joaquin Valley and the rural northern and Sierra counties were uninsured for all or part of the year in 2007. These high uninsured rates resulted from less than half of these counties' nonelderly residents being covered by health insurance through employment. In contrast, just 13.4% of San Francisco Bay Area and Sacramento area residents were uninsured because nearly two-thirds had job-based insurance. As unemployment rises in each county and region, the number of residents with employment-based insurance coverage will undoubtedly decline and the number of uninsured will increase.

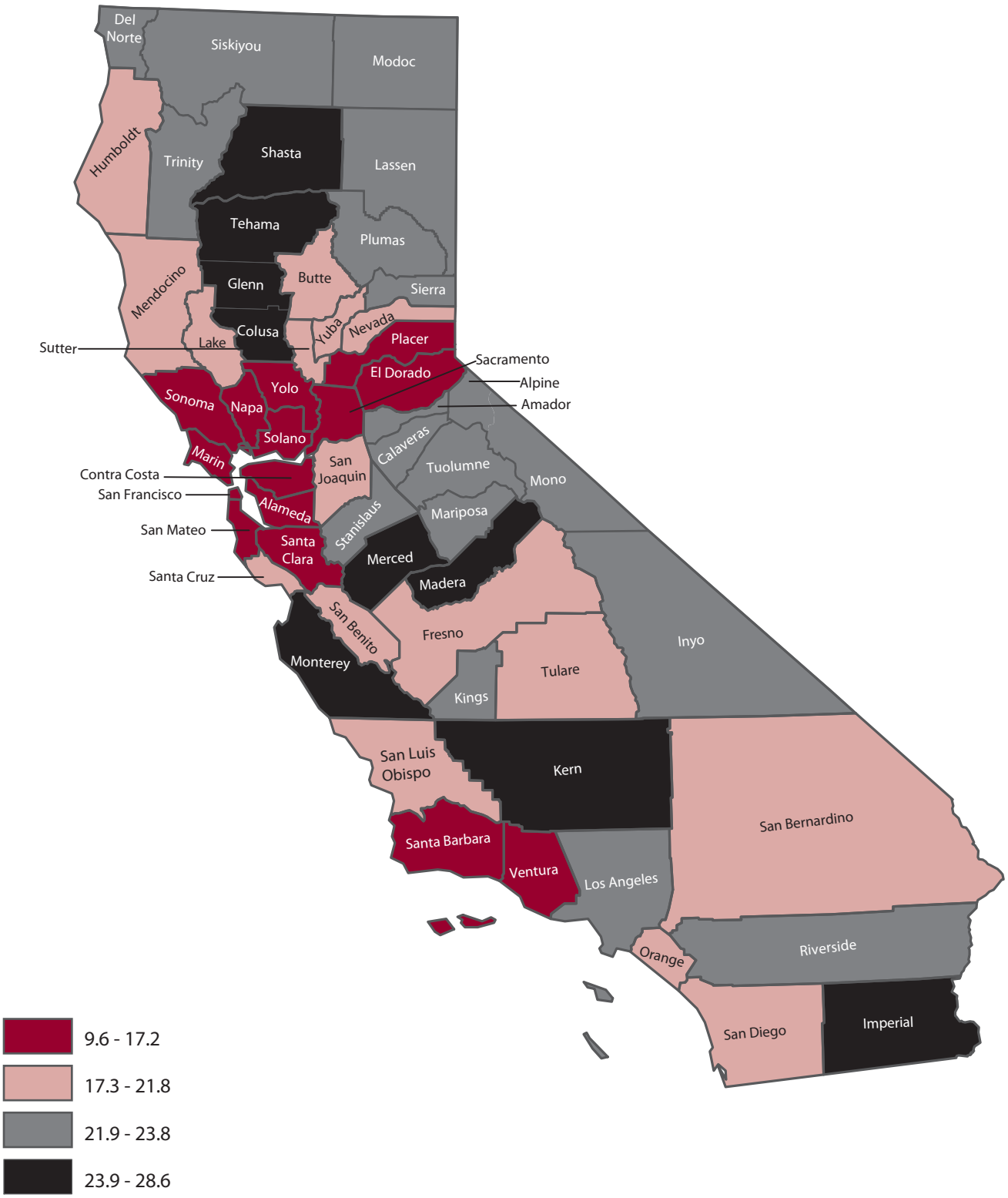
Exhibit 15.
Citizenship and Immigration Status Among Nonelderly Persons Uninsured All or Part of Last 12 Months, Ages 0-64, California, 2007



Note: Numbers may not add up to 100% because of rounding.

Source: 2007 California Health Interview Survey

Exhibit 16.
Percent Uninsured by County, Ages 0-64, California, 2007



Note: Differences in rates between counties may not be statistically significant.

Source: 2007 California Health Interview Survey

Exhibit 17.

Percent of Population Uninsured All or Part of Year and Percent Having Employment-Based Insurance All Year by Region and County, Ages 0-64, California, 2007

	Uninsured All or Part Year		Employment-Based All Year		
	Rate	Margin of Error +/-%	Rate	Margin of Error +/-%	Total Population Ages 0-64
All California	**19.5%**	0.6	**55.6%**	0.8	32,885,000
Northern and Sierra counties	**22.0%**	2.0	**47.5%**	2.2	1,154,000
Butte	**20.1%**	5.2	**45.7%**	6.3	181,000
Tuolumne, Inyo, Calaveras, Amador, Mariposa, Mono, Alpine	**23.4%**	6.4	**56.9%**	6.8	145,000
Shasta	**27.4%**	6.3	**43.3%**	6.0	151,000
Sutter	**17.8%**	4.6	**54.4%**	6.3	81,000
Del Norte, Siskiyou, Lassen, Trinity, Modoc, Plumas, Sierra	**23.8%**	6.9	**46.2%**	7.1	120,000
Humboldt	**18.5%**	5.6	**46.9%**	9.9	112,000
Tehama, Glenn, Colusa	**23.9%**	6.3	**40.2%**	6.2	95,000
Nevada	**21.1%**	5.7	**58.3%**	6.0	81,000
Mendocino	**21.3%**	7.2	**35.3%**	6.7	76,000
Yuba	**19.7%**	4.7	**48.9%**	5.5	62,000
Lake	**21.0%**	6.9	**46.3%**	7.1	50,000
Greater Bay Area	**13.1%**	1.4	**65.4%**	1.7	6,250,000
Santa Clara	**14.9%**	3.1	**65.7%**	3.6	1,585,000
Alameda	**10.6%**	2.3	**65.6%**	3.8	1,341,000
Contra Costa	**13.5%**	4.0	**66.8%**	5.1	911,000
San Francisco	**13.4%**	4.3	**66.6%**	5.1	681,000
San Mateo	**10.8%**	4.7	**69.6%**	5.6	634,000
Sonoma	**14.1%**	4.4	**59.6%**	6.1	414,000
Solano	**14.9%**	5.2	**60.1%**	6.5	365,000
Marin	**14.1%**	6.3	**59.8%**	7.2	206,000
Napa	**14.3%**	4.6	**65.6%**	6.0	112,000
Sacramento area	**13.0%**	1.8	**64.4%**	2.7	1,832,000
Sacramento	**13.1%**	2.5	**62.3%**	3.7	1,234,000
Placer	**9.6%**	3.5	**72.6%**	5.5	277,000
Yolo	**15.8%**	5.6	**70.0%**	6.2	168,000
El Dorado	**14.9%**	4.2	**60.2%**	5.7	153,000
San Joaquin Valley	**22.7%**	2.0	**47.0%**	2.3	3,449,000
Fresno	**19.6%**	4.5	**49.7%**	5.1	817,000
Kern	**25.4%**	5.2	**44.8%**	5.3	710,000
San Joaquin	**21.8%**	5.2	**52.5%**	6.0	599,000
Stanislaus	**22.3%**	5.3	**51.4%**	5.9	463,000
Tulare	**21.8%**	5.2	**38.7%**	5.1	384,000
Merced	**26.3%**	6.5	**39.1%**	6.1	228,000
Kings	**23.0%**	4.8	**47.3%**	5.3	125,000
Madera	**28.6%**	7.2	**40.0%**	5.8	123,000
Central Coast	**19.3%**	2.6	**54.7%**	2.8	1,938,000
Ventura	**17.2%**	4.8	**59.7%**	5.4	725,000
Monterey	**27.4%**	6.3	**44.6%**	6.1	367,000
Santa Barbara	**16.5%**	4.8	**56.3%**	6.4	354,000
Santa Cruz	**17.8%**	6.3	**49.3%**	6.7	232,000
San Luis Obispo	**18.9%**	6.9	**57.5%**	7.5	207,000
San Benito	**19.5%**	9.6	**59.9%**	8.9	53,000
Los Angeles	**22.9%**	1.4	**49.2%**	1.5	9,104,000
Other Southern California	**20.2%**	1.3	**58.1%**	1.4	9,158,000
Orange	**19.7%**	2.7	**59.2%**	3.0	2,738,000
San Diego	**19.1%**	2.1	**60.5%**	2.3	2,682,000
San Bernardino	**20.0%**	2.7	**57.5%**	5.9	1,812,000
Riverside	**22.6%**	3.2	**54.5%**	3.5	1,778,000
Imperial	**24.1%**	5.6	**44.5%**	7.1	148,000

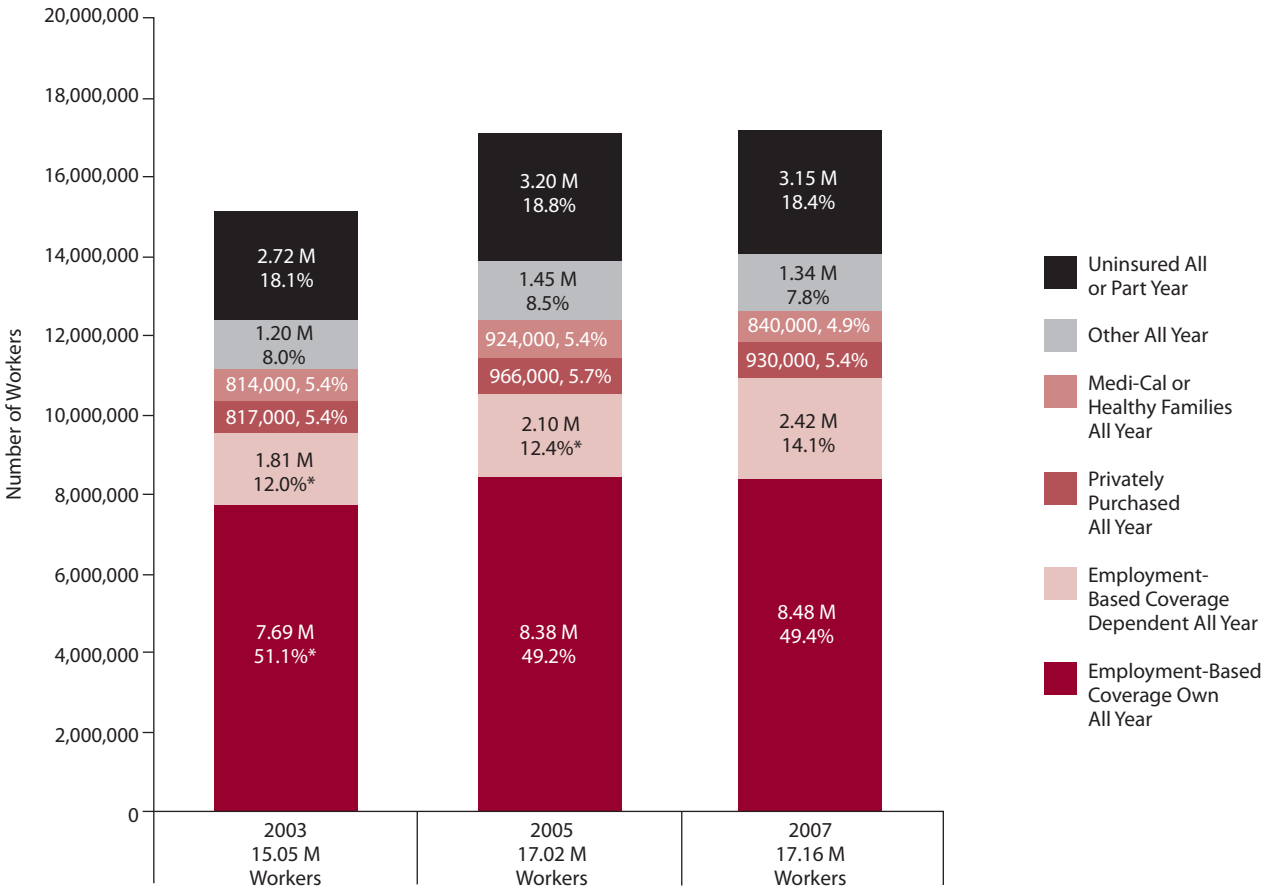
Note: Numbers are rates and will not add up to 100%.

Source: 2007 California Health Interview Survey

2 The Coverage of California's Working Adults

Ninez A. Ponce, PhD, MPP

Exhibit 18.
Health Insurance Coverage During Last 12 Months Among Working Adults, Ages 19-64, California, 2003-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

Most (10.9 million) of California's 17.2 million workers ages 19-64 were covered through their jobs or their family member's employer-sponsored health plan in 2007. Privately purchased insurance (also called the "non-group market") covered more than 900,000 adult workers. An additional 840,000 were covered by Medi-Cal. But despite these coverage opportunities, nearly 1 in 5 working adults (18.4%, totaling 3.1 million) was uninsured at some point in 2007 (Exhibit 18).

This chapter examines trends in health insurance coverage between 2003 and 2007 among working adults ages 19-64. It will focus on insurance obtained through a worker's own job ("own" coverage) as well as dependent employment-based[14] insurance (EBI). And it will examine how employer eligibility rules—and eligible employees' decision to accept EBI—affect coverage trends.

14 A major thrust of this section is to evaluate coverage for working adults across a wider spectrum of income intervals, beyond the conventional cutoff point that aggregates incomes greater than 300% of the Federal Poverty Level (FPL). We could not examine 2001 data, which collected aggregated income information above 300% FPL. Therefore, only 2003, 2005 and 2007 rounds of CHIS were used for the analyses in this section.

This chapter also examines the rates of offer, eligibility and take-up of EBI by age and income status. These rates allow policymakers to more precisely determine which groups of workers across the age and income spectrum are at greatest risk of not having EBI coverage.

The self-employed population, constituting 2.5 million of California's adult workforce, is also profiled. This chapter provides the first analysis of the privately purchased insurance market serving much of this population and covering more than 5% of all of California's working adults. We look at who buys privately purchased insurance and determine the extent to which the ability to pay and health status factors may exclude uninsured workers from this option.

Trends in Insurance Coverage, 2003-2007

Between 2003 and 2007, the uninsured rate for California's adults remained steady, hovering between 18% and 19%. Although the uninsured rates were essentially flat since 2003, the number of uninsured grew from 2.7 million to more than 3 million in 2007 as California's worker population grew. Since 2003, rates of privately purchased insurance, public coverage, and other coverage sources are unchanged (Exhibit 18). However, there have been significant changes over this period in employment-based coverage, both "own" (primary) and dependent.[15] These two employment-based sources cover more than 6 in 10 workers in the state. In the next section we examine the trends in "own" and "dependent" EBI, two sources of health insurance that provide the backbone of coverage for California's workforce of 17.2 million adults.

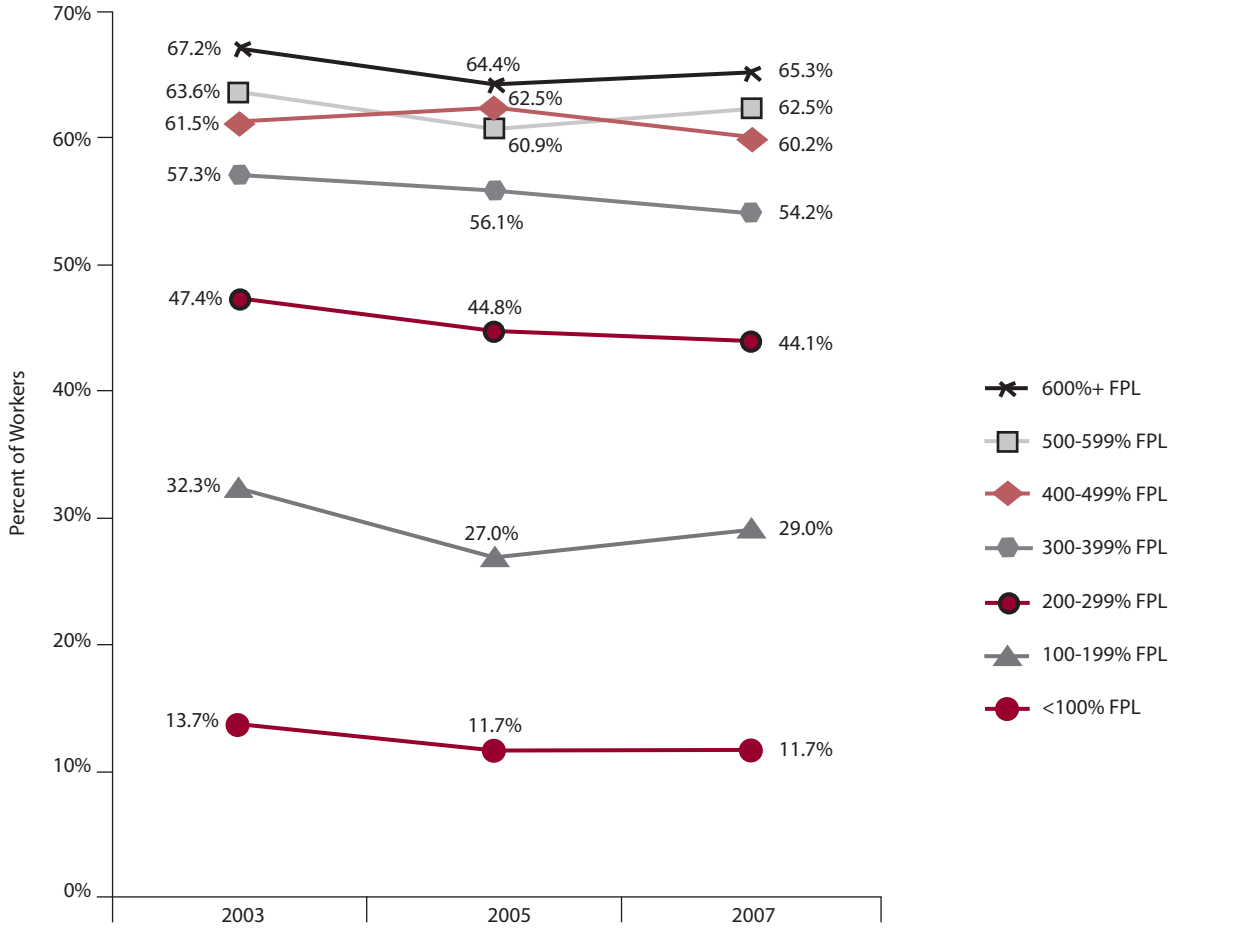
15 When workers participate in their own employer's health plan, we classify this as "employer-based *own coverage*," and when workers opt to receive coverage from a family member's employer-sponsored plan, we refer to this as "employer-based *dependent coverage*."

"Own" EBI Rate Continues Downward Trend

"Own" (primary) EBI covered 51.1% of California workers in 2003, a figure that dropped by nearly two percentage points, to 49.2%, in 2005. There was a slight but not significant increase in EBI coverage of California workers from 2005 to 2007, to 49.4% (Exhibit 18). Despite the percentage drop in own EBI, the number of nonelderly workers covered increased from 7.7 million in 2003 to 8.5 million in 2007, as the labor force expanded.

The decrease in own EBI rates between 2003 and 2007 was experienced by workers in all income categories, although we find no statistically significant decline for any group (Exhibit 19). However, own EBI coverage rates for higher-income groups are much higher (more than 60%) than for workers with incomes below poverty (11.7%).

Exhibit 19.
Employment-Based Own Coverage by Household Income as a Percentage of the Federal Poverty Level Among Working Adults, Ages 19-64, California, 2003-2007



Notes: The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

Differences in rates are not statistically significant at the 95% confidence level.

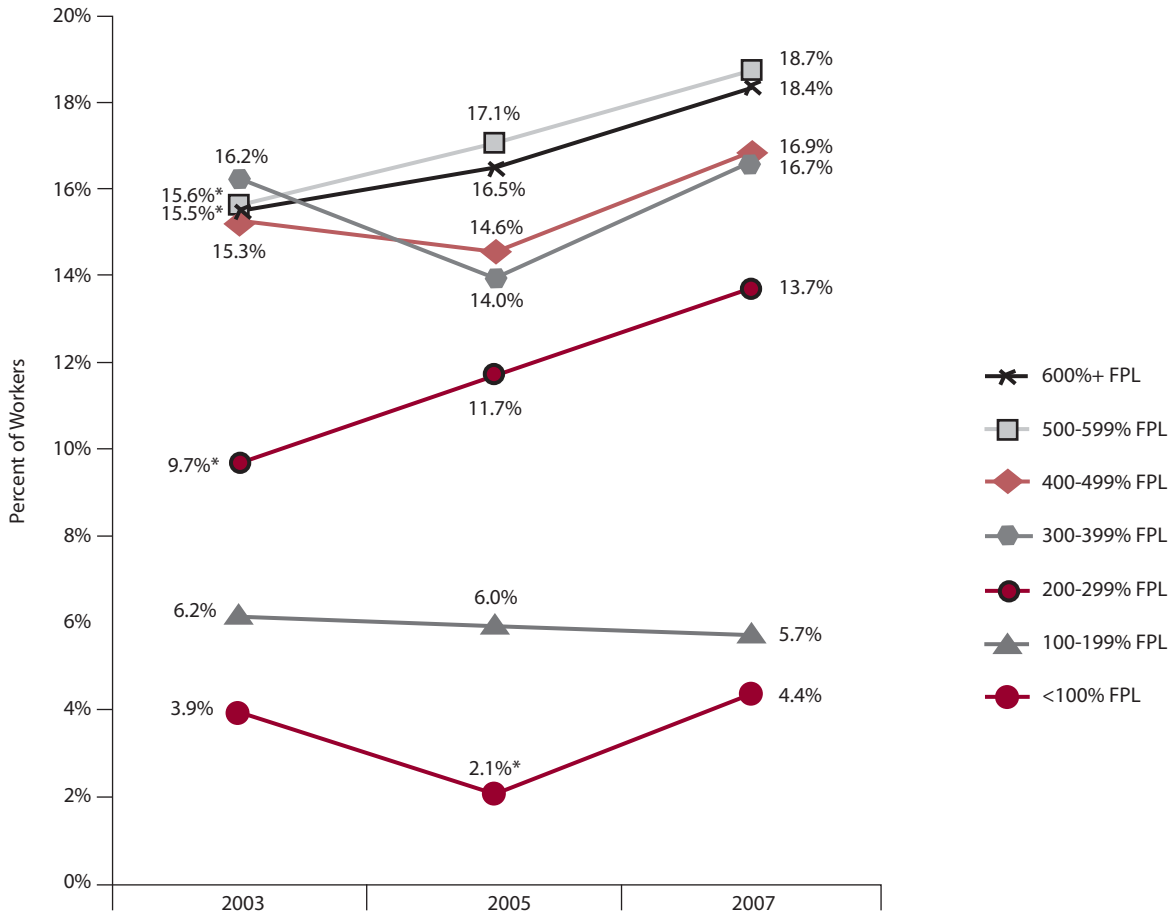
Sources: 2003, 2005 and 2007 California Health Interview Surveys

Dependent EBI Has Recovered Since 2003

In previous reports that examined trends between 2001 and 2005, we found that dependent coverage declined during that period (13.7% to 12.4%).[16] This was because 2001 was the peak of an economic boom; a technology sector-led economic decline followed. However, between 2005 and 2007, economic conditions improved again. As a result, dependent coverage significantly increased, from 12.4% to 14.1% for workers overall (Exhibit 18). Dependent coverage also appears to have increased for most income groups, although statistically significant gains occurred only for workers in the top income categories and for workers in the 200%-299% FPL category (Exhibit 20).

Even the lowest-income workers gained dependent coverage between 2005 and 2007 (from 2.1% to

Exhibit 20.
Employment-Based Dependent Coverage by Household Income as a Percentage of the Federal Poverty Level Among Working Adults, Ages 19-64, California, 2003-2007



Note: The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

16 Brown ER, Lavarreda SA, Ponce N, Yoon J, Cummings J, and Rice T (2007). *The State of Health Insurance in California: Findings From the 2007 California Health Interview Survey*. Los Angeles: UCLA Center for Health Policy Research.

4.4%). This is still a very low coverage rate compared with that of workers with the highest incomes, who had dependent coverage rates of more than 18% in 2007. However, this lower rate might be attributable to the fact that lower-income workers are more likely to be newer entrants to the labor market, younger but no longer able to qualify for their parents' EBI coverage, or unmarried, making dependent EBI not a coverage alternative.

In the next section we examine characteristics of workers who obtained "own" and dependent coverage to further determine whether disparities by income might be attributed to other relevant characteristics such as age, marital status and wage earnings. We also evaluate whether there were significant changes between 2003 and 2007.

Own and Dependent EBI Changes for the Middle Class

Shifts in "own" and dependent coverage suggests a compensatory relationship, in which one type of coverage is declining while the other is increasing. For example, among older adult workers ages 45-54 and ages 55-64, own coverage declined between 2003 and 2007. It also fell among 30- to 44-year-olds (Exhibit 21). In the same time period, dependent coverage increased for these groups.

Exhibit 21.
Employment-Based Coverage by Demographics Among Working Adults, Ages 19-64, California, 2003-2007

	EBI Own Coverage All Year			EBI Dependent Coverage All Year		
	2003	2005	2007	2003	2005	2007
All Workers	51.1%*	49.2%	49.4%	12.0%*	12.4%*	14.1%
Age Group						
Ages 19-23	21.1%	18.2%	20.2%	16.1%	13.5%	17.1%
Ages 24-29	41.3%	39.8%	43.4%	6.0%	7.3%	6.4%
Ages 30-44	54.8%*	52.7%	52.3%	11.3%*	12.2%	13.3%
Ages 45-54	59.2%*	57.7%	56.7%	14.4%*	14.1%*	16.3%
Ages 55-64	61.3%*	59.4%	57.1%	13.4%*	14.3%*	17.0%
Race and Ethnic Group						
White	57.4%*	56.8%	54.7%	14.7%*	15.4%*	17.7%
Latino	38.9%	36.9%	39.8%	8.6%	8.5%	9.8%
Asian American	55.1%	52.0%	54.3%	12.1%	12.0%	14.3%
American Indian/Alaska Native	44.5%	42.2%	49.9%	12.7%	15.3%	10.4%
Native Hawaiian and Other Pacific Islander	41.0%	54.5%	45.2%	***	***	***
African American	59.0%	52.5%	51.7%	7.6%	9.3%	8.5%
Two or More Races	49.1%	49.5%	49.2%	15.4%	14.9%	13.0%
Family Composition						
Single Adult	46.1%*	44.0%	43.5%	5.8%	5.0%	6.1%
Single Parent	45.4%	45.5%	40.8%	2.7%	2.7%	3.1%
Married Without Children	59.4%*	58.0%	56.7%	18.5%*	19.4%*	21.8%
Married With Children	51.8%	49.5%*	52.2%	15.9%*	16.7%*	19.0%
Citizenship and Immigration Status						
U.S. Citizen	56.0%*	54.4%	53.4%	13.8%*	14.1%*	15.6%
Noncitizen With a Green Card	37.6%	37.1%	35.2%	8.5%	10.0%	11.0%
Noncitizen Without a Green Card	22.5%	18.9%	21.8%	2.6%	1.4%	***
Highest Level of Education Attained						
Less Than High School	30.3%	26.1%	25.8%	4.5%	4.9%	6.3%
High School Graduate	44.0%	43.6%	41.7%	12.1%	12.4%	13.7%
Some College	50.2%*	45.5%	45.5%	16.8%	15.4%	17.1%
Vocational School, AA, AS	54.6%	52.1%	52.9%	14.6%	13.2%*	16.7%
College Graduate or Higher	64.3%	62.3%	63.7%	12.7%*	13.7%*	15.2%

***Data are unstable because of coefficient of variation above 30%.

*Significantly different from 2007 at the 95% confidence level.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

However, in examining trends by race/ethnicity, this compensatory pattern is true only for white workers (Exhibit 21). For all other groups, own and dependent coverage were basically flat since 2003. Similar to the pattern for race/ethnicity, only U.S. citizens experienced the most change between 2003 and 2007. The declining rates in own coverage were offset by increasing rates in dependent coverage. We see no change for noncitizens (Exhibit 21).

Workers with some college education experienced a drop in own coverage rates between 2003 and 2005. The drop for this group was considerable (50.2% to 45.5%) and not offset by commensurate gains in dependent coverage. Workers with either a vocational degree or a college degree gained in dependent coverage. This suggests that workers with more education have family members who have "good" jobs that offer EBI. Workers with a high school diploma or less than high school experienced stable coverage rates.

There were also declines in own coverage for single and married adults without children. However, there

was an increase in own coverage between 2003 and 2007 for married workers with children. Being married is strongly beneficial in acquiring dependent coverage, as the proportion of married adults (with or without children) with dependent coverage grew steadily between 2003 and 2007. For married workers with children, the EBI outlook has been quite positive since 2003: The own coverage rate did not falter, and the dependent coverage rate significantly and substantially increased, from 15.9% to 19%.

Erosion in Coverage for Workers in the Smallest Firms

The good news is that workers earning below minimum wage saw gains in dependent coverage (Exhibit 22). But "own" coverage remained very low and unchanged; only 1 in 5 low-wage workers had own EBI, compared with 60% to 70% for higher-wage workers. Workers earning between one and three times the minimum wage gained both own and dependent coverage from 2005 to 2007, though 2007 rates were comparable with 2003 rates. Workers earning between three and four times the minimum wage were the only group that experienced a decline in own coverage, but this decline was offset by a rise in dependent coverage.

Own coverage declined between 2005 and 2007 for part-time workers, from 24.3% to 17.9%, with no statistically significant increase in dependent coverage to counter this loss. Not surprisingly, EBI was better for full-time workers. Own EBI has been stable for full-time workers since 2003 (about 52%-54%) and dependent EBI rose from 10.6% to 12.2% between 2003 and 2007.

California witnessed a gradual erosion in own coverage for workers in the smallest firms—firms with fewer than 10 employees. Coverage declined from 21.3% in 2003 to 19.5% in 2005 to 17.4% in 2007. However, since 2003 there has been an offsetting increase in the proportion of dependent coverage for workers in these firms.

Exhibit 22.
Employment-Based Coverage by Labor Market Characteristics Among Working Adults, Ages 19-64, California, 2003-2007

	EBI Own Coverage All Year			EBI Dependent Coverage All Year		
	2003	2005	2007	2003	2005	2007
All Workers	51.1%*	49.2%	49.4%	12.0%*	12.4%*	14.1%
Hourly Wage						
<1x Minimum Wage	20.8%	19.5%	19.8%	11.5%*	12.1%	13.9%
1x - <2x Minimum Wage	38.1%	35.4%*	39.1%	11.6%*	10.8%*	13.8%
2x - <3x Minimum Wage	60.0%	56.8%*	60.8%	12.9%	12.3%*	14.5%
3x - <4x Minimum Wage	70.6%*	66.6%	66.5%	11.9%*	12.3%	14.3%
4x - 5x Minimum Wage	71.5%	69.8%	71.8%	12.5%	12.6%	14.2%
>5x Minimum Wage	68.7%	64.6%	65.7%	12.0%	14.4%	14.2%
Work Status						
Part Time	21.0%	24.3%*	17.9%	26.7%	24.2%	29.8%
Full Time	54.1%	52.1%	53.4%	10.6%*	11.1%*	12.2%
Firm Size						
Fewer than 10 Employees	21.3%*	19.5%*	17.4%	17.2%*	18.0%*	21.3%
10-50 Employees	39.9%	37.9%	37.7%	11.1%*	12.1%	14.2%
51-99 Employees	51.5%	51.4%	50.1%	9.8%	8.6%*	13.2%
100-999 Employees	57.4%	55.1%	57.9%	9.3%	10.0%	11.4%
1,000+ Employees	70.0%	69.2%	69.2%	10.2%	10.4%	11.0%

Note: Minimum wage in 2003 was $6.75 per hour and in 2007 was increased to $7.50 per hour.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

*Significantly different from 2007 at the 95% confidence level.

However, a total of 34,000 workers in small firms lost own EBI between 2003 and 2007, while only 20,000 gained dependent coverage—small numbers, but a reflection of the falling number of small firms that offer coverage at all.[17]

For workers in firms with 10 or more employees, dependent EBI coverage remained about the same during this period. The exception was the mid-size firm category—51-99 employees—where dependent coverage rose from 8.6% to 13.2% between 2005 and 2007 (Exhibit 22).

Offer, Eligibility and Take-up of EBI Among Employees

The EBI rate of coverage for California's 15.2 million employees is governed by employer decisions on offer and eligibility rules as well as the employee decision to participate in EBI.

For employees to obtain EBI, they must: 1) work for a firm that offers coverage to its workers; 2) be eligible to participate in an EBI plan if their firm offers; and 3) if eligible, choose to take up the plan and make the requisite contributions.

We track the links in this chain of EBI coverage with four rates. The "offer rate" is the proportion of employees working for a firm that offers EBI. The "eligibility rate" is the proportion of employees working in a firm offering EBI who are eligible to participate in EBI. The "take-up rate" is the proportion of these eligible employees participating in EBI. The product of the offer, eligibility and take-up rates is the EBI "coverage rate"—the proportion of all employees with current coverage through their own employer.

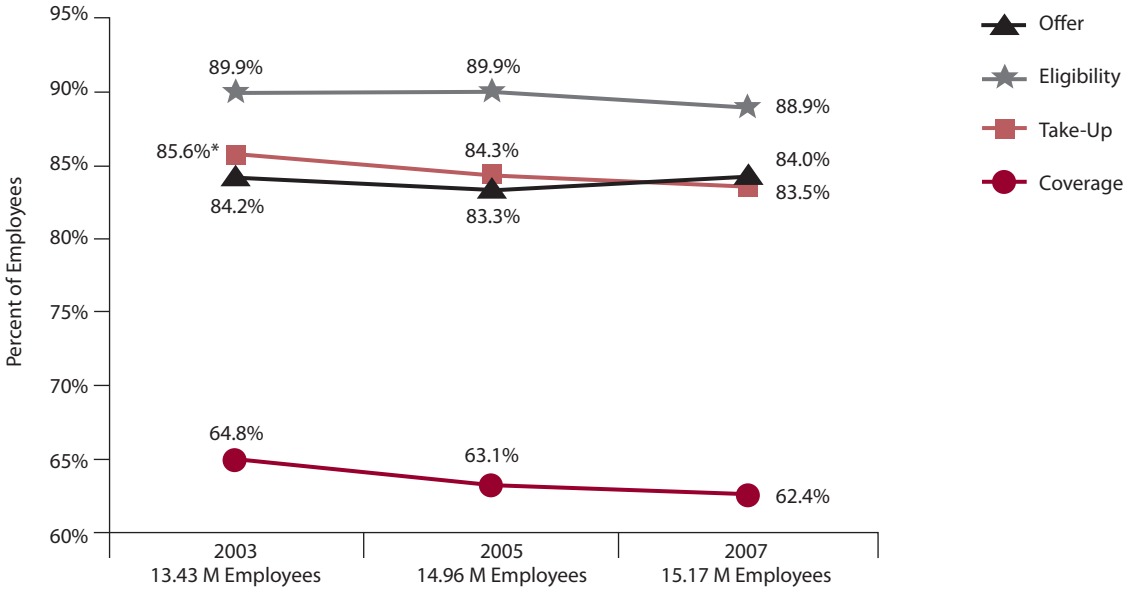
17 2008 Kaiser/HRET Annual Employer Health Benefits Survey, Menlo Park, CA: Kaiser Family Foundation, 2008.

In 2007, 84% of employees worked for a firm that offered EBI, 88.9% of those whose employer offered coverage were eligible, and 83.5% of those who were eligible participated in (or took up) their employer's plan (Exhibit 23). As a result of this sequence of employer and employee decisions, 62.4% of California employees had their coverage through their employer in 2007.

Since 2003, offer and eligibility rates have been flat. However, take-up rates significantly declined from 85.6% in 2003 to 83.5% in 2007. This suggests that California employer decisions on offer and eligibility have not dramatically changed between 2003 and 2007 despite the growth in the labor force in the same time period. The decline in take-up might indicate that employees are taking up a family member's coverage. Evidence of an increasing dependent coverage rate certainly suggests that this may be a prevalent practice.

However, some employees may be declining EBI simply because it is too expensive. In such cases the employee would lapse into uninsurance if there were no other coverage sources that he or she could access. To better understand the resulting health insurance status of employees who do not take up their own EBI, we examine the health insurance status of these "EBI decliners." This will determine if there were better alternatives, such as a family member's coverage, or if EBI cost was such a binding constraint that these workers lapsed into the ranks of the uninsured.

Exhibit 23.
Rates of Offer,[i] Eligibility,[ii] Take-up[iii] and Coverage of Employment-Based Insurance Among Employees, Ages 19-64, California, 2003-2007



Notes: [i] Offer rate = The total number of employees working for employers that *offer* health insurance divided by the *total* number of employees.

[ii] Eligibility rate = The total number of employees *eligible* for their employer's plan divided by the total number of employees working for employers that *offer* health insurance.

[iii] Take-up rate = The total number of people who *accepted* insurance divided by the total number of employees with *access* to their employer's plan.

[iv] Coverage rate = The product of the offer, eligibility and take-up rates.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

One-Fourth of EBI Decliners Were Uninsured

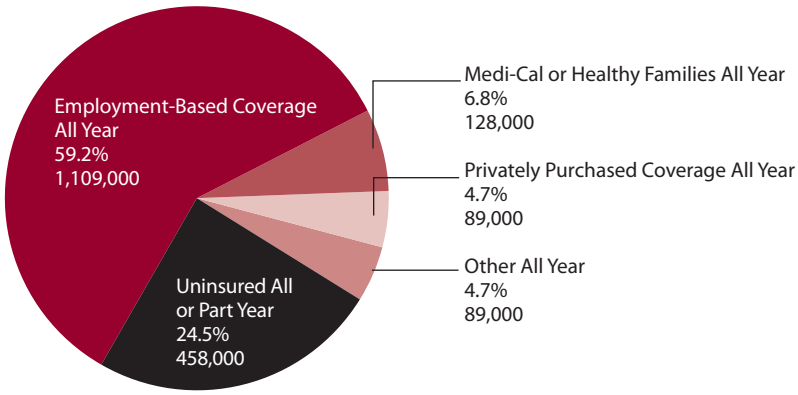
In 2007, among the 1.9 million California workers who declined their employer's plan, nearly 6 in 10 employees secured EBI from a family member (Exhibit 24). An additional 6.8% of decliners were covered by Medi-Cal and other public coverage, and 4.7% had privately purchased coverage. Yet despite these coverage options, a considerable proportion—24.5%, or nearly half a million employees—was uninsured in 2007, even though the employees worked for a firm that offered health insurance and were eligible to participate. Workers decline such coverage for a variety of reasons, but the great majority report that their employer's plan was unaffordable.

Offer, Eligibility and Take-up by Age and Income

In this section, we average three years of CHIS data (2003, 2005 and 2007) and examine offer, eligibility and take-up rates by age group and income level.

Two major factors strongly associated with variations in offer, eligibility and take-up rates are the age and the income of the employee. Although it is known that younger employees and lower-income employees typically have poor coverage rates, simultaneously examining age and income provides policymakers a sense of the dual impact of income- and age-related disparities on coverage. Further, examining this age and income impact at each step of the employee process of coverage—at the offer, eligibility and take-up stage—can inform policies directed at the employer and those directed at the employee.

Exhibit 24.
Type of Health Insurance Coverage Among Workers Who Declined Employment-Based Coverage, Ages 19-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

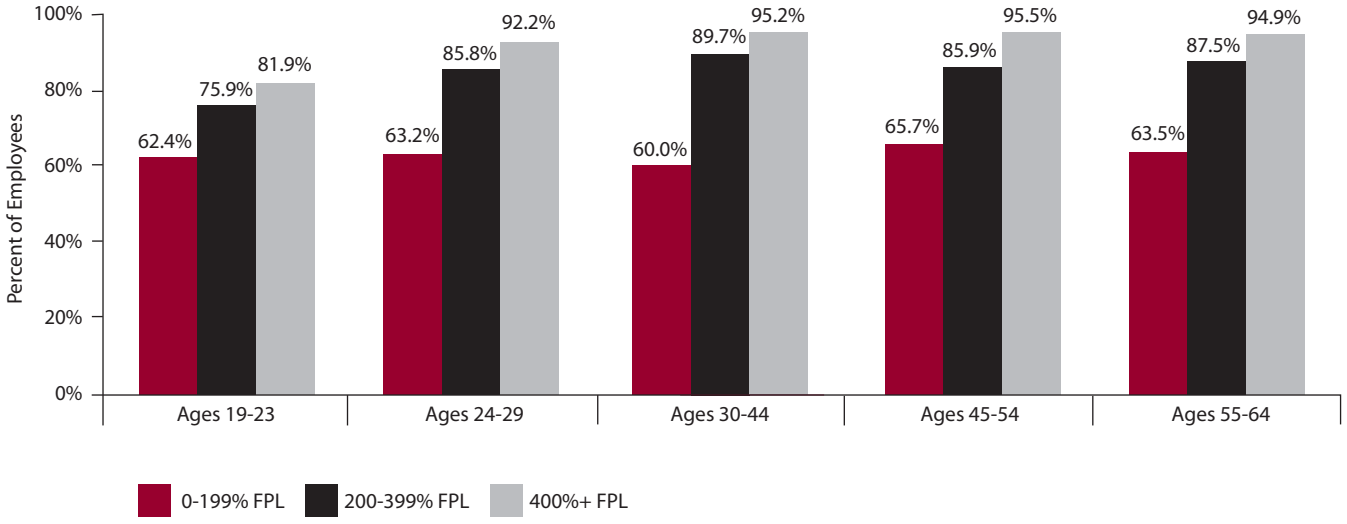
"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

Source: 2007 California Health Interview Survey

There is an income gap for offer rates (Exhibit 25). Rates are the lowest (60% to 65.7%) for the income group of 0%-199% FPL, regardless of age. Increasing age, which tends to be associated with higher offer rates because of experience and seniority, bestows no added advantage to California's poorest employees. For higher-income employees, as expected, offer rates tend to increase with age. Among these employees with incomes 200% FPL and higher, the biggest jump in offer rates is between the age groups 19-23 and 24-29, as young adults transition from more "peripheral" to better jobs that offer EBI.

Encouragingly, for employees who work in firms that offer insurance, older employees are now more likely to be eligible for insurance, even among the lowest-

Exhibit 25.
Offer Rates by Age and Household Income as a Percent of the Federal Poverty Level Among Employees, Ages 19-64, California, 2003-2007 Average



Notes: The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

Offer rate = The total number of employees working for employers that *offer* health insurance divided by the *total* number of employees.

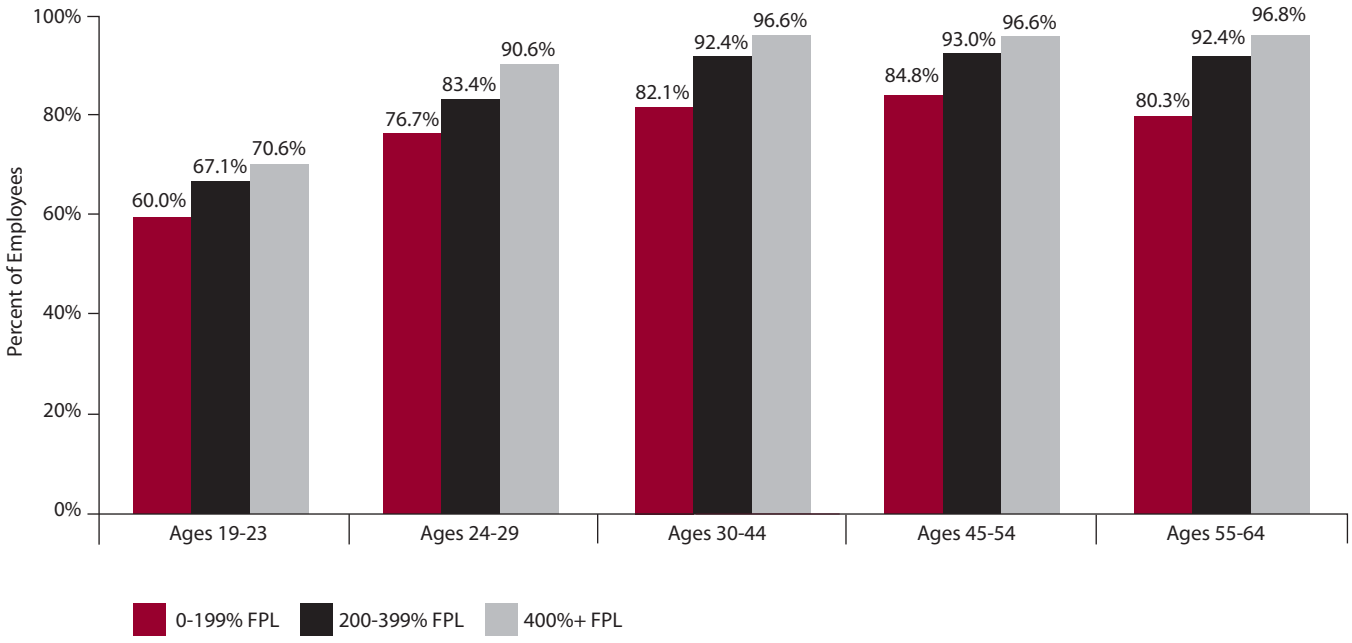
Sources: Average of the 2003, 2005 and 2007 California Health Interview Surveys

income employees (Exhibit 26). Still, across the age spectrum, lower-income employees have lower eligibility rates than higher-income employees. We do not see a comparable drop in coverage for these older employees who have higher incomes. The income gap persists with eligibility rates, but the disparities by income are narrower than in offer rates.

As with offer rates, the steepest gain in eligibility occurs between the age groups 19-23 and 24-29. But there is also a considerable gain in coverage between ages 24-29 and 30-44.

Take-up rates are also lower for lower-income employees, but the income disparity is not as high

Exhibit 26.
Eligibility Rates by Age and Household Income as a Percentage of the Federal Poverty Level Among Employees, Ages 19-64, California, 2003-2007 Average

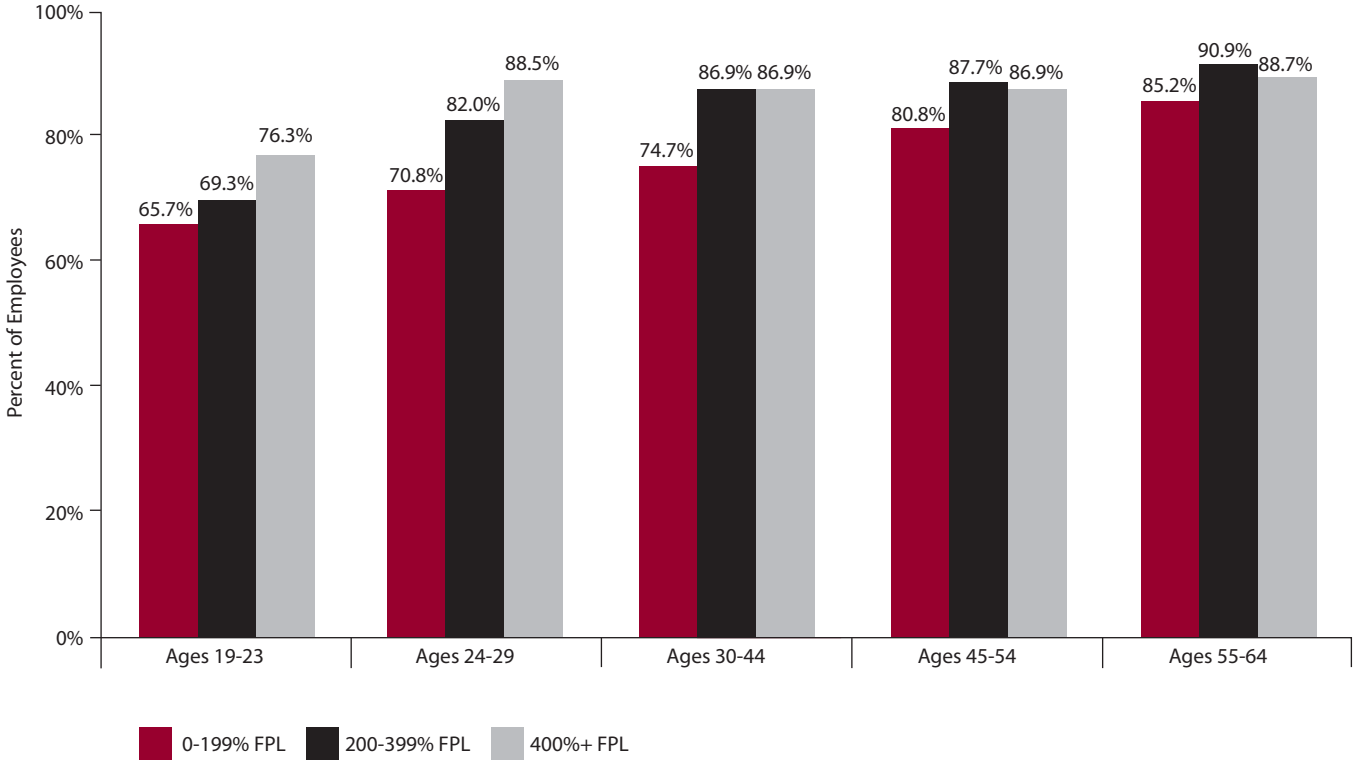


Notes: The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

Eligibility rate = The total number of employees *eligible* for their employer's plan divided by the total number of employees working for employers that *offer* health insurance.

Sources: Average of the 2003, 2005 and 2007 California Health Interview Surveys

Exhibit 27.
Take-up Rates by Age and Household Income as a Percent of the Federal Poverty Level Among Employees, Ages 19-64, California, 2003-2007 Average



Notes: The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

Take-up rate = The total number of people *accepting* insurance divided by the total number of employees with *access* to their employer's plan.

Sources: Average of the 2003, 2005 and 2007 California Health Interview Surveys

as with offer rates (Exhibit 27). The income disparity is greatest among younger employees but narrows with increasing age. This suggests that if offered and eligible, older employees tend to take up health coverage across all income categories.

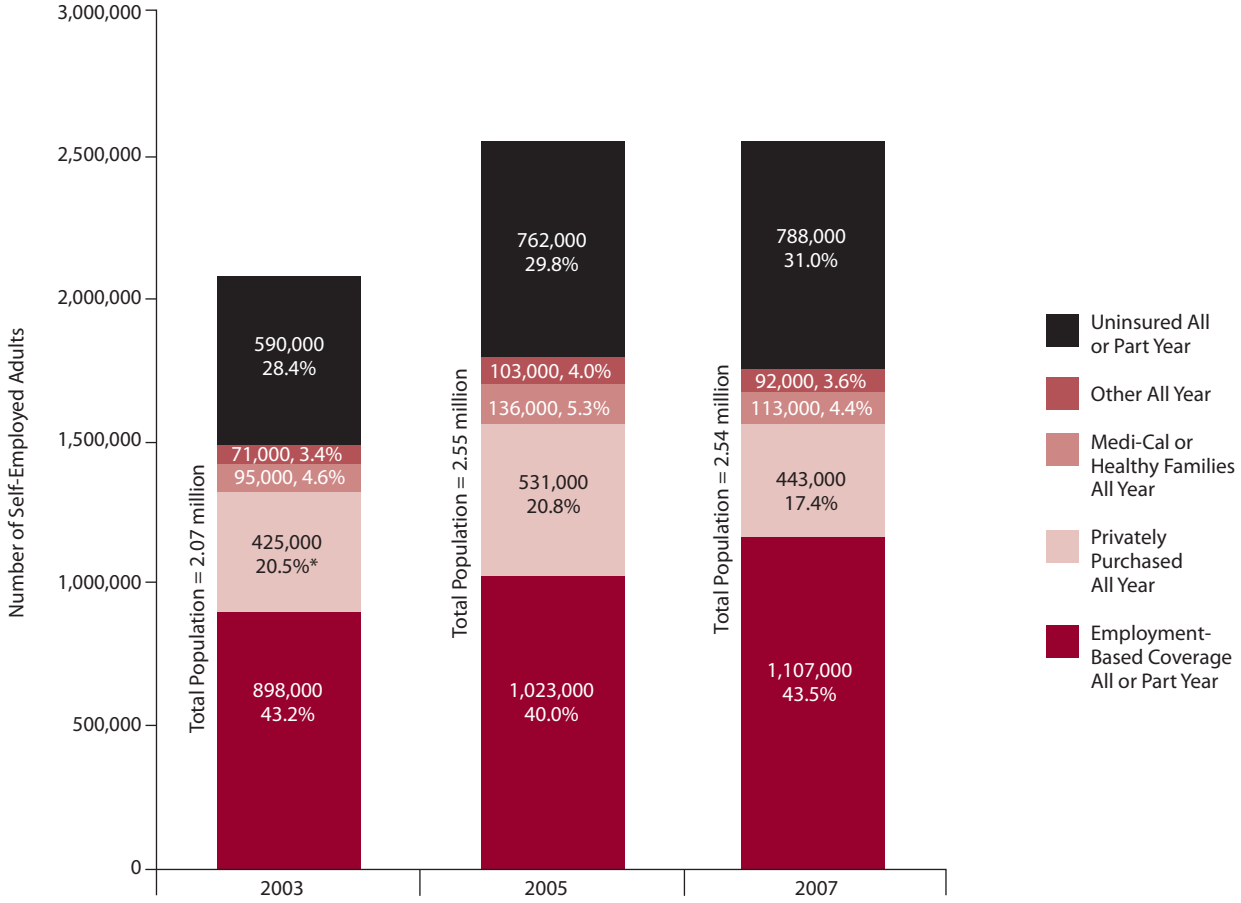
Among employees with incomes at 200%-299% FPL, take-up rises considerably between ages 19-23 and 24-29. It then begins to flatten at age 30. Unlike the higher-income groups, employees in the poorest category increase their take-up in an almost linear fashion. This suggests that among the poorest employees, cost considerations are paramount. Take-up, in this case, increases only as a function of age, which is associated with mounting health care needs and expenses.

Among employees with higher incomes, take-up after age 23 dramatically increases, suggesting that ability to pay for an employment-based plan, irrespective of age, largely motivates take-up behavior of California's employees. All else being equal, across the board take-up rises with advancing age, reflecting older employees' increased willingness to pay for health benefits that they value more than younger employees.

California's Self-Employed Adults

In 2007, there were 2,543,000 self-employed adults contributing to California's economy. Self-employed individuals must directly purchase from the non-group health insurance market, and are therefore subject to issues of affordability and denials based on

Exhibit 28.
Health Insurance Coverage of Self-Employed Adults, Ages 19-64, California, 2003-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

individual preexisting conditions and health status. Self-employed adults can classify their insurance either as privately purchased or employment-based (in the event they use the company name of their own, usually small, business).

EBI for self-employed adults remained stable between 2003 and 2007, at approximately 43% (Exhibit 28). Although privately purchased coverage was constant between 2005 and 2007, it was significantly down from 2003. The significant decline in privately purchased insurance was associated with the growing ranks of uninsured among California's self-employed adults between 2003 and 2007. The principal driver of this decline was a rise in individual health insurance market prices along with eroding actuarial value. According to Gabel and colleagues, monthly premiums for individual coverage rose by 23% in California between 2002 and 2006, from $211 to $259. There was a sharp drop in insurer payment of coverage, from 75% in 2003 to only 55% in 2006.[18] We find that more than a quarter of adults with incomes below 200% FPL report their health as fair

18 Gabel J, Pickreign, J, McDevitt R, Whitmore H, Gandolfo L, Lore R, Wilson K. (2007) *Trends in the Golden State: Small Group Premiums Rise Sharply While Actuarial Values for Individual Coverage Plummet*. Health Affairs. July/August 2007; 26 (4): w488-w499.

or poor, which could be an important factor in whether a self-employed individual is able to afford privately purchased insurance (Exhibit 29). This proportion is nearly two to four times that of higher-income adults reporting fair or poor health. Purchase of plans in the individual market may be more difficult for lower-income self-employed adults who are denied coverage because they are sickly or who are priced out of a very expensive plan, accounting for their higher risk.

Who Can Afford Privately Purchased Insurance?

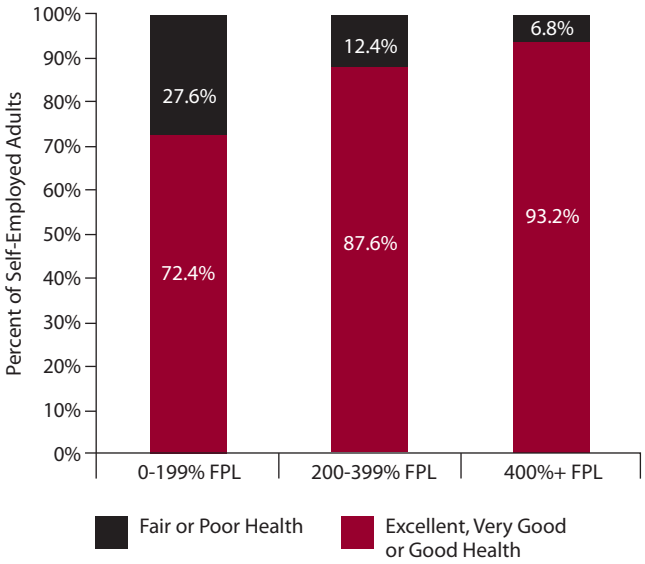
The privately purchased insurance market serves both employees and the self-employed. In 2007 5.4%—nearly 930,000 adult workers—relied on this market for their coverage (Exhibit 18). For all workers, this market has remained stable since 2003.

In Exhibit 30, we examine the workers who currently purchase or would potentially purchase in the non-group market to compare the characteristics of workers who buy non-group coverage with those who remain uninsured. This comparison could inform policies that address the challenges and opportunities for reforming the privately purchased market when EBI or public coverage is not a viable alternative for workers.

In 2007, those who purchased in the non-group market tended to be older than the uninsured. These individuals also had higher incomes and reported being in better health, suggesting a market that better serves those who can afford privately purchased insurance rather than those who most need it (Exhibit 30).

Moreover, higher-income self-employed individuals who can afford coverage can claim the current 100% tax deduction for health insurance for the self-employed. Nearly 6 in 10 (58.3%) workers who were able to buy in the privately purchased market had incomes of 400% FPL or greater. This is in sharp contrast to uninsured workers: Only 18.1% had incomes at that higher level and the majority, 55.9%, had incomes below 200% FPL. Close to 70% of workers who bought in the privately purchased market rated

Exhibit 29.
Health Status by Federal Poverty Level Among Self-Employed Adults, Ages 19-64, California, 2007



Notes: Numbers may not add up to 100% because of rounding.
The 2007 Federal Poverty Level was $10,787 for one person, $13,954 for a two-person family and $16,530 for a three-person family.

Source: 2007 California Health Interview Survey

their health as "excellent" or "very good," compared with 42.9% among the uninsured workers.

Our labor market analysis also suggests that a majority of those in the privately purchased market are employees, not the self-employed. And among employees, even those working in larger firms (16.6%) are represented in this market. Privately purchased insurance also overwhelmingly covers full-time rather than part-time workers.

There are indications that the privately purchased market meets a need of workers in small firms, who typically have poorer coverage rates from the EBI market. The majority (57%) of purchasers in the privately purchased market are workers in the smallest firms. However, it is important to note that the self-employed, who make up the majority (55.8%) of those considered to be working in their own small businesses, may be driving the high participation in the non-group health insurance market.

Exhibit 30.

Demographics of Workers With Privately Purchased Coverage or Uninsured All or Part Year (in or Potentially in the Individual Market), Ages 19-64, California, 2007

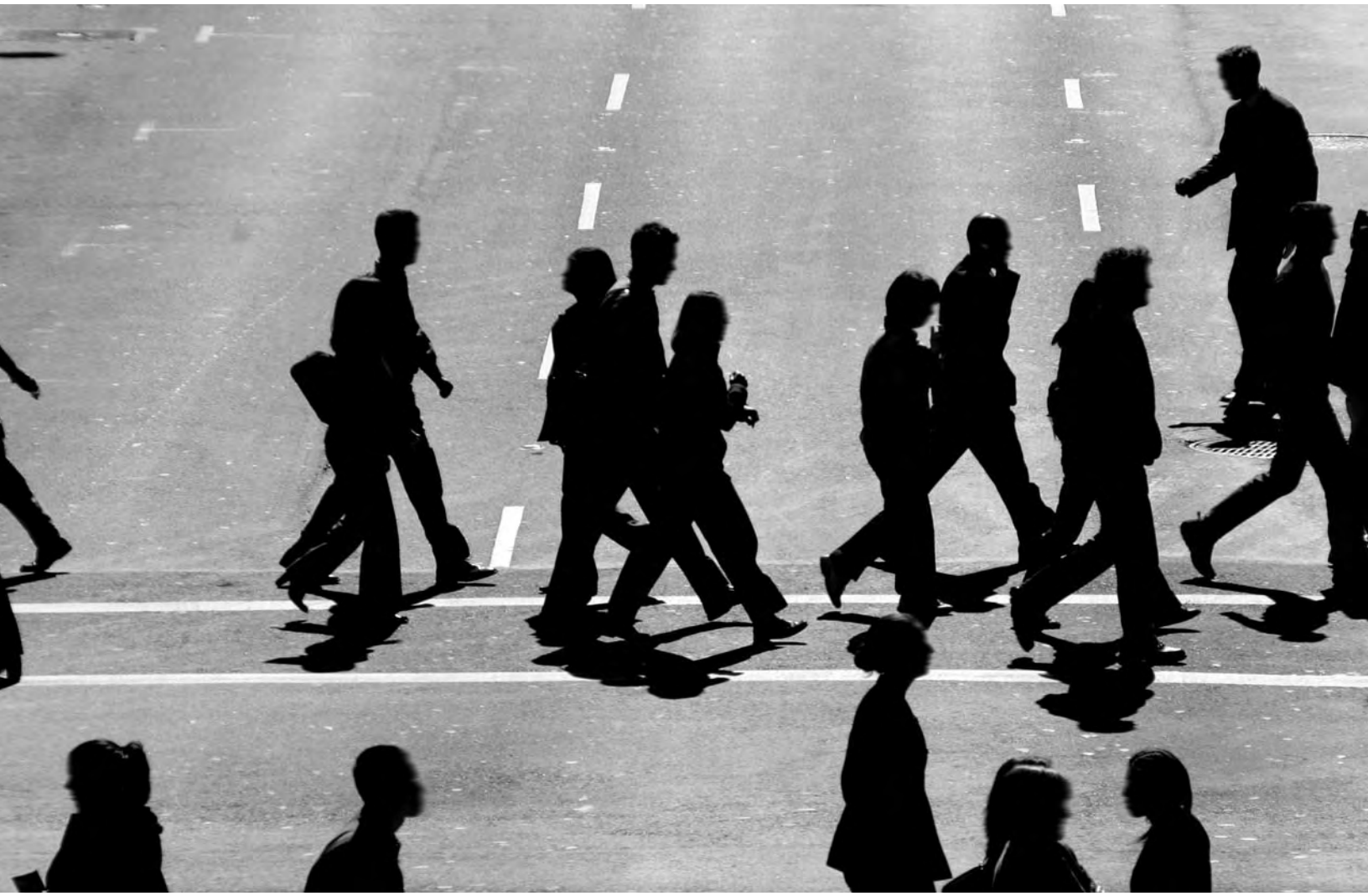
	Purchased in Non-Group Market	Uninsured	Total Population
All Workers Non-Group Market	930,000	3,914,000	4,844,000
Age Group			
Ages 19-23	18.7	18.4	895,000
Ages 24-29	10.8	19.3	854,000
Ages 30-44	30.2	37.8	1,759,000
Ages 45-54	22.8	16.8	870,000
Ages 55-64	17.6	7.7	467,000
Total	100%	100%	
Health Status			
Excellent or Very Good	69.8	42.9	2,326,000
Good	22.7	35.8	1,614,000
Fair or Poor	7.5	21.3	903,000
Total	100%	100%	
Federal Poverty Level			
0-199% FPL	17.7	55.9	2,351,000
200-399% FPL	24.1	26.1	1,244,000
400%+ FPL	58.3	18.1	1,249,000
Total	100%	100%	
Work Status			
Full Time	74.1	87.1	4,099,000
Part Time	25.1	11.6	686,000
Total	100%	100%	
Firm Size			
< 10 Employees	57.0	38.4	2,033,000
10-50 Employees	16.4	23.3	1,063,000
51-99 Employees	***	4.4	190,000
100-999 Employees	8.1	13.4	599,000
1,000+ Employees	16.6	20.5	958,000
Total	100%	100%	
Employment Type			
Self-Employed	47.9	20.2	1,231,000
Employee	52.1	79.8	3,594,000
Total	100%	100%	

Notes: Numbers may not add up to 100% because of rounding.

The 2007 Federal Poverty Level was $10,210 for one person, $13,690 for a two-person family and $17,170 for a three-person family.

***Unstable estimate due to coefficient of variation greater than 30%.

Source: 2007 California Health Interview Survey



3 Children's Insurance Coverage

Jennifer Kincheloe, PhD, MPH

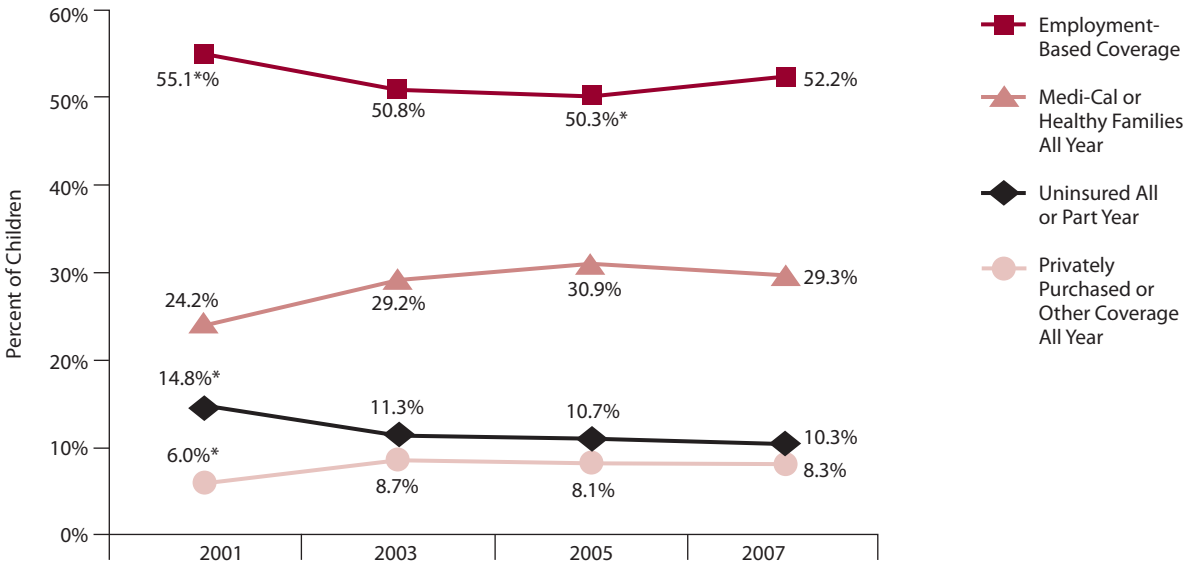
An Overview of Children's Insurance

Employer-based health insurance is still the main source of coverage for children in California (Exhibit 31). In 2007, more than half (52.2%) of California's children had insurance coverage through a parent's employer during all of the previous year. This is the highest rate since 2001 (55.1%) and a two percentage point increase over the 2005 rate (50.3%). However, the fact that at the end of a period of strong economic growth children's employment-based coverage remained three percentage points below the level in 2001 suggests that it is declining as a source of coverage. This decline is probably stimulated, at least in part, by the increase in the average monthly cost to a worker for family coverage, from $149 in 2001 to $273 in 2007.[19] The long and deep recession have undoubtedly further weakened this source of coverage for children.

Public programs remain an important source of coverage for low- to moderate-income families. In 2007, more than 29% of all California children were enrolled all year in either Medi-Cal or Healthy Families (Exhibit 31), a rate that has remained relatively unchanged since 2003, although it is substantially greater than the rate in 2001. If proposals to cut back eligibility for these programs or eliminate the Healthy Families program are enacted in California, this safety net for children will be severely undermined.

Not all California children were eligible for Medi-Cal or Healthy Families, yet an estimated 56.4% of uninsured children would have qualified for the programs if they had applied (see Exhibit 41 discussion later in the chapter). The remaining 43.6% of children would not have qualified because of residency status, or because their family earned more

Exhibit 31.
Health Insurance Coverage During Last 12 Months Among Children, Ages 0-18, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

"Other All Year" includes other government-sponsored programs that are not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

19 The Kaiser Family Foundation and Health Research & Educational Trust Employer Health Benefits 2007 *http://www.kff.org/insurance/7672/upload/76723.pdf* ; and the Kaiser Family Foundation. *Trends and Indicators in the Changing Health Care Marketplace; Kaiser/HRET Survey of Employer Sponsored Health Benefits*, 1999-2005; KPMG Survey.

than 250% of the federal poverty guidelines (FPG)—$51,625[20] for a family of four.

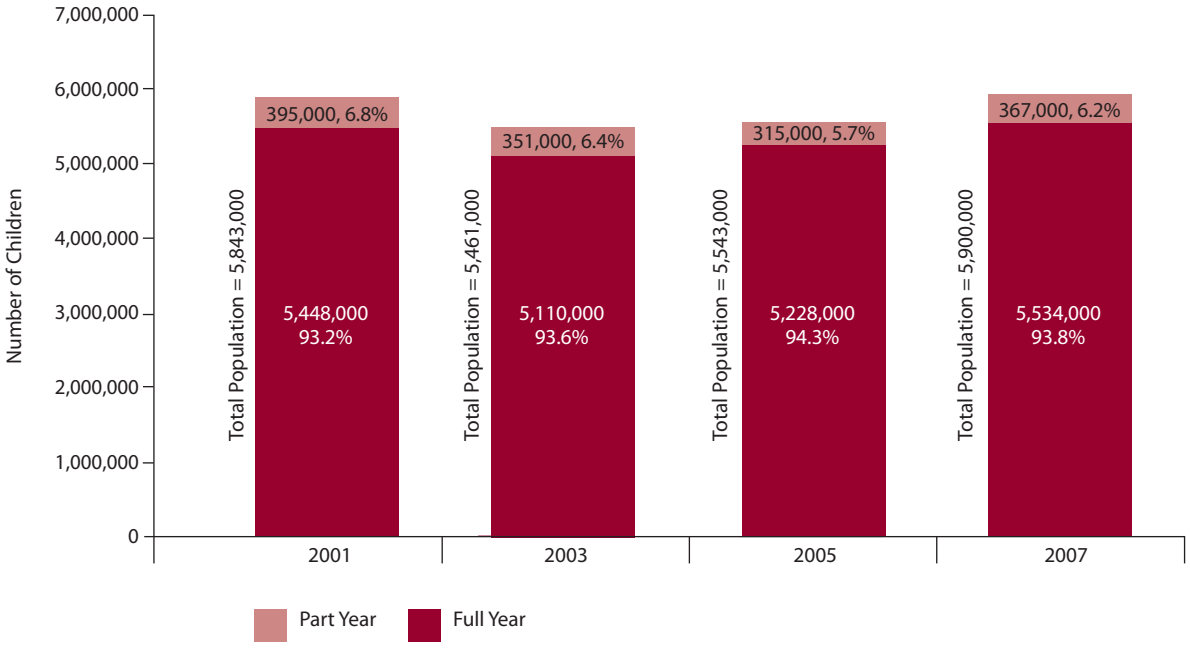
In 22 counties, local Children's Health Initiatives stepped in to fill the gap for many children by enrolling them in a "Healthy Kids" program. Healthy Kids provides low-cost health insurance to children who do not qualify for Medi-Cal or Healthy Families. This includes undocumented children and children in families with incomes between 250% and 300% of the FPL ($53,000 to $63,600, for a family of four).

According to administrative data, more than 86,000 California children were enrolled in a Healthy Kids program in January 2007 (data not shown). Because of enrollment caps, not all children who were eligible for Healthy Kids found space in the program, and 20,000 children remained on waiting lists. Current funding for Healthy Kids is tenuous, and in September 2008 the Alameda County Healthy Kids program closed its doors, leaving 1,000 previously insured children without coverage.

Children's Health Initiatives also coordinate local outreach efforts, resulting in slightly higher participation in Medi-Cal and Healthy Families in those areas. Among counties with a Children's Health Initiative, 90.5% of eligible children are enrolled in Medi-Cal and Healthy Families versus 87.5% in counties without a program (data not shown).

More than 10% of California's children lacked coverage for either all or part of 2007, leaving them medically vulnerable (Exhibit 31). There was a steady decrease

Exhibit 32.
Number of Children Covered by Dependent Employment-Based Coverage at Some Time During Last 12 Months, Ages 0-18, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

Difference in rates between other years and 2007 are not statistically different at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

20 2007 figures

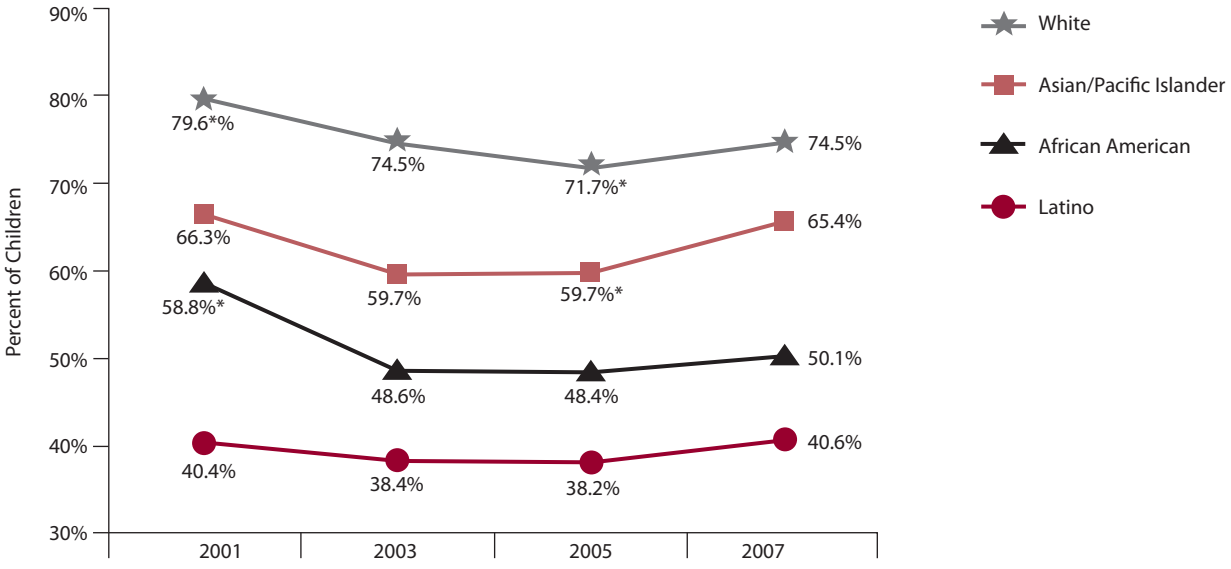
in the rate of uninsurance among children between 2001 (14.8%) and 2005 (10.7%), largely attributed to an increase in public coverage. However, there was no significant change between 2005 and 2007. If children lose Medi-Cal and Healthy Families coverage as well as coverage through a parent's EBI, the number and percentage of uninsured children will grow.

This section looks closely at children's health insurance trends, including both public and private health insurance coverage. It gives special attention to racial and ethnic disparities in employment-based coverage, as well as disparities among high-, moderate- and low-income families. Lastly, it examines enrollment trends in the Medi-Cal and Healthy Families programs, focusing on children who are eligible but remain uninsured.

Disparities in Employment-Based Insurance Remain

Many California children experience instability in their health insurance coverage—moving from one type of coverage to another, losing coverage altogether or gaining coverage after a period of uninsurance. This instability can disrupt continuity of and access to health care. Of the 5,900,000 children who at some time during 2007 had employment-based coverage, 367,000 (6.2%) moved on or off employment-based coverage (Exhibit 32). Of these, 163,000 spent part of the year uninsured (data not shown). More than 5 million children (5.5 million; 93.8%) had only employment-based coverage for all 12 months. The proportion of children with employment-based insurance for all versus part of the year remained relatively unchanged between 2001 and 2007.

Exhibit 33.
Employment-Based Coverage by Race/Ethnicity Among Children, Ages 0-18, California, 2001-2007



*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

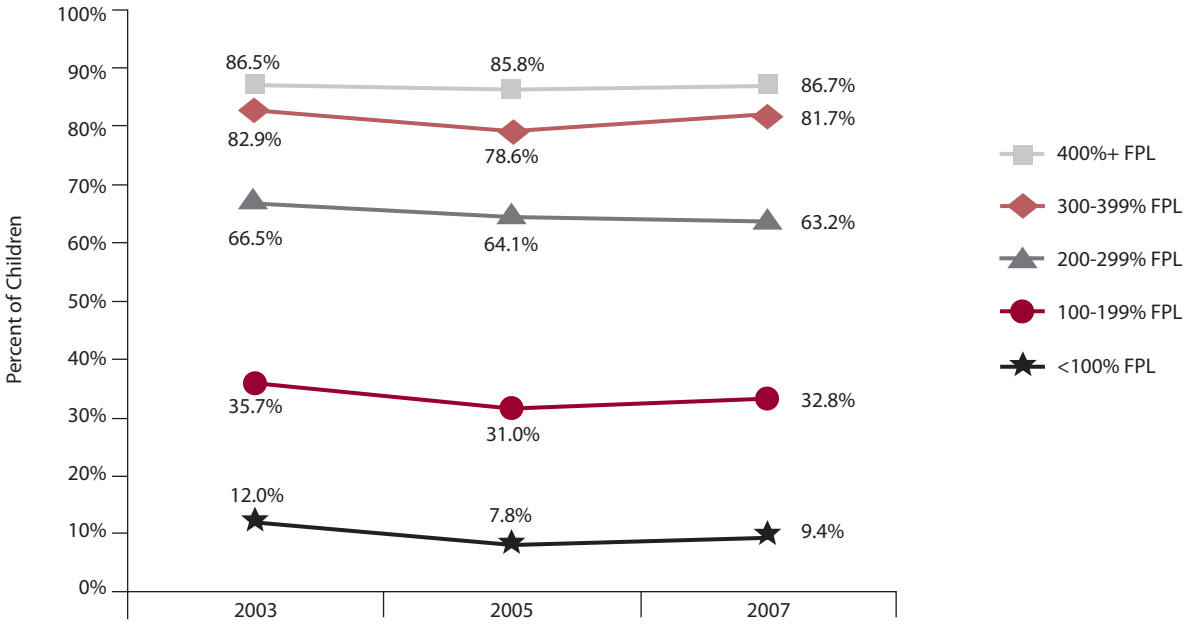
More than half (55.6 %) of California children had employment-based coverage of some kind at some time during the year but rates varied dramatically among children from different racial and ethnic groups (Exhibit 33). The lowest rate was found among Latino children: Only 40.6% had dependent coverage for at least part of the year, compared to 74.5% of white children. The second-lowest rate was found among American Indian and Alaskan Native children (47.5%)[21] (data not shown), followed by African American (50.1%) and Asian and Pacific Islander children (65.4%).

The rates of employer-based coverage for all groups of children declined between 2001 and 2005. Rates for Asian, Pacific Islander and Latino children recovered by 2007, although Latino children continued to have the lowest rate of any group. By contrast, rates for African Americans fell by more than eight percentage points between 2001 and 2007, and rates for whites fell by five percentage points. To improve estimates for American Indian and Alaskan Native children, we combined two years of data. Dependent coverage for these children declined precipitously, from 62.1% in 2001-2003 to 42.5% in 2005-2007.

As family income goes up, rates of children's employer-based coverage also increase. Although 86.7% of children with household incomes above 400% FPL had dependent coverage in 2007, the rate declines slightly to 81.7% among families between 300% and 399% FPL. It drops to 63.2% among families between 200% and 299% FPL, to 32.8% among families with between 100% and 199% FPL

21 This estimate uses combined data from 2005 and 2007 to increase the stability of the estimate.

Exhibit 34.
Employment-Based Coverage by Federal Poverty Level Among Children, Ages 0-18, California, 2003-2007



Notes: Differences in rates between other years and 2007 are not statistically significant at the 95% confidence level.

The 2007 Federal Poverty Level was $10,787 for one person, $13,954 for a two-person family and $16,530 for a three-person family.

Sources: 2003, 2005 and 2007 California Health Interview Surveys

and to just 9.4% among the poorest children (Exhibit 34). Not only are coverage rates higher among higher-income groups, the decline in employer-based coverage seen between 2003 and 2007 was limited to groups of children whose families earned less than 400% FPL.[22]

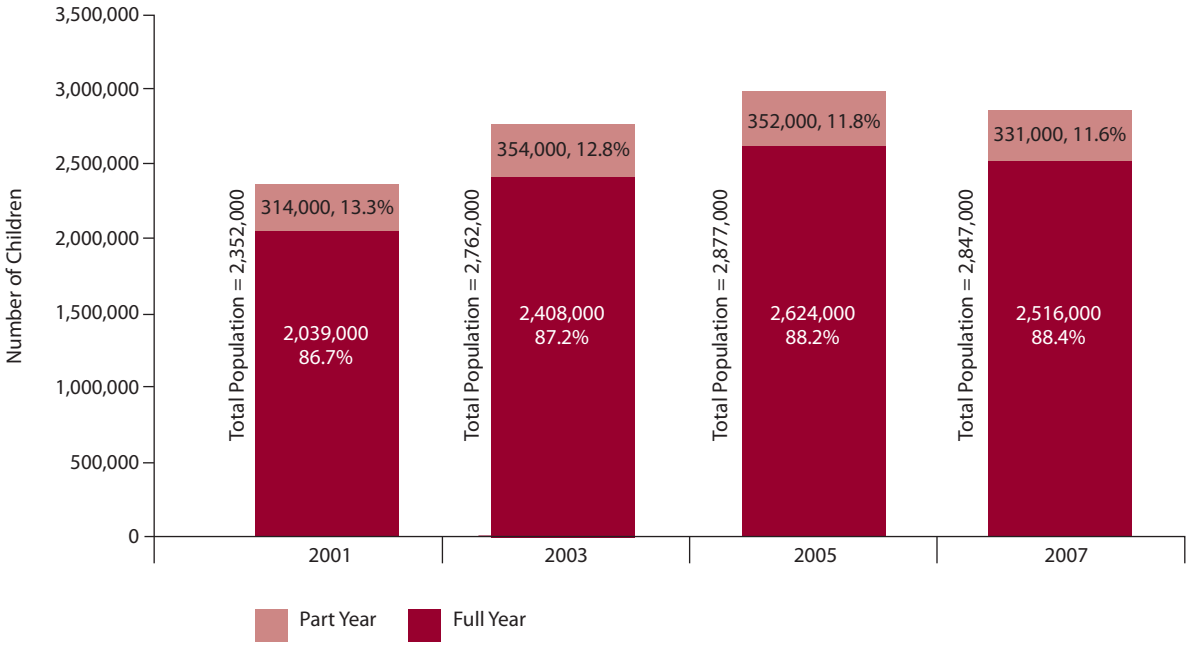
Thus, despite modest gains in 2007, it is likely that as the U.S. economy moves into recession, the employer-based insurance system for children will continue to erode.

Public Coverage Fills an Important Gap for Low- to Moderate-Income Children

As discussed in Chapter 1, the two main public health insurance programs for children in California are Medi-Cal (California's Medicaid Program) and Healthy Families (California's State Children's Health Insurance Program). The Medi-Cal program remains the backbone of health insurance coverage for low-income children. Children's enrollment in Medi-Cal increased steadily from just more than 2 million in 2001 to 2.6 million in 2005 (Exhibit 35). During this period, the child population grew and there were increased efforts statewide and at the local level to

22 The poverty breakdown used in this analysis was not available for 2001.

Exhibit 35.
Number of Children Covered by Medi-Cal During Last 12 Months, Ages 0-18, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

Differences in rates between other years and 2007 are not statistically significant at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

identify uninsured children and enroll them in Medi-Cal and Healthy Families if they were eligible. In addition, enrollment processes were streamlined and new continuous eligibility rules replaced quarterly income reporting, making it easier for children to retain their coverage as long as they remained eligible.

Reversing a six-year trend, Medi-Cal enrollment did not increase among California's children in 2007. Rather, the number of children enrolled in Medi-Cal for all of the past 12 months dipped slightly from 2.6 million in 2005 to 2.5 million in 2007. Although not statistically significant, this drop in enrollment was mirrored among children enrolled for only part of the year.[23]

The Healthy Families program complements Medi-Cal, providing coverage for children in families with slightly higher incomes. Healthy Families was implemented in California in 1998. As with any new

23 According to administrative data, there were 3.26 million children ages 0-18 enrolled in Medi-Cal in June 2007 and 3.31 million enrollees in March 2008 (dates correspond to the time of CHIS 2007 data collection). The "point-in-time" estimate from CHIS 2007 is a better comparison to administrative data than the past 12 months figure, because point-in-time corresponds to monthly enrollment. According to CHIS 2007, 2.74 million children were enrolled in Medi-Cal at the time of their CHIS interview, with a 95% confidence interval of 2.6 million to 2.9 million. This undercount, as compared with administrative data, has been found to be due in part to both self-reporting errors (i.e., enrollees are unaware of coverage, particularly if services are limited) and administrative data collection issues. See: Kincheloe JR, et al. (2006). Can we trust surveys to count Medicaid enrollees and the uninsured? *Health Affairs*, 25(4), 1163-7.

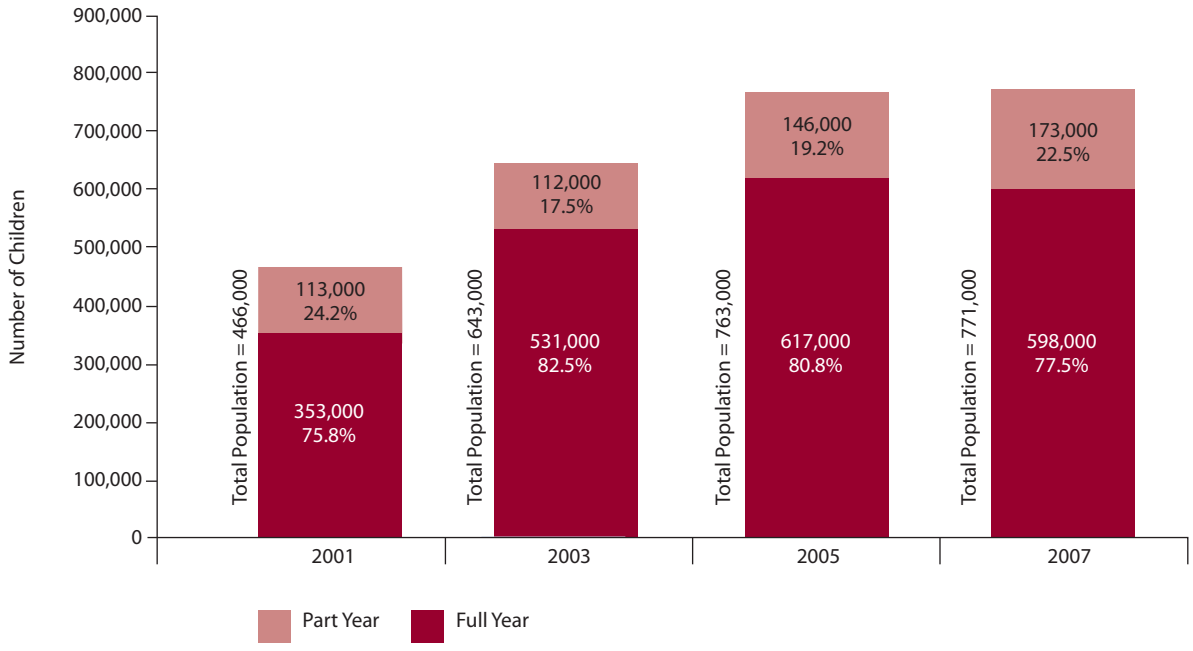
program, it took time to get the word out and for enrollment to ramp up. By 2001, more than 353,000 children were enrolled in the program for a full 12 months (Exhibit 36). By 2005, full-year enrollment had increased by 75%, to 617,000 children.

As in the Medi-Cal program, continuous 12-month enrollment in Healthy Families dipped slightly, from 617,000 in 2005 to 598,000 in 2007. At the same time, the number of children enrolled in Healthy Families for only part of the year increased by 3%.

Most (91.9%) of the children who had Medi-Cal at the time of the CHIS interview had been covered under Medi-Cal for all of the previous 12 months (Exhibit 37). Among children enrolled in Healthy Families, 83.6% had been enrolled for at least a full year. These numbers suggest that retention efforts, most notably continuous and presumptive eligibility, are working to some degree. However, 6% of Medi-Cal enrolled children and 11.1% of Healthy Families-enrolled children were uninsured for part of the previous year. These children may have been uninsured before enrolling in the programs or may have lost eligibility due to an increase in family income. Some may have fallen out of the program at the time of their annual review because their parents were unable to provide the paperwork needed to redetermine their eligibility. Lastly, some of these Healthy Families-enrolled children may have lost coverage because their parents stopped paying the premiums.

The drastic cutbacks in the Healthy Families program and Medi-Cal that are likely to be adopted by the governor and the legislature will reverse many of these gains and much of the progress accomplished during this decade.

Exhibit 36.
Number of Children Covered by Healthy Families During Last 12 Months, Ages 0-18, California, 2001-2007



Notes: Numbers may not add up to 100% because of rounding.

Differences in rates between other years and 2007 are not statistically significant at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

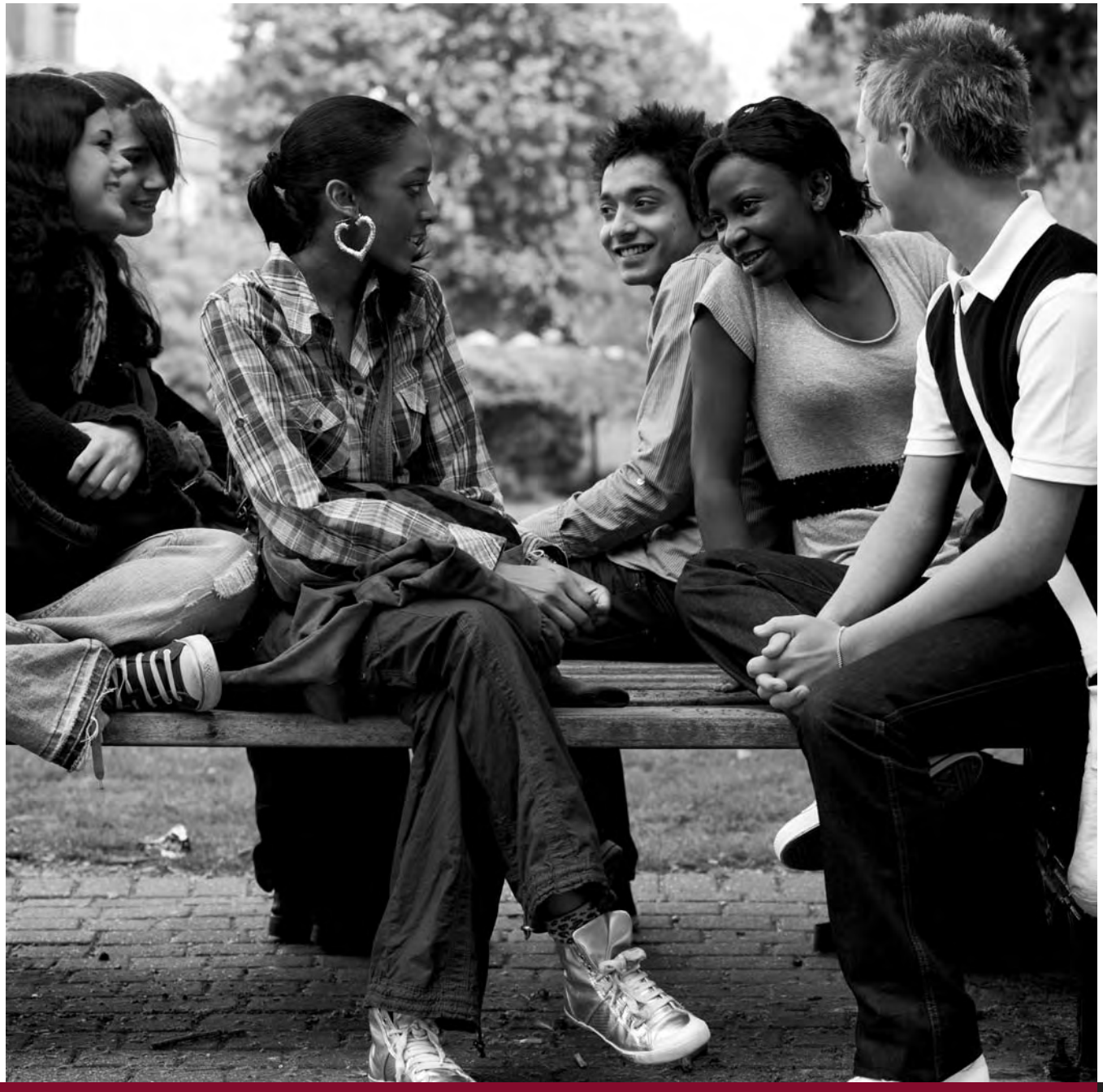
Exhibit 37.

Health Insurance Coverage During Last 12 Months Among Children Currently Enrolled in Medi-Cal or Healthy Families, Ages 0-18, California, 2007

Insurance Status Over Last 12 Months	Insurance Type at Interview	
	Medi-Cal	Healthy Families
Medi-Cal or Healthy Families Only	91.9	83.6
Medi-Cal or Healthy Families + Uninsured	6.0	11.1
Medi-Cal or Healthy Families + Other	2.2	5.3
Total	100%	100%
Population in 2007	2,738,000	715,000

Note: Numbers may not add up to 100% because of rounding.

Source: 2007 California Health Interview Survey



Uninsured Children

Between 2001 and 2007, the number of children who were uninsured for some part of the year dropped from 1.5 million to 1.1 million, even as the population of children in California increased (Exhibit 38). The bulk of these gains were achieved between 2001 and 2003 largely because of an increase in public coverage, even as employer-based coverage declined. Changes in Medi-Cal eligibility rules being considered in response to California's budget crisis may result in fewer children covered by Medi-Cal and more remaining uninsured.

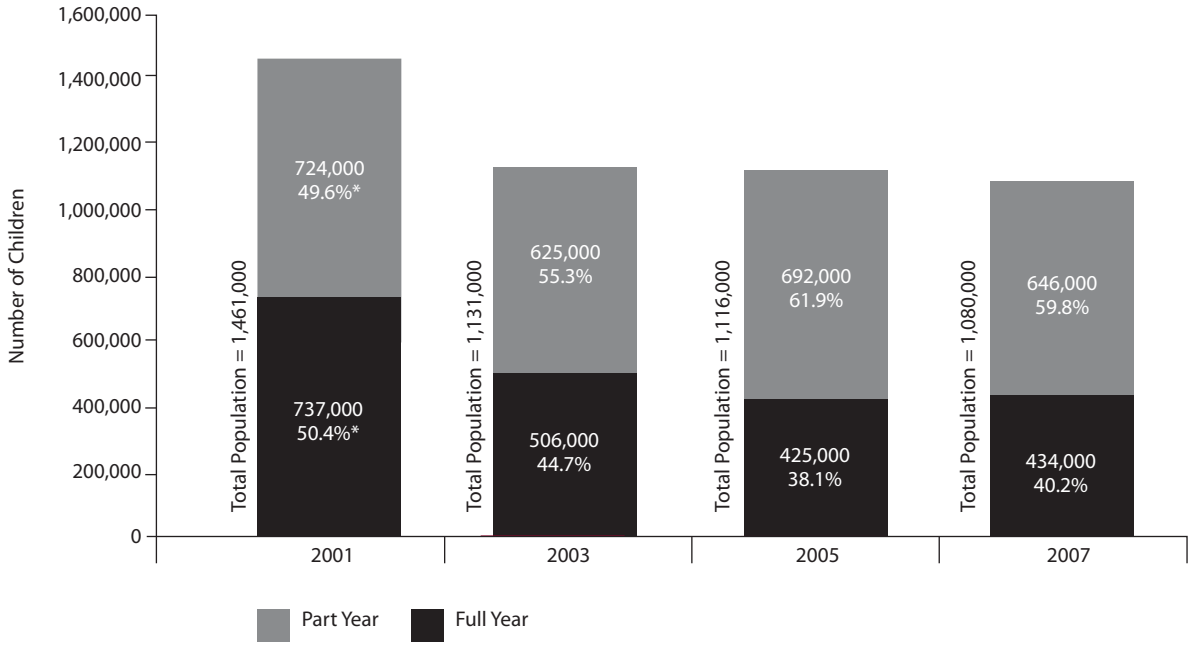
The proportion of children who were uninsured all of the year (versus only part of the year) dropped by 10 percentage points between 2001 and 2007, with most of these gains occurring by 2005.

Uninsurance Is a Family Problem

Most publicly insured children have parents who are also insured, either through Medi-Cal (48.6%), an employer or the employer of a spouse (25.4%; Exhibit 39). But 1 in 5 children enrolled in Medi-Cal or Healthy Families has two uninsured parents, a proportion that has remained unchanged since 2003.[24] More than two-thirds of these uninsured parents work full time or have a full-time working spouse (data not shown).

A majority (72.2%; Exhibit 40) of children who are uninsured but would be eligible for Medi-Cal or Healthy Families if they applied have parents who are uninsured. Nearly two-thirds of these families have at least one full-time worker (data not shown).

Exhibit 38.
Number of Children Uninsured During Last 12 Months, Ages 0-18, California, 2001-2007



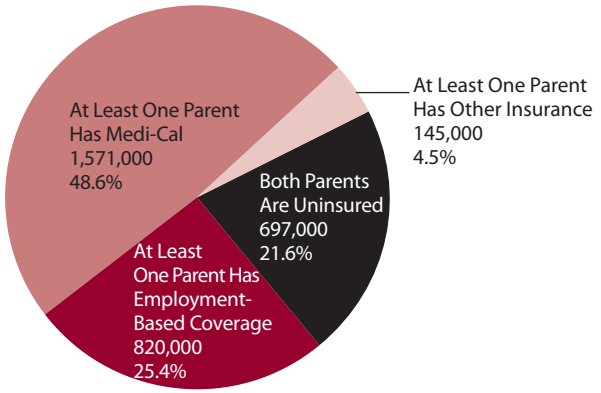
Note: Numbers may not add up to 100% because of rounding.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

24 Comparable data were not collected in 2001.

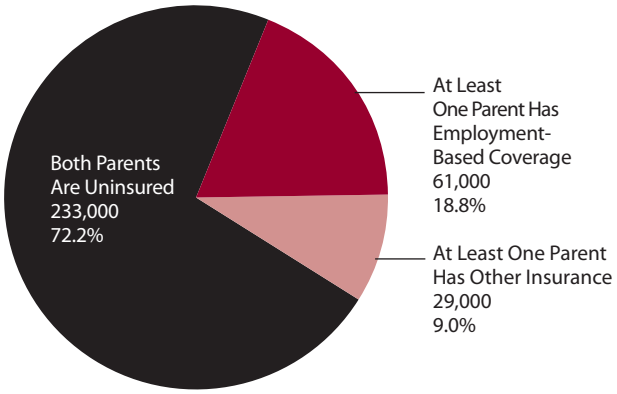
Exhibit 39.
Parents' Health Insurance Coverage Among Medi-Cal or Healthy Families Enrollees, Ages 0-17,[25] California, 2007



Note: Numbers may not add up to 100% because of rounding.

Source: 2007 California Health Interview Survey

Exhibit 40.
Parents' Health Insurance Coverage Among Uninsured Children Eligible for the Medi-Cal or Healthy Families Programs, Ages 0-17,* California, 2007



Note: Numbers may not add up to 100% because of rounding.

* Because 18-year-old respondents are treated as adults in the CHIS survey, we do not have information on the insurance status of their parents. Thus, this exhibit includes data only for children ages 0 to 17.

Source: 2007 California Health Interview Survey

Less than 20% of parents of uninsured eligible children have coverage through an employer or the employer of a spouse.

Other research shows that low-income, uninsured parents are three times more likely to have uninsured children than parents with either private insurance or Medicaid.[26] This suggests that one way to increase children's enrollment in the Medi-Cal or Healthy Families programs would be to expand eligibility to include their parents.

California faces a large budget deficit. Legislation has been proposed to reduce the Medi-Cal income eligibility of parents from 100% to 61% FPL, and to make ineligible any parents in families where the primary wage earner works more than 100 hours per month. These proposed changes were designed to cut costs by reducing adult enrollment. They would also likely decrease enrollment among children whose parents lose their eligibility.

Legislation to expand the Healthy Families program to the uninsured parents of eligible children was approved at the state and federal levels in 2002, but has never been funded or implemented. Such an expansion would draw entire families into the Medi-Cal and Healthy Families programs, benefiting children and adults. Now the governor and legislature are proposing even sharper cuts in Healthy Families and Medi-Cal.

25 Because 18-year-old respondents are treated as adults in the CHIS survey, we do not have information on the insurance status of their parents. Thus, this exhibit includes data only for children ages 0 to 17.

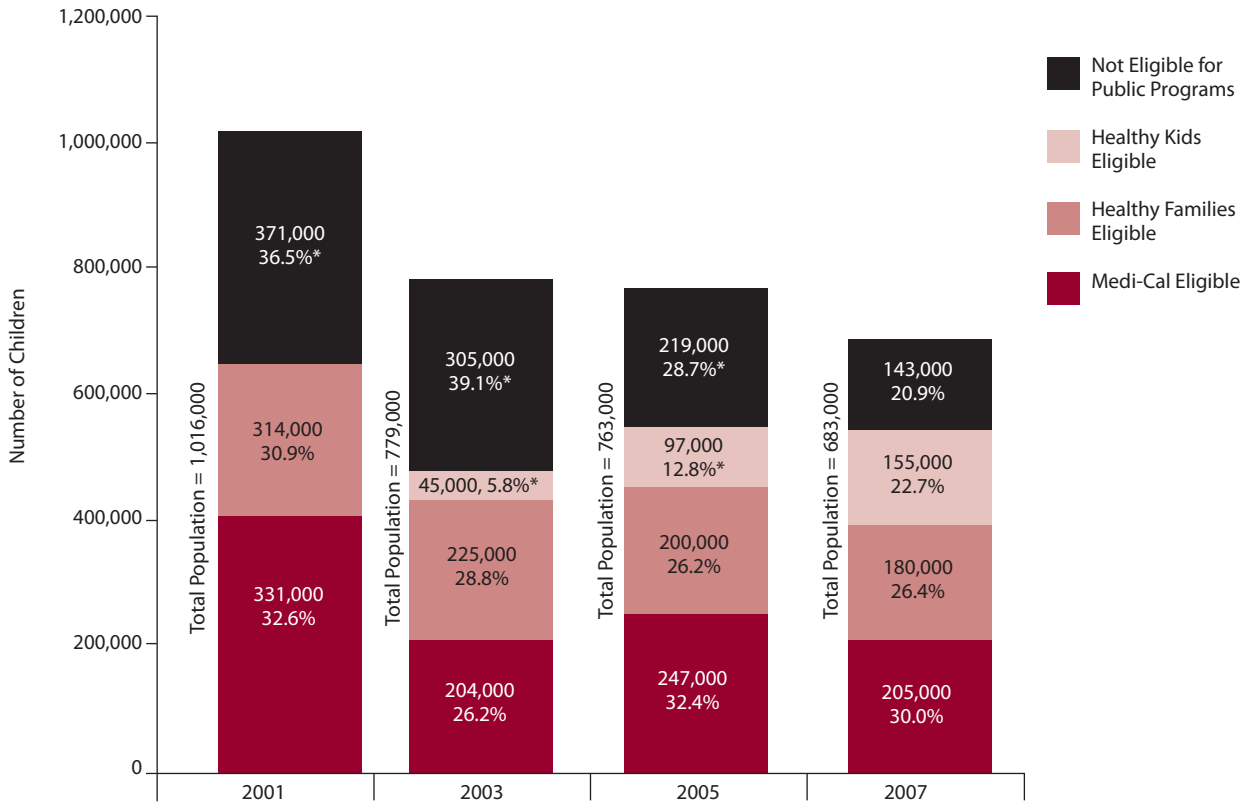
26 Schwartz K (2007). Spotlight on Uninsured Parents: How a Lack of Coverage Affects Parents and Their Families. *Kaiser Low-Income Coverage and Access Survey*.

Eligibility for Public Coverage Among Uninsured Children

Of the 683,000 children who were uninsured at the time of the CHIS interview, more than a quarter (26.4%) was Healthy Families eligible and almost one-third (30%) was eligible for Medi-Cal (Exhibit 41). An additional 22.7% were eligible for a local Healthy Kids program, although most programs had waiting lists and thus did not have sufficient resources to accommodate them. Only 1 in 5 (20.9%) was not eligible for a state health insurance program.

If all uninsured eligible children were enrolled in Medi-Cal or Healthy Families, 385,000 fewer California children would be uninsured. If existing county-based Healthy Kids programs were fully funded to accommodate all eligible children and these children enrolled, an additional 155,000 uninsured children would gain coverage.

Exhibit 41.
Eligibility of Currently Uninsured Children for Public Programs Under Eligibility Rules in Effect During the Year, Ages 0-18, California, 2001-2007



Note: Numbers may not add up to 100% because of rounding.

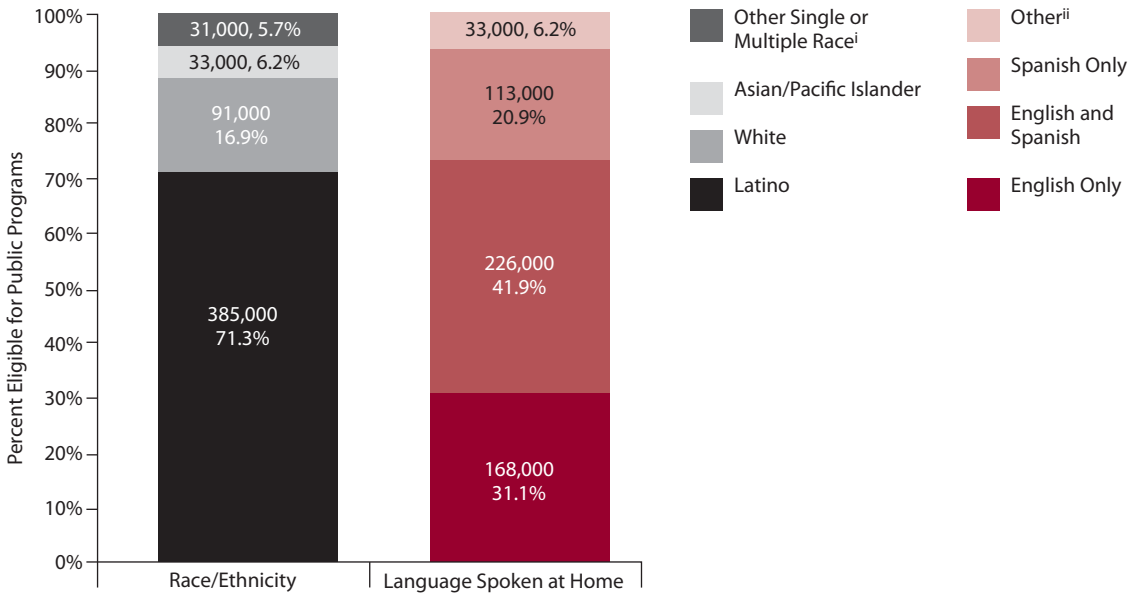
*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

Outreach efforts increased program participation in Healthy Families, and the number of eligible uninsured children declined steadily between 2001 and 2007. However, there has been no decline in the number of uninsured Medi-Cal eligible children since 2003.

Eligible uninsured children are most likely to be Latino (71.3%) and to have parents who either speak only Spanish (20.9%) or English and Spanish (41.9%; Exhibit 43).[27] These findings reinforce the need for outreach that targets Latinos in their communities. Less than one-third (31.1%) of eligible uninsured children are from households where only English is spoken, and roughly 1 in 5 is white (16.9%). A small fraction (6.2%) is Asian or Pacific Islander.

Exhibit 42.
Race/Ethnicity and Language Spoken at Home Among Uninsured Children Eligible for Medi-Cal, Healthy Families or Healthy Kids Programs, Ages 0-18, California, 2007



Notes: Numbers may not add up to 100% because of rounding.

[i] "Other Single or Multiple Race" includes African American children.

[ii] "Other" language spoken at home includes all Asian languages, any combination of English plus an Asian language, any other languages, and any combination of three languages or more. These categories were aggregated because of small sample size.

Source: 2007 California Health Interview Survey

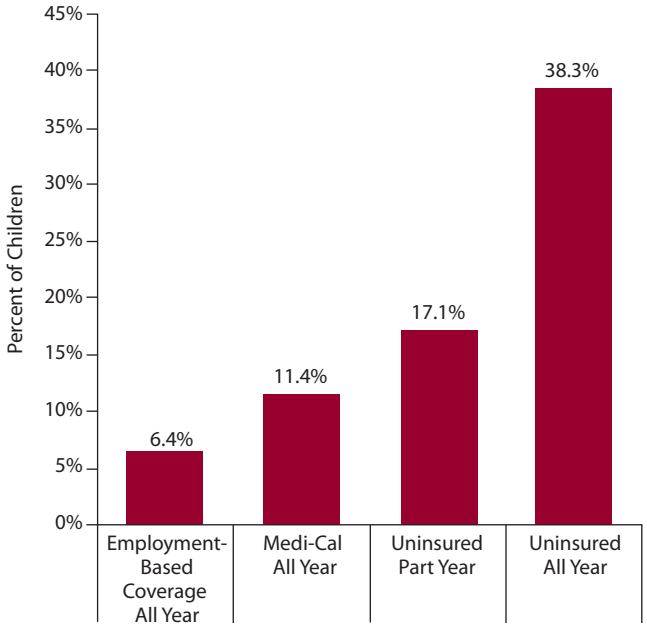
27 Not all children from Spanish-speaking households were identified by their parents as Latino or Hispanic.

4 The Consequences of Lacking Health Insurance

Richard Kronick, PhD

The uninsured continue to face substantial barriers in access to care. They are much less likely than people with health insurance to 1) have a usual source of care, an important facilitator of access to health care; 2) see a doctor regularly or have a well-child visit; 3) take medications for diabetes and high blood pressure; and 4) receive a variety of preventive health services, including flu shots, mammograms, PSAs, pap tests and colonoscopies.[28]

Exhibit 43.
No Usual Source of Care by Health Insurance Coverage Among Children, Ages 0-18, California, 2007



Source: 2007 California Health Interview Survey

Usual Source of Care

In 2007, the uninsured were much less likely to have a usual source of care than people with employer-based insurance.[29] Among children who were uninsured all year, 38.3% had no usual source of care, compared with 6.4% of children covered all year by employment-based insurance (Exhibit 43). Being able to identify a usual source of care has been widely shown to facilitate receiving better access to health care, including primary care, preventive care and specialty care.[30]

Among adults, the access gap was wider: 55.4% of full-year uninsured adults did not have a usual source of care, compared with 12.6% of adults with employment-based insurance (Exhibit 44).

Most of these differences persist even when controlling for other characteristics that vary between the insured and uninsured—age, gender, family type, race, ethnicity, citizenship and immigration status, language spoken at home, income relative to poverty, education, geographic region, urban/rural residence, self-reported health status and year of the survey. If the uninsured were to obtain coverage, there would almost certainly be very large changes in the numbers of people with a usual source of care.

28 Brown ER, Lavarreda SA, Ponce N, Yoon J, Cummings J and Rice T. *The State of Health Insurance in California: Findings from the 2005 California Health Interview Survey*. Los Angeles: UCLA Center for Health Policy Research, 2007.

29 For a complete discussion of trends in usual source of care over time, see appendix.

30 Cummings JR, Alex Lavarreda S, Brown ER, Rice T, "The Effects of Varying Spells of Uninsurance on Children's Access to Health Care," *Pediatrics* 2009;123(3):e411-418; Lavarreda SA, Gatchell M, Ponce N, Brown ER, Chia YJ, "Switching Health Insurance and its Effects on Access to Physician Services," *Medical Care* 2008; 46:1055-1063; Spencer BA, Babey SH, Etzioni DA, Ponce NA, Brown ER, Yu H, Chawla N, Litwin MS, "A Population-Based Survey of PSA Testing among California Men at Higher Risk for Prostate Cancer," *Cancer* 2006; 106.765-774; Breen N, Wagener D, Brown M, Davis W, Balllard-Barbash R. Progress in Cancer Screening Over a Decade: Results of Cancer Screening from the 1987, 1992 and 1998 National Health Interview Surveys. *Journal of National Cancer Institute*, 2001;93:1704–1713; Hoilette LK, Clark SJ, Gebremariam A, Davis MM, "Usual Source of Care and Unmet Need Among Vulnerable Children: 1998-2006," *Pediatrics* 2009 Feb;123(2):e214-219.

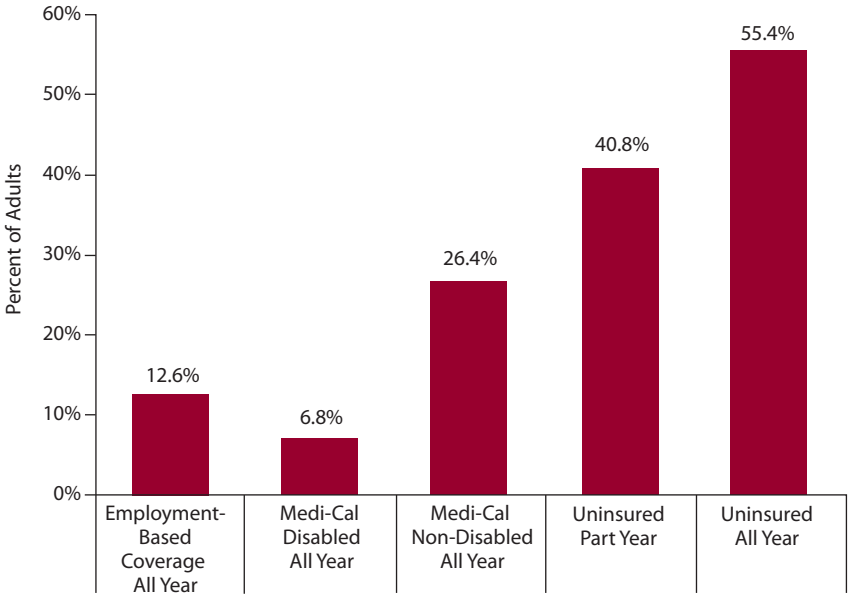
Public Programs and Usual Source of Care

Medi-Cal and Healthy Families coverage clearly increase the likelihood of having a usual source of care. However, they may not provide quite as much access to care as private insurance. Among children covered by Medi-Cal or Healthy Families, 11.4% did not have a usual source of care compared with 6.4% of those with EBI and 38.3% of children who were uninsured all year.

When controlling for other factors, nearly half of the difference between children with public coverage and children with EBI remained. This indicates that access barriers in public programs may have an effect on having a usual source of care. However, it also may indicate that children with public coverage differ from children with EBI in ways that are not taken into account in our analysis.

In Exhibit 44, adults are separated into the two main pathways to Medi-Cal eligibility: "disabled" and "non-disabled."[31] Most adult Medi-Cal beneficiaries are eligible because they are low income and are the parent (or guardian) of a low-income Medi-Cal eligible child. Other adults are eligible because they are low income and disabled. Among adult Medi-Cal beneficiaries who were not disabled, 26.4% reported having no usual source of care, compared with 12.6% of adults with EBI. Among disabled Medi-Cal beneficiaries, only 6.8% reported no usual source of care. This rate is lower than for those with EBI but still disturbingly high for people with disabilities.

Exhibit 44.
No Usual Source of Care by Health Insurance Coverage Among Adults, Ages 19-64, California, 2007



Note: "Medi-Cal Disabled Adult All Year" is defined as a Medi-Cal beneficiary reporting he or she had a physical or mental condition that kept him or her from working for at least one year.

Source: 2007 California Health Interview Survey

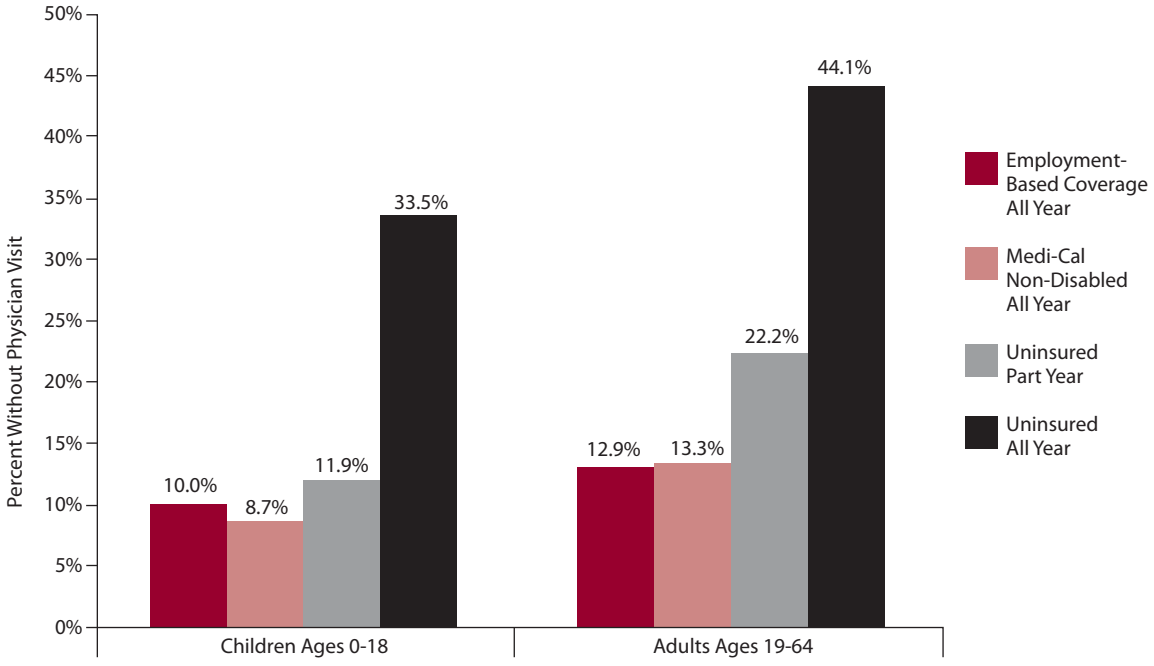
31 The CHIS data do not provide a clear indication of why respondents are eligible for Medi-Cal. However, adult respondents were asked, "Do you have a physical or mental condition that has kept you from working for at least a year?" Medi-Cal beneficiaries who responded "yes" to this question were classified as "likely disabled" and other adult Medi-Cal respondents were classified as "likely not disabled."

Doctor Visit in the Past Year

Similar to the results for no usual source of care, there were very large differences between the uninsured and Californians with EBI in the proportion that had seen a physician in the past year. The differences were greater for adults than for children. Among children, 33.5% of full-year uninsured children did not see a physician in the previous 12 months, compared with 10.0% among children with EBI (Exhibit 45). Among adults, the comparable figures were 44.1% and 12.9%.

It is reassuring that even though Medi-Cal and Healthy Families beneficiaries were less likely than Californians with EBI to have a usual source of care (Exhibits 44 and 45), they were just as likely to have seen a physician in the past year (Exhibit 46).

Exhibit 45.
No Physician Visit in Last 12 Months by Health Insurance Coverage Among Children and Adults, Ages 0-18 and 19-64, California, 2007



Notes: Numbers are rates and will not add up to 100%.

"Medi-Cal Non-Disabled Adult All Year" is defined as a Medi-Cal beneficiary who did not report he or she had a physical or mental condition that kept him or her from working for at least one year.

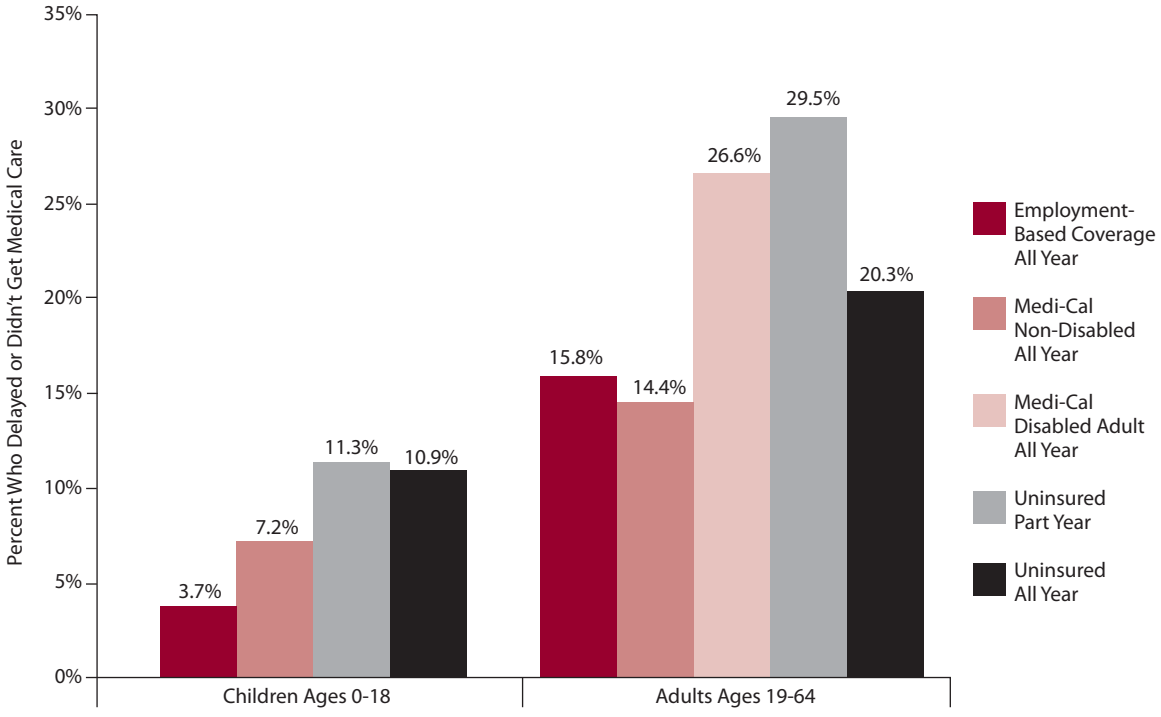
"Medi-Cal Disabled Adult All Year" was excluded from this exhibit due to instability because the coefficient of variation is above 30%.

Source: 2007 California Health Interview Survey

Delays in Care in the Past Year

Californians who were uninsured for a full year were more likely than those with EBI to report that they delayed getting needed care in the previous year because of cost or lack of insurance—10.9% compared with 3.7% among children, and 20.3% compared with 15.8% among adults (Exhibit 46). Responses to this question were affected both by the extent to which cost or lack of insurance created access barriers and the extent to which respondents needed care. For example, Medi-Cal adults with disabilities were more likely than any other group to have a usual source of care, or to have seen a physician in the past year. But they were also more likely than others to report delays in care they needed because of cost, reflecting their much greater need for care.

Exhibit 46.
Delay in Receiving Medical Care in Last 12 Months by Health Insurance Coverage Among Children and Adults, Ages 0-18 and 19-64, California, 2007



Notes: Numbers are rates and will not add up to 100%.

"Medi-Cal Disabled Adult All Year" is defined as a Medi-Cal beneficiary reporting he or she had a physical or mental condition that kept him or her from working for at least one year.

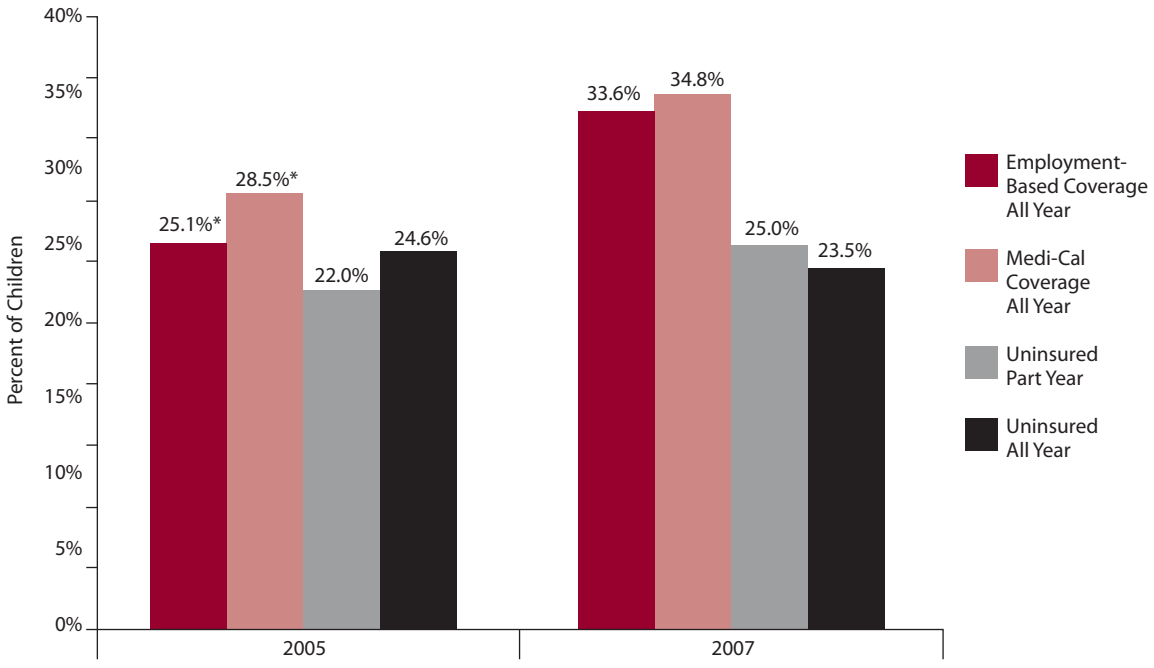
Source: 2007 California Health Interview Survey

Flu Shots

The association between lack of insurance and receipt of flu shots illustrates a disturbing pattern. In 2005 the proportion of children with EBI or Medi-Cal who had received a flu shot was similar to the proportion among uninsured children (Exhibit 47). By 2007, however, the proportion of EBI and Medi-Cal children who had received a flu shot had increased substantially while the proportion of uninsured children receiving a flu shot had not changed much, and the disparities by insurance status widened.

Among adults there was more evidence of a disparity in receipt of flu shots between the uninsured and insured in 2005 than there was among children. But that disparity widened further in 2007, with receipt of flu shots increasing more for the insured than for the uninsured (Exhibit 48). As public health efforts generate improvements in preventive health care, it is not uncommon for the uninsured to be left behind and for the disparities between the insured and uninsured to widen.

Exhibit 47.
Flu Shot in Last 12 Months by Health Insurance Coverage Among Children, Ages 0-18, California, 2005 and 2007

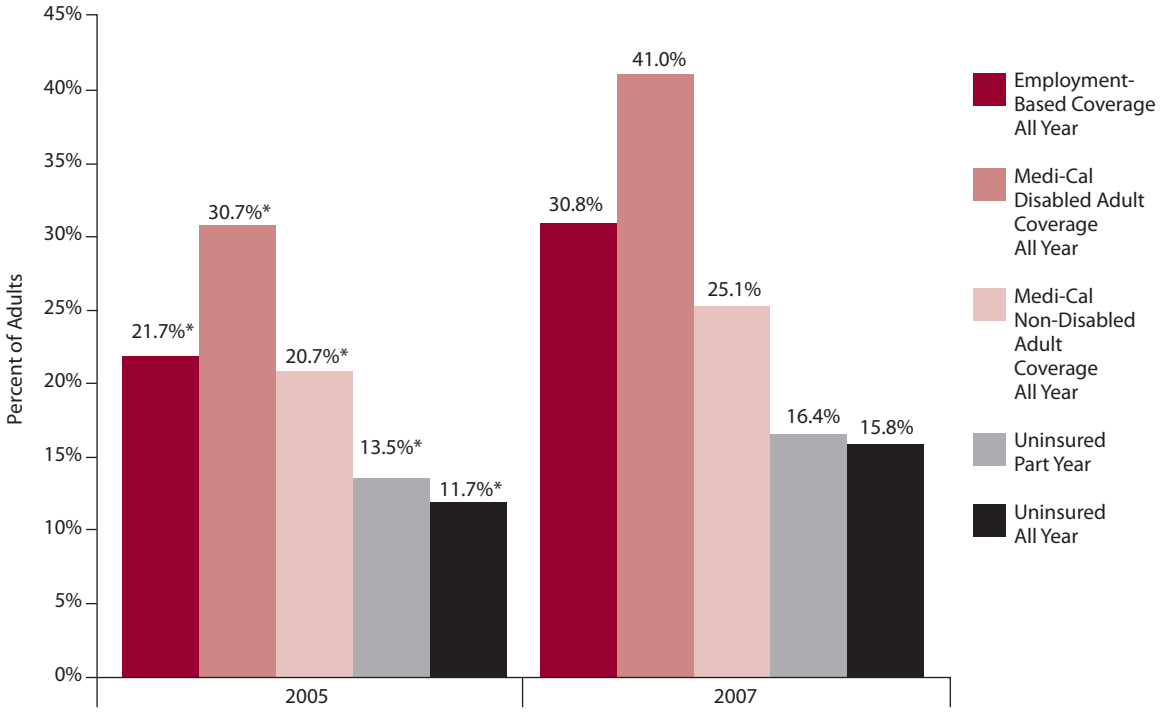


*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2005 and 2007 California Health Interview Surveys

Adults with disabilities are at higher risk of contracting the flu and at higher risk of complications if they do catch the flu, so it is reassuring that receipt of flu shots among adult Medi-Cal beneficiaries with disabilities was higher than for Californians with EBI (Exhibit 48).

Exhibit 48.
Flu Shot in Last 12 Months by Health Insurance Coverage Among Adults, Ages 19-64, California, 2005 and 2007



Note: "Medi-Cal Disabled Adult All Year" is defined as a Medi-Cal beneficiary reporting he or she had a physical or mental condition that kept him or her from working for at least one year.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2005 and 2007 California Health Interview Surveys

Preventive Cancer Screenings

Utilization of preventive services among adults was uniformly lower for the full-year uninsured than for adults with EBI or for Medi-Cal beneficiaries (Exhibit 49). Of the three types of preventive services analyzed in Exhibit 50, the association between type of insurance and receipt of preventive services was smallest for Pap tests, intermediate for mammograms and largest for colon cancer screening. It may be that the strength of the association varies with the cost of the test and with the perceived value of the test: For Pap tests, which are low cost and very high value, the association with lack of insurance is not strong; in contrast, a colonoscopy or sigmoidoscopy to screen for colon cancer is higher cost (both in money and inconvenience) and perhaps of lower perceived value (as evidenced by the lower rate, even among the insured).

Mental Health Care

Among California adults with EBI, approximately 16% reported that during the previous 12 months they felt the need to see a mental health professional (Exhibit 50).[32] Self-reported need for mental health care was at a similar level among Medi-Cal beneficiaries without disability; among Medi-Cal beneficiaries with disabilities, more than 50% reported they needed mental health services during the previous year.

Exhibit 49.
Preventive Care by Health Insurance Coverage Among Adults, Ages 19-64, California, 2007

	Receipt of Preventive Care		
	Adults Ages 19-64		
Insurance Status	Pap Test Within the Past 3 Years[i]	Mammogram Within the Past 2 Years[i]	Colonoscopy of Sigmoidoscopy and FOBT Within the Past 5 Years[i]
Employment-Based Coverage All Year	89.6%	84.2%	60.8%
Medi-Cal Non-Disabled All Year	88.0%	75.6%	48.5%
Medi-Cal Disabled Adult All Year	82.3%	77.6%	49.9%
Uninsured Part Year	82.7%	63.4%	39.8%
Uninsured All Year	72.6%	54.6%	21.9%

Notes: Numbers are rates and will not add up to 100%.

"Medi-Cal Disabled Adult All Year" is defined as a person reporting he or she had a physical or mental condition that kept him or her from working for at least one year.

[i] As per clinical guidelines, we examine mammogram rates for women ages 40-64; Pap test rates for women ages 19-64; and colonoscopy/sigmoidoscopy/FOBT rates for adults ages 50-64.

Source: 2007 California Health Interview Survey

32 The question from CHIS 2007 was, "Was there ever a time during the past 12 months when you felt that you might need to see a professional because of problems with your mental health emotions or nerves or your use of alcohol or drugs?"

Approximately 43% of Californians who needed to see a mental health professional had not done so in the previous 12 months. More than 50% of uninsured Californians who perceived a need for mental health care had not obtained it because of the cost. Among Californians with either public or private insurance, the cost of care was a much smaller factor: Between 9% and 16% of Californians with public or private insurance who perceived a need for mental health care did not receive it because of cost (Exhibit 50).

Although the cost of care was not a major deterrent to the receipt of mental health care among insured Californians, other factors were significant barriers to access. Approximately 25% of those with public or private insurance reported not being comfortable talking with a professional about personal problems and a similar proportion reported concern about what would happen if other people found out they had a problem (data not shown). Further, among Medi-Cal beneficiaries approximately 25% reported difficulty in getting an appointment with a mental health professional as one reason for not receiving care, a reason cited by only 10% of those with EBI.

Exhibit 50.
Mental Health Utilization by Health Insurance Coverage Among Adults, Ages 19-64, California, 2007

	Mental Health Utilization		
Insurance Status	**Self-Reported Mental Health Problems**	**No Treatment for Mental Health Problems**	**Did Not See a Professional Because of Cost**
Employment-Based Coverage All Year	16.2%	39.2%	11.5%
Medi-Cal Non-Disabled All Year	18.7%	45.1%	16.2%
Medi-Cal Disabled Adult All Year	51.6%	19.0%	8.8%
Uninsured Part Year	23.7%	50.7%	29.8%
Uninsured All Year	15.8%	67.4%	50.7%
Total Population	18.3%	43.1%	19.6%

Notes: Numbers are rates and will not add up to 100%.

"Medi-Cal Disabled Adult All Year" is defined as a person reporting he or she had a physical or mental condition that kept him or her from working for at least one year.

"Total Population" includes people with privately purchased insurance all year and other insurance all year, including government programs that are not Medi-Cal or Healthy Families and any combinations of coverage during which the person was never uninsured.

[i] Among those who reported a mental health problem.

Source: 2007 California Health Interview Survey

Medical Debt

More than 2.2 million Californians, or 13% of nonelderly adults, report having medical debt[33] (Exhibit 51).

The incidence of medical debt did not vary much by insurance status. The uninsured were slightly more likely to report medical debt than adults covered by Medi-Cal or EBI but the differences were not large. Approximately two-thirds of those with debt incurred the debt while insured and one-third incurred the debt while uninsured (data not shown).

Among those with medical debt, 62.8% had debts less than $2,000, 17% had debts of $2,000-$4,000, 9.4% of $4,000-$8,000 and 8.7%—200,000 persons in all—had debts above $8,000 (Exhibit 52).

Effects of Medical Debt on Delays in Care

Californians with medical debt were much more likely than those without debt to report delays in getting needed medication or health care. Among those with medical debt, 32.3% reported delays in getting needed medical care, compared with 16.1% of those without medical debt (Exhibit 53).

Exhibit 51.
Presence of Medical Debt by Health Insurance Coverage Among Adults, Ages 19-64, California, 2007

	Presence of Medical Debt		
Insurance Status	**Medical Debt**	**No Medical Debt**	**Total**
Employment-Based Coverage All Year	12.1	87.9	100%
Medi-Cal All Year	10.2	89.8	100%
Uninsured Part Year	17.9	82.2	100%
Uninsured All Year	13.6	86.4	100%
Total Population	13.0	87.0	100%

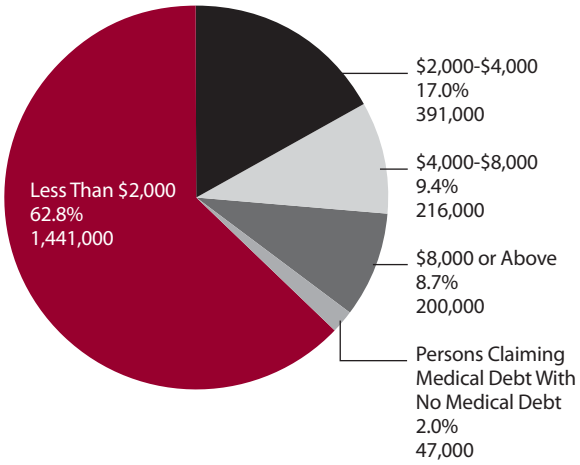
Notes: Numbers are rates and may not add up to 100%.

"Total Population" includes people with privately purchased insurance all year and other insurance all year, including government programs that are not Medi-Cal or Healthy Families and any combinations of coverage during which the person was never uninsured.

Source: 2007 California Health Interview Survey

33 Because of survey administration, these questions were asked only of adults who had their own employment-based insurance, privately purchased coverage, Medi-Cal or were uninsured, but were not asked of those who obtained employment-based insurance coverage through a spouse.

Exhibit 52.
Amount of Medical Debt Among Adults, Ages 19-64, California, 2007



Note: Numbers may not add up to 100% because of rounding.

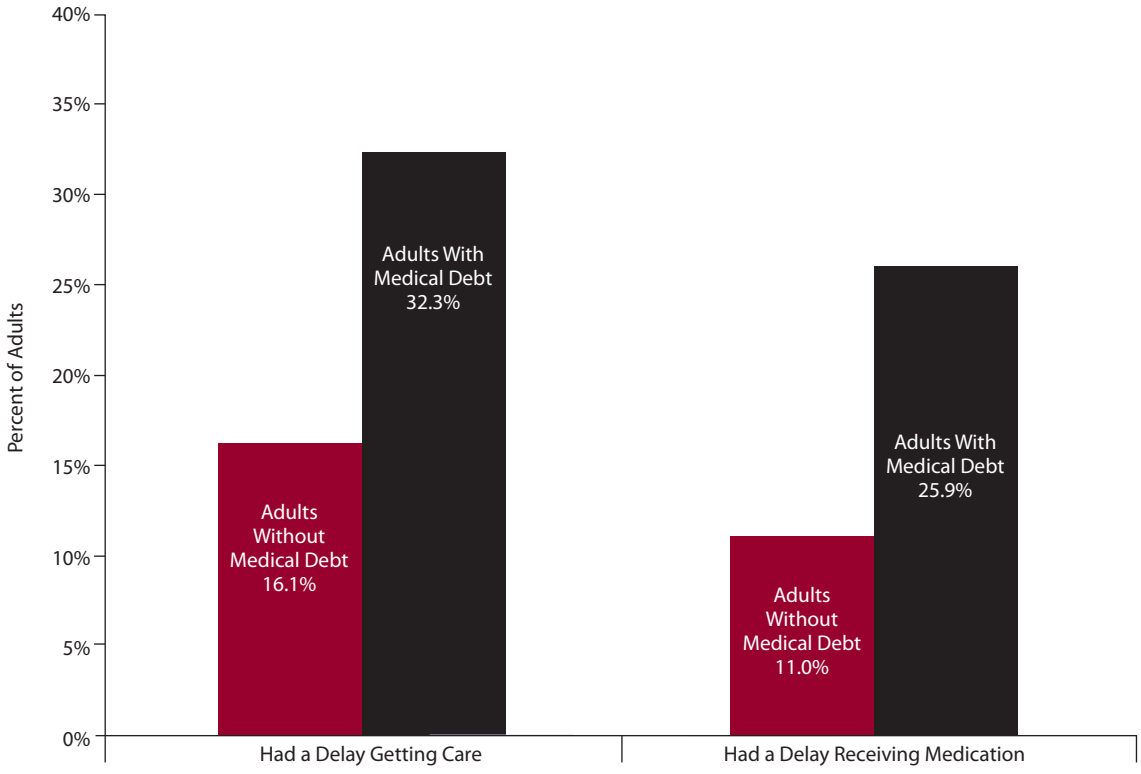
Source: 2007 California Health Interview Survey

Such delays were even more pronounced among those with high levels of medical debt. Among those with more than $8,000 of medical debt, approximately 43% reported delays in getting needed care (data not shown). It is possible that the greater likelihood of delay among those with a high level of debt reflects greater need for care. But this also likely reflects, at least in part, the effects of debt on access to care.

Financial Consequences of Medical Debt

Respondents with medical debt were asked about a variety of potential financial consequences. Did it lead to an inability to pay for basic necessities? Did it cause credit card debt? Did it cause the respondent to take out a loan or use up savings? Did it contribute to a declaration of bankruptcy?

Exhibit 53.
Impact of Medical Debt on the Receipt of Health Care Services and Prescription Medication Among Adults, Ages 19-64, California, 2007



Source: 2007 California Health Interview Survey

Among those with debt, nearly half (44.6%) reported that it did not lead to any of these financial consequences, although the proportion reporting no financial consequences declined, as expected, as the size of the debt increased (Exhibit 54). Among those who did experience financial consequences, the number of consequences increased as the size of the debt rose (Exhibit 54). Approximately 35% of those with debt reported that they took out a loan or used up savings; 32.2% reported that they took on credit card debt; 20.2% reported being unable to pay for basics; and 1.9% reported that they declared bankruptcy (Exhibit 55).

It is clear that medical debt creates substantial financial burdens, causing hundreds of thousands of Californians to have trouble paying for basic necessities and leading many hundreds of thousands of others to take out loans, use up savings or run up credit card balances.

It is somewhat surprising that the size of the debt was not related to the likelihood that it contributed to bankruptcy. Among those with less than $2,000 in debt, 1.5% reported that it contributed to bankruptcy, not much different from all those with medical debt. The likelihood that debt created a

Exhibit 54.
Financial Consequences for Adults with Medical Debt, Ages 19-64, California, 2007

	Amount of Medical Debt				
Financial Consequences	**Less Than $2,000**	**$2,000-$4000**	**$4,000-$8,000**	**$8,000 or More**	**Total Population**
No Financial Burden Due to Medical Bills	53.5%	30.2%	25.6%	24.3%	44.6%
Declared Bankruptcy Due to Medical Bills	1.5%	***	***	***	1.9%
Unable to Pay for Basics	16.0%	24.1%	28.4%	36.5%	20.2%
Took on Credit Card Debt Due to Medical Bills	25.4%	44.5%	46.9%	43.0%	32.2%
Took Out Loans or Used Up Savings Due to Medical Bills	27.7%	45.9%	50.1%	57.9%	35.4%

Notes: Numbers are rates and do not add up to 100%; rates are expressed as a percentage of those with medical debt.

***Unstable estimate due to coefficient of variation greater than 30%.

Source: 2007 California Health Interview Survey

Exhibit 55.
Number of Financial Consequences for Adults With Medical Debt, Ages 19-64, California, 2007

	Amount of Medical Debt				
Financial Consequences	**Less Than $2,000**	**$2,000-$4000**	**$4,000-$8,000**	**$8,000 or More**	**Total Population**
No Financial Burden Due to Medical Debt	53.5	30.2	25.6	24.3	44.6
One Financial Burden Due to Medical Bills	27.4	33.8	28.1	27.1	28.2
Two Financial Burdens Due to Medical Bills	14.7	25.5	38.3	34.9	20.6
Three or More Financial Burdens Due to Medical Bills	4.5	10.5	8.0	13.8	6.6
Total	100%	100%	100%	100%	100%

Note: Numbers may not add up to 100% because of rounding.

Source: 2007 California Health Interview Survey

financial burden was, as expected, related to the size of the debt, but it is also surprising that among those with more than $8,000 in debt, 24.3% reported that it created no financial burden. Perhaps these are people with such substantial resources that a debt of greater than $8,000 does not create a burden, or perhaps these are people who interpret the phrase ”burden” differently.

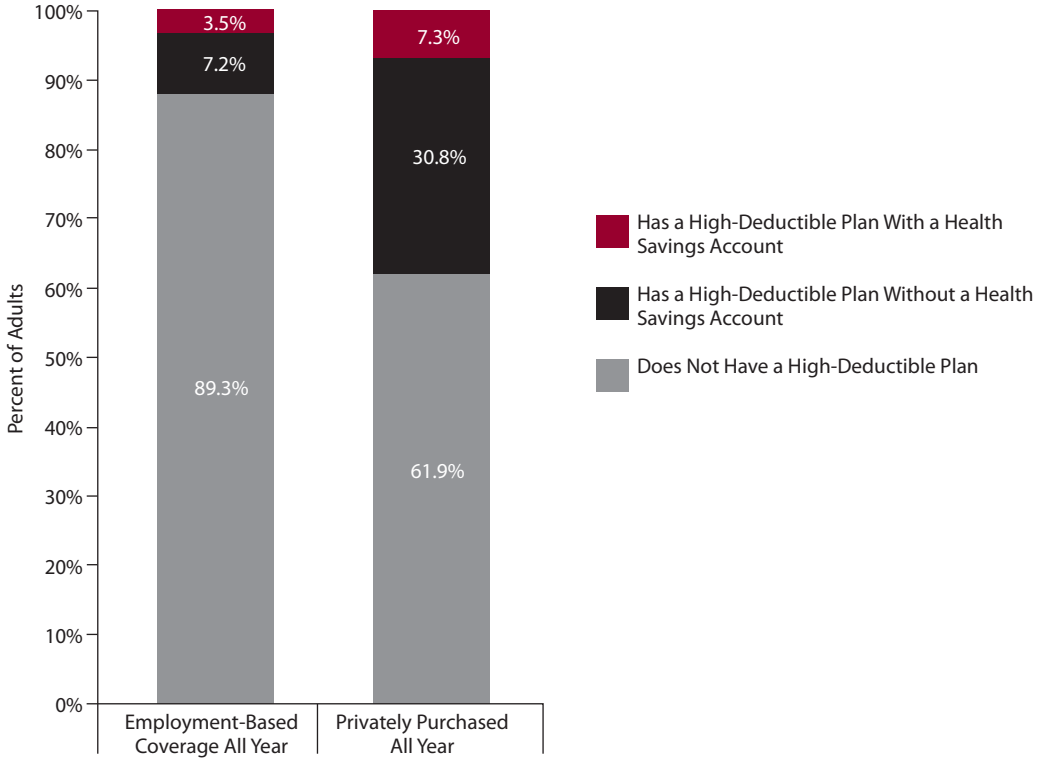
High-Deductible Plans

We define a “high-deductible plan” as an insurance plan that has a deductible of $1,000 or higher for single-person coverage or $2,000 or greater for family coverage. High-deductible plans were much more common among Californians with privately purchased coverage than among those covered by EBI. More than 38% of adults with privately purchased insurance had a high deductible, compared with 10.7% among adults with EBI (Exhibit 56).

Conventional wisdom is that high-deductible plans attract the healthy and wealthy, leaving the sicker and poorer in an increasingly unattractive risk pool. For the most part, the evidence does not support this conventional wisdom when it comes to EBI. Among California adults with EBI all year in 2007, 7.2% reported having high-deductible coverage without a health savings account (HSA), and 3.5% reported having high-deductible coverage with an HSA (Exhibit 56).

We suspect that most employees with high-deductible EBI without an HSA have not chosen a high-deductible plan but rather are working for

Exhibit 56.
Percent With High-Deductible Health Plans Among Adults With Employment-Based or Privately Purchased Coverage, Ages 19-64, California, 2007



Source: 2007 California Health Interview Survey

employers where this is the only (or, perhaps, the only affordable) option offered. In contrast, most adults with EBI who have a high-deductible plan with an HSA have likely chosen that plan rather than a more comprehensive plan.

Employees with a high-deductible plan and an HSA are similar to the general population in age, health status, income and rate of having a usual source of care.[34] Approximately 9%-10% of each group were in fair or poor health, 10%-11% were below the Federal Poverty Level and 12%-13% reported having no usual source of care (Exhibit 57).

However, adults with an EBI high-deductible plan without an HSA are clearly a disadvantaged group. They were poorer, sicker and less likely to have a usual source of care than adults with lower deductibles or those with a high-deductible plan that included an HSA (Exhibit 57).

As shown in Exhibit 57, when controlling for other factors adults with an EBI high-deductible plan and no HSA were much less likely than adults without a high-deductible plan to have a usual source of care.[35] This strong association between enrollment in a high-deductible plan and not having a usual source of care heightens concerns that high-deductible plans result in barriers in access to care.

Exhibit 57.
Health Status, Federal Poverty Level and Age Among Adults with Employment-Based Coverage, Ages 19-64, California, 2007

Health Indicators	No High-Deductible Health Plan	High-Deductible Health Plan With Health Savings Account	High-Deductible Plan Without Health Savings Account
Fair or Poor Health	10.2%	9.2%	21.9%
0-199% Federal Poverty Level	10.9%	10.0%	22.6%
Ages 19-29	16.2%	19.5%	25.1%
No Usual Source of Care	12.0%	13.0%	23.9%

Notes: Numbers are rates and will not add up to 100%.

The 2007 Federal Poverty Level was $10,787 for one person, $13,954 for a two-person family and $16,530 for a three-person family.

Source: 2007 California Health Interview Survey

34 A detailed analysis of whether the healthy and wealthy disproportionately select high-deductible plans would require data from employer groups that offered both high-deductible and non-high-deductible choices, and comparison of employees who choose a high-deductible plan with those who do not. The data available in CHIS provide a suggestion that, on average, employees who choose a high-deductible plan with an HSA are broadly similar in characteristics to employees not in a high-deductible plan, but cannot provide a fine-grained answer to the question of whether the healthy and wealthy are disproportionately selecting plans with an HSA.

35 The analysis controls for age, gender, race/ethnicity, citizenship, primary language spoken, education, income, region, urban/rural and self-reported health status.

5 Conclusions and Policy Issues

The changes that have occurred since 2001 in Californians' health insurance coverage were concentrated in the first half of this decade. Although coverage changed little between 2005 and 2007, the volatility of employment-based insurance coverage between 2001 and 2007 is cause for concern as California and the nation cope with a deep and prolonged recession. Even before California's economy and fiscal condition descended to extraordinary depths, disparities in coverage related to income had not diminished, and health insurance disparities continued to affect ethnic and racial groups and many counties throughout the state. Even before this recession, the growing weakness of employment-based insurance could be seen in the declining rates of dependent coverage for children, undoubtedly caused principally by the ever-increasing cost of family coverage.

Reforms in the employment-based market must be particularly sensitive to the income disparity that prevails and that may worsen with a weakening economy. The anticipated decline in the adult worker population covered by job-based insurance can be buttressed only by expansions in public coverage to guarantee a safety net for low-income adults, and by policy changes in the non-group market that render it affordable and well-functioning to ensure the health and productivity of California's workforce.

Reforms in the non-group market might be achieved by reducing price and medical condition barriers using regulation. Examples of potential regulatory strategies include broader guaranteed-issue rules, oversight on underwriting to balance serving the sick with reducing adverse selection, and incentives and subsidies to insurance firms and health care systems to ensure that such plans will be financially viable.

California has had some success at reducing rates of children's uninsurance, primarily between 2001 and 2005. These gains are largely attributable to an increase in public coverage achieved through outreach campaigns, simplification of enrollment processes and continuous eligibility. Even before the legislature and governor enacted draconian cutbacks in public programs such as Healthy Families and Medi-Cal, recently enacted policies had already diminished the ability of this safety net to offset children's loss of employment-based insurance coverage.

California took two steps back with new policies that increase the difficulty of retaining children in Medi-Cal and Healthy Families. Premium increases of as much as 25% in the Healthy Families program came at a time of economic downturn, when working families could least afford them. Even small premium increases can cause low- to moderate-income families to drop coverage, leaving more children uninsured.[36]

With the 2005 Deficit Reduction Act (DRA), the federal government created new barriers to Medicaid enrollment and retention for citizen children and their parents. The DRA mandates that each Medi-Cal applicant present an original document proving his or her citizenship and original picture identification or other proof of identity. Current Medi-Cal enrollees are also subject to these requirements and must provide DRA documentation at their eligibility redetermination. The DRA does not apply to legal permanent residents, or to undocumented immigrants who apply for limited benefits (emergency or pregnancy services).

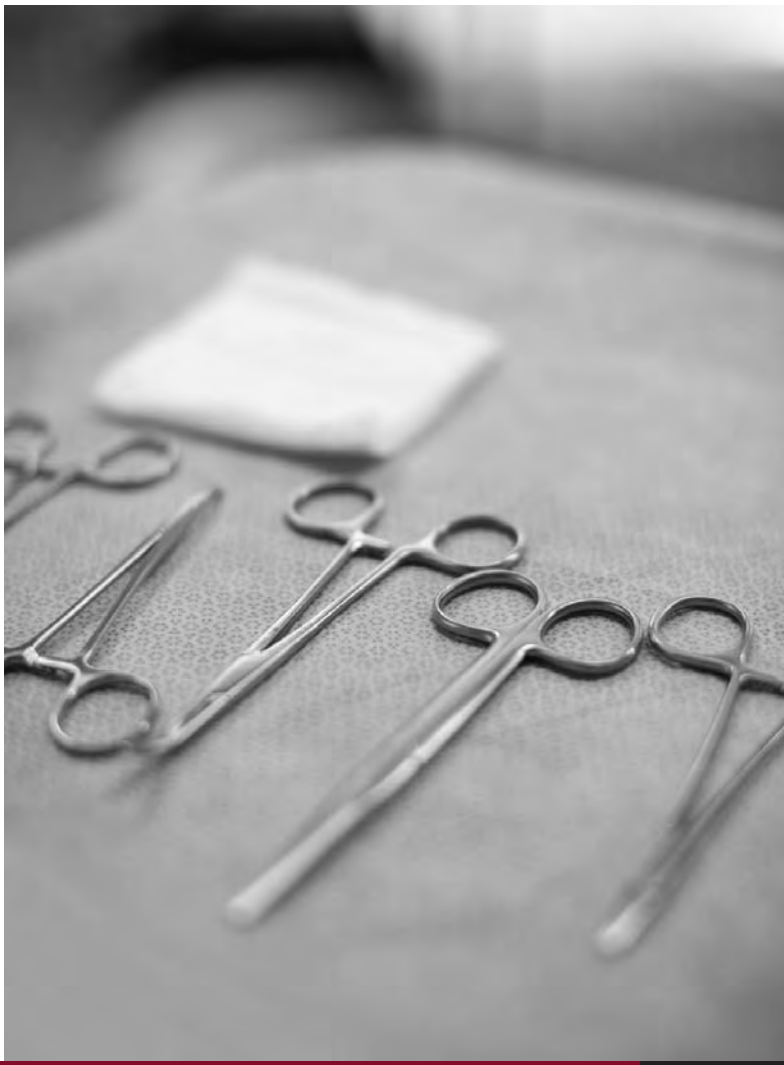
36 Blavin F, Kenney G and Hadley J (2006/2007). Effects of Public Premiums on Children's Health Insurance Coverage: Evidence From 1999 to 2003. *Inquiry*, 43;4:345-361.

At the time CHIS 2007 was in the field, California had not yet implemented the DRA. The state has made efforts to reduce the burden of the DRA requirements through electronic verification of citizenship when possible and allowing for long grace periods. However, when citizens are unable to produce the required documents, their Medi-Cal benefits are reduced to emergency and pregnancy services only. The federal CHIP reauthorization in 2009 extended these policies to Healthy Families enrollees, and the impact of this future implementation remains to be seen.

These policy changes at the state and federal levels are erecting major new barriers to enrollment of otherwise uninsured children in Medi-Cal and Healthy Families just as the economic downturn was increasing the need for expanded enrollment in these programs. The policy changes are a complete reversal of the goals of fairly recent failed proposals to expand health insurance coverage to all California children regardless of citizenship or immigration status.

Not having insurance has consequences. It is associated with much lower likelihood of having a usual source of care, lower likelihood of seeing a doctor in the previous 12 months, lower likelihood of receiving preventive health care services and a higher likelihood of reporting delays in receiving needed medical care. In addition, the uninsured with mental health needs are much more likely than the insured to report that they did not receive treatment because of the cost. For most of these outcome measures, the access barriers created by lack of insurance loom larger for adults than for children. Although there is rightly much concern about low levels of physician participation in Medi-Cal and about barriers in access to care for Medi-Cal beneficiaries, having public coverage appears to be as good or almost as good as having private insurance in providing access to care.

Finally, although small gains were made in providing health insurance to Californians through public and private means from 2005 to 2007, the recession economy of 2008 has undoubtedly undermined and reversed these gains. Only comprehensive health care reform can stabilize financing for the health care system and ensure real progress in covering the uninsured.



APPENDIX:
Changes in Usual Source of Care, 2001-2007

Richard Kronick, PhD

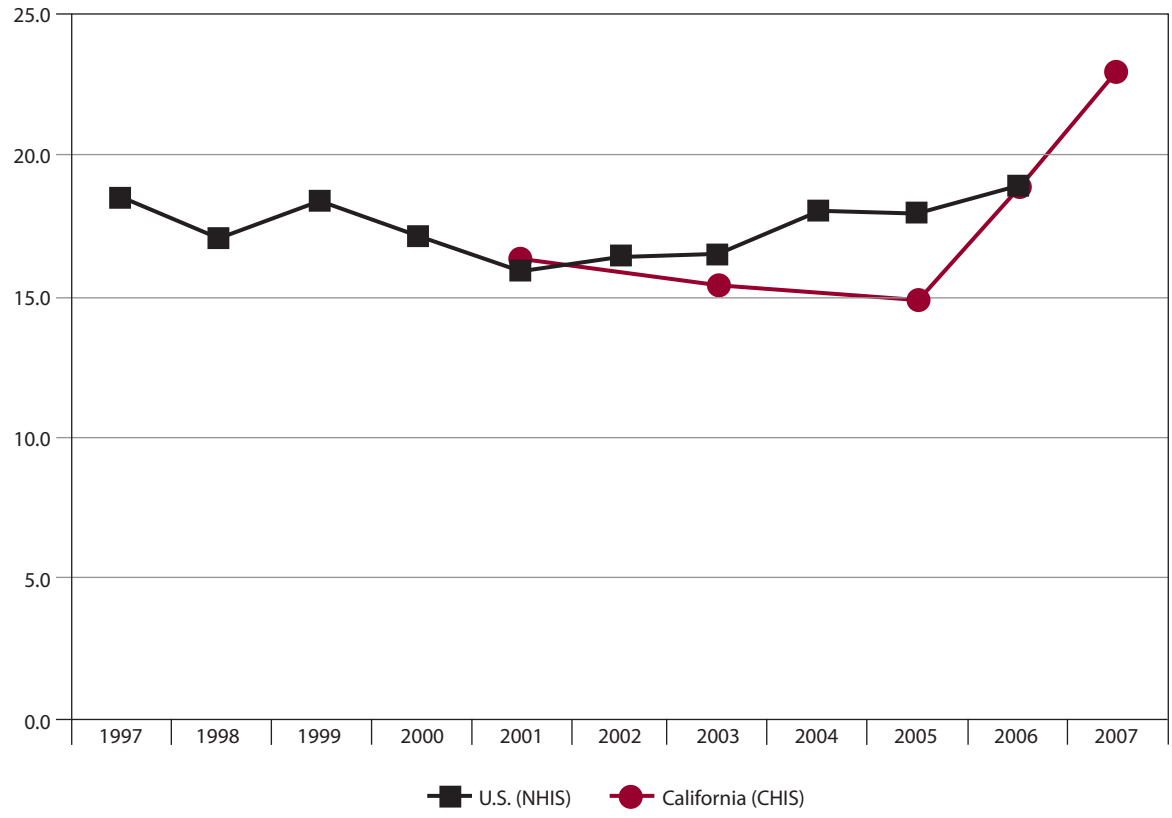
The CHIS data suggest that the proportion of Californians without a usual source of care increased dramatically in 2007 although, as described below, it is possible that changes in questionnaire administration account for some or all of the observed differences. The proportion of California adults reporting no usual source of care was quite stable from 2001 to 2005, at approximately 15%-16%, but then jumped by almost 50% to 23% in 2007 (95% C.I., 22.1%-23.8%) (Exhibit 58). There appear to be 1.8 million fewer California adults with a usual source of care than there were in 2001, 2003 or 2005.

The California pattern looks quite different from the pattern nationwide (although comparisons between NHIS and CHIS must always be made cautiously).

The fraction of the U.S. population with no usual source of care appears to have decreased somewhat from 1997 to 2001, a period when private health insurance coverage expanded slightly, and to have increased somewhat from 2001 to 2006, a period when private health insurance coverage was declining. But the magnitude of the apparent change in California in 2007 is much greater than changes measured for the nation as a whole.

The question asked about usual source of care (USOC) in the 2007 CHIS was identical to the question asked in 2001, 2003 and 2005, but it is possible that a change in questionnaire administration contributed to the results observed for 2007. The USOC question is the first question in a section on health insurance.

Exhibit 58.
Proportion of California Adults (Ages 19-64) and U.S. Adults (Ages 18-64) With No Usual Source of Care, 1997–2007



Note: Questionnaire administration changed in the 2007 CHIS and this change may account for some of the apparent change in the 2007 data. See text for details.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys and 1998-2007 Current Population Surveys

It follows a sequence of questions about the respondent's employment and, if the respondent is married, about spousal employment. In the years before 2007, following the questions on employment, the transition wording "the next topics are health insurance and health care" was read to respondents before the USOC question was asked. In an attempt to decrease the number of respondents that broke off the interview after that transition wording was read, the transition wording was eliminated in 2007. The USOC question is, "Is there a place that you usually go to when you are sick or need advice about your health?" and it is at least theoretically possible that in the absence of the transition wording, some respondents interpreted the USOC question to be asking whether there is a place that they go at their place of employment to get care. If the elimination of the transition wording did cause some respondents to interpret the USOC question to be asking about a usual source of care at their place of employment, then it is possible that the removal of the transition wording accounts for some or all of the change observed in Exhibit 58.

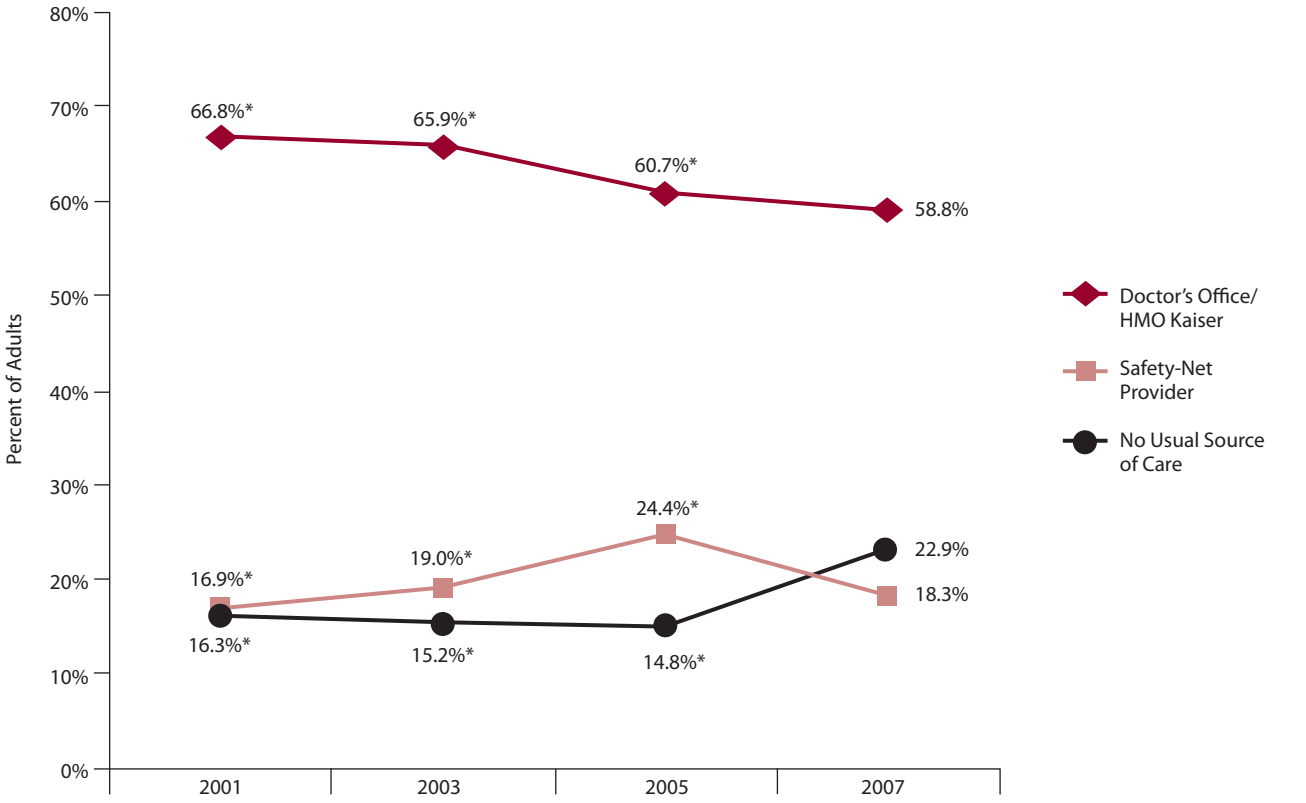
If the elimination of the transition wording did contribute to the appearance of an increase in the number of adults without a usual source of care, then we would expect that the effect of removing the transition wording would vary based on the questions that immediately preceded the USOC question. The largest effect should be evident for respondents who are working and who did not have a spouse. For those respondents the question immediately preceding the USOC question was: "On your main job, are you employed by a private company, the government, or are you self-employed or are you working without pay in a family business or farm?" It is for these respondents that the potential confusion about whether the USOC question refers to a place at their main job where they get health care seems most likely. Among respondents who had a spouse, the question immediately preceding the USOC question depended on whether the spouse was working. For spouses who were working during the past week, the final question in the section was: "On your spouse's main job, is he/she employed by a private company, the government, or is he/she self-employed or is he/she working without pay in a family business or farm?" For respondents whose spouse was not working during the previous week the question was: "Does your spouse usually work?" For these respondents, it seems less likely that the elimination of the transition wording would lead to confusion about the frame of reference for the USOC question. Among respondents who were retired or disabled, the question immediately preceding the USOC question was "Are you receiving Social Security Disability Insurance or SSDI?" Again, it seems unlikely that the transition wording would have had much effect on the response to the USOC question for that group.

Among respondents who were employed and who did not have a spouse, the fraction reporting a usual source of care declined by 10.5% from 2005 to 2007, slightly larger than the 7% decline for all other adult respondents (data not shown). However, the difference between the two groups is not statistically significant at the $p=0.05$ level. The suggestion of a slightly larger (though not significantly larger) decline for workers without a spouse supports the hypothesis that the elimination of the transition wording may have contributed to the decline in the usual source of care demonstrated in Exhibit 58. However, even among respondents for whom the elimination of the transition wording would not be expected to have much effect, there were substantial declines in the fraction reporting a usual source of care from 2005 to 2007. This suggests that the decline in USOC may not simply be a result of changes in questionnaire administration but may also result from a real decline in the proportion of California adults with a usual source of care.

We provide additional information below about responses to the usual source of care question, but this additional information does not give us much confidence that we understand why there appears to be such a disturbingly large jump in the proportion of Californians reporting no usual source of care in 2007.

As shown in Exhibit 59, the proportion of California adults reporting a physician's office as a usual source of care declined markedly from 2003 to 2005, and showed a slight decline from 2001 to 2003 and again from 2005 to 2007. The decline in physician's office as a usual source from 2003 to 2005 was balanced by a commensurate increase in community clinics and outpatient departments as a usual source, resulting in little change from 2003 to 2005 in the proportion with no usual source. In 2007 the proportion reporting a community clinic/hospital outpatient department as a usual source returned to the 2001-2003 level, the proportion reporting a physician's office declined slightly and the proportion with no usual source increased sharply.

Exhibit 59.
Usual Source of Care Among Adults, Ages 19-64, California, 2001-2007



Note: Questionnaire administration changed in the 2007 CHIS and this change may account for some of the apparent change in the 2007 results. See text for details.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

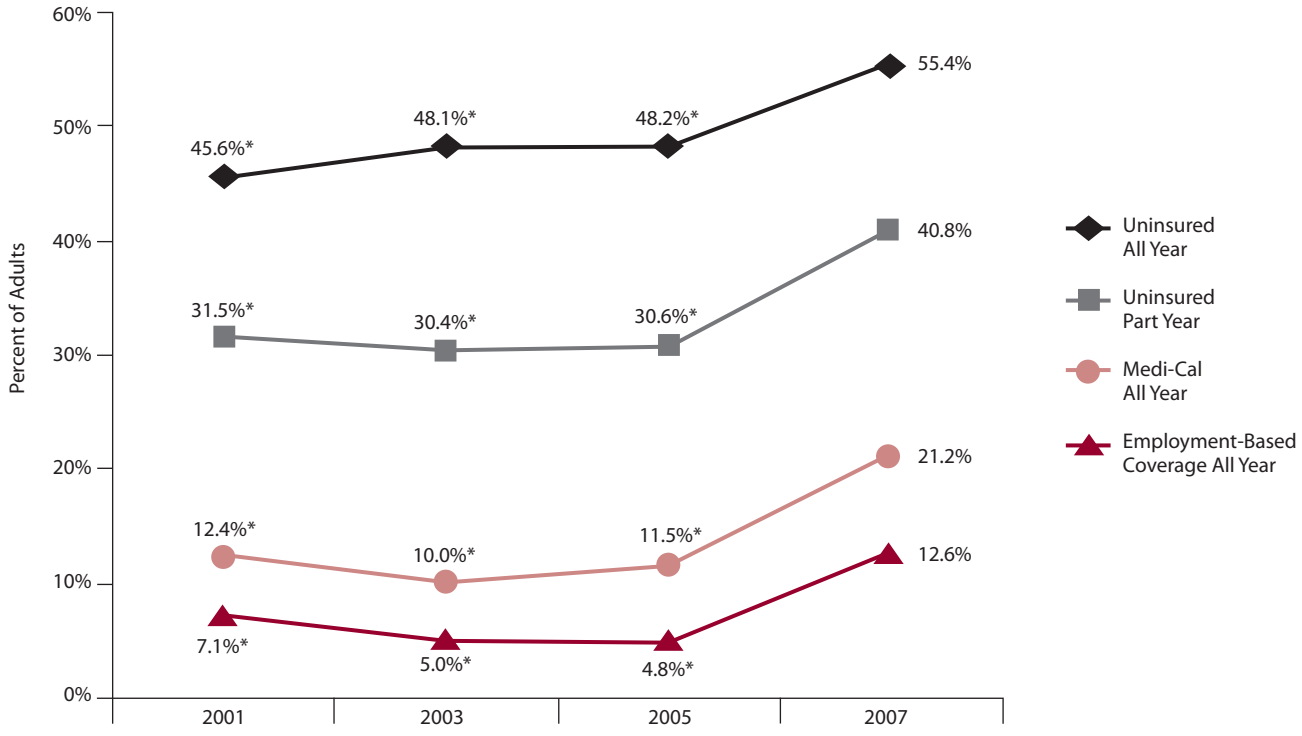
*Data are significantly different from 2007 at the 95% confidence level.

The big increase in no usual source in 2007 occurred among people of all insurance statuses, and, as a relative change, was sharpest among people with employment-based coverage (Exhibit 60). Among adults with EBI, the proportion with no usual source more than doubled, from 4.8% in 2005 to 12.6% in 2007.

The increase in the proportion with no usual source also appears to have been quite uniform across regions of the state (data not shown).

The increase in high-deductible plans may have contributed marginally to the number of Californians with no usual source of care but can account at most for a very small part of the change.

Exhibit 60.
No Usual Source of Care by Health Insurance Coverage Among Adults, Ages 19-64, California, 2001-2007



Notes: Numbers are rates and may not add up to 100%.

Questionnaire administration changed in the 2007 CHIS and this change may account for some of the apparent change in the 2007 results. See text for details.

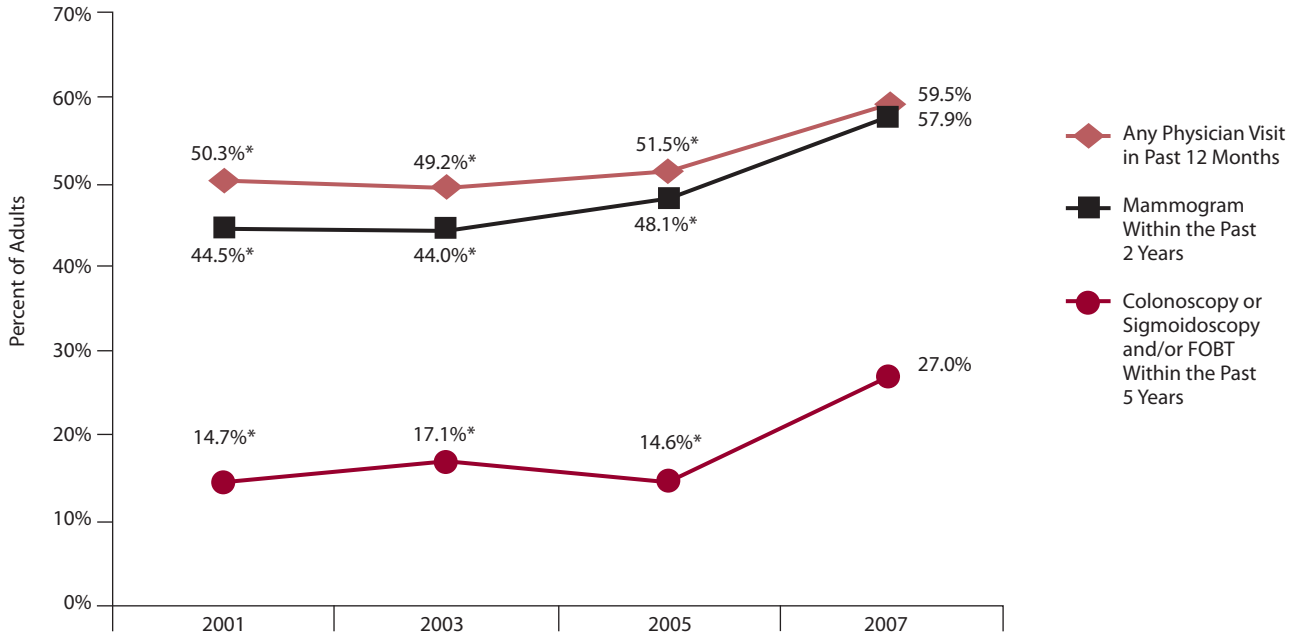
*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

The group of people with no USOC in 2007 is not as disadvantaged in utilization of services as it was in prior years. As shown in Exhibit 61, among adults with no usual source of care in 2001-2005, approximately 44%-48% had received a mammogram in the previous two years. Among those with no USOC in 2007, the proportion receiving a mammogram in the past two years increased to 57.9%. Similarly, the proportion of the no USOC group with a physician visit in the past year increased by close to 10 percentage points, and the proportion with colorectal cancer screening in the past five years increased as well.

These changes are consistent with either of two hypotheses. First, if some respondents in 2007 are incorrectly reporting that they have no USOC because they were confused by the lack of transition wording in administration of the questionnaire, we would expect that the association between no USOC and access would be reduced. Second, if substantial numbers of Californians had lost their USOC between 2005 and 2007, we would expect that the group of people who recently lost their USOC would have preventive care utilization in the period prior to the interview more characteristic of people with a usual source of care. Given that having a USOC is known to

Exhibit 61.
Utilization of Preventive Care Among Adults With No Usual Source of Care, Ages 19-64, California, 2001-2007



Note: Questionnaire administration changed in the 2007 CHIS and this change may account for some of the apparent change in the 2007 data. See text for details.

*Data are significantly different from 2007 at the 95% confidence level.

Sources: 2001, 2003, 2005 and 2007 California Health Interview Surveys

be an important facilitator of access to care, if the change we are observing is a real change and not simply an artifact of the elimination of the transition wording, and if those Californians who lost a USOC do not find a new usual source in the near future, then utilization of services for those with no USOC will likely return to the 2001-2005 levels, raising serious concerns about consequences for health.

The decline in no usual source seems to have been limited to adults; there does not appear to be any change in the fraction of children or teenagers with no USOC. Questionnaire administration was not changed for children or teenagers, and the finding that the proportion of these groups with no USOC did not change lends support to the hypothesis that the levels observed for adults may have been a result of the elimination of transition wording. However, the stability in USOC for children and teenagers is also consistent with the hypothesis that the supply of pediatricians has been stable, while the supply of primary care internists may have declined.

As we wrote above, we are not sure why 1.8 million fewer Californians report a usual source of care in 2007 than in 2005. If we assume that the average panel size for a primary care physician is somewhere around 1,800 patients, a decline of 1.8 million Californians with a usual source of care would be equivalent to a decline of approximately 1,000 primary care physicians. There is much reason to be concerned about the supply of primary care physicians both in California and nationwide,[37] and it may be that the 2007 results presented here deserve sustained attention. It may also be that this is a one-year blip, and that 2009 will look more like 2005.

37 See Cooper, et al. (2002). Economic and demographic trends signal an impending physician shortage. *Health Affairs*, 21(1): 140-154; Richman, et al. (2007). National study of the relation of primary care shortages to emergency department utilization. *Academic Emergency Medicine*, 14(3): 279-282.

Our Mission

The UCLA Center for Health Policy Research improves the public's health by advancing health policy through research, public service, community partnership, and education.

Visit our website at **www.healthpolicy.ucla.edu** and discover what we can do for you.

The California Endowment

The California Wellness Foundation

UCLA CENTER FOR HEALTH POLICY RESEARCH

10960 Wilshire Boulevard, Suite 1550
Los Angeles, California 90024
Phone: 310.794.0909
Fax: 310.794.2686
Email: chpr@ucla.edu