

### **Just the Facts: Business and Labor**

Business and labor are the backbones of the two major parties. We will have health reform when business and labor see that they have in common an interest in healthy employees and a cost effective, high value health system. Business and labor have had a hard time getting to “yes” on health reform because of their historic antagonisms and significant distrust across a range of issues.

At the moment they are splintered about the health reform package. At last week’s Senate Health Committee hearing, we heard many views from labor. A portion strongly supported, a portion strenuously opposed and a portion was neutral with concerns. Business interests were quieter at the hearing; some expressed support and others discussed their reasons for opposition. One of their key concerns was addressed when the Administration confirmed that the employer “fee” was a tax requiring a two-thirds vote in the legislature for any increase.

“The facts” that I heard from proponents and opponents were at wide variance with each other, and so we prepared this short “Just the Facts” summary from recent California HealthCare Foundation reports.<sup>1</sup> See [www.chcf.org](http://www.chcf.org)

- Offer rates among California employers are at 71% -- higher than the national average.
  - The offer rates among very small employers (with 3 to 9 employees) are at 63% -- much higher than the national average.
  - Among those not offering coverage, the biggest reported obstacle is “cost”, cited by 77%.
- California employers on average spent \$330 pmpm (per member per month) for HMO coverage for their individual employees and \$938 pmpm for HMO coverage for families.<sup>2</sup>
  - California employees contributed on average \$46 pmpm for their individual coverage. They contributed on average \$258 pmpm for family coverage.
- About 47% of California employees are enrolled in HMOs, 35% in PPOs and 4% in high deductible plans.<sup>3</sup>

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<sup>1</sup> California HealthCare Foundation, Snapshot, Employer Health Insurance Costs 2007 (July 2007) and California Employer Health Benefits Survey (December 2007)

<sup>2</sup> PPO coverage is more costly. HMO coverage in California is less costly than the national average while PPO coverage in our state is more costly than the national average.

- Very few employees with HMO coverage had a deductible while the average deductible for PPO coverage was \$374 for an individual.
- Health coverage costs average about 8% of total employee compensation (which includes, wages, health benefits and other non-health benefits).<sup>4</sup>
  - For employers offering coverage, it costs about 10.7% of employer payrolls.
  - However, there is wide variability; 10% of California employers pay more than 20% of payroll for health coverage.
  - Unionized employers' expenditures for health coverage were a good bit higher – 14.5% of payroll – than the expenditures for non-union employers.

In AB X1 1 (Núñez), covered individuals with incomes of less than 150% of FPL (\$15,000 for an individual, \$30,000 for a family of four) pay no premiums. Covered individuals with incomes between 150% and 250% of FPL pay no more than 5% of their incomes for premiums. Covered individuals with incomes between 250 and 400% of FPL whose premiums exceed 5.5% of income qualify for a refundable, advanceable tax credit to assist them with the costs of the median plan offered through the pool. There are five tiers of coverage and the credit is tied to the median plan – Tier Three coverage.

In AB X1 1, employers pay a payroll tax that is graduated based on the size of their payroll. The tax ranges from 1% of payroll for employers with annual payrolls of less than \$250,000 to 6.5% of payroll for employers with payrolls greater than \$15 million. The tax is offset by employers' health expenditures.

The payroll tax, individual contributions, a portion of the hospital tax, the tobacco tax, the federal match and the county match will be deposited in a Health Care Trust Fund and used by the pool to buy coverage from health plans.

Prepared by Lucien Wulsin, 1/27/08

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<sup>3</sup> Most California employees have a choice between HMOs and PPOs. California's HMO coverage is less costly than the national average, while its PPO coverage is more costly than the national average.

<sup>4</sup> Nearly a third of large California employers offer retiree health benefits.