

Governor Arnold Schwarzenegger's Health Care Reform Plan

**BayBio 2007 Conference
April 26, 2007**

A Broken Health Care System

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

Fixing Our Broken System

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

Reform in California: Why Now?

- Growing sense of urgency re coverage and cost
- Odd number year: Opportunity
 - Implications for a legislative solution
- Gubernatorial leadership: Essential
 - Focus on coverage and cost problem
 - Absence of federal action
 - Bi-partisan vision, team, reform strategy
- Framework for Reform: Viable

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

■ Affordability

Governor's Health Care Initiative

■ Prevention / Wellness

Prevention & Wellness

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

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

Shared Benefit

GOVERNMENT

Healthy, productive & economically
competitive state

EMPLOYERS

Affordable
coverage

Healthy,
productive
workforce

INDIVIDUALS

Access to
affordable coverage
Health care security
Healthier CA

HEALTH PLANS

Expanded market
Fair compensation

DOCTORS & HOSPITALS

Expanded insured population
Fair compensation

Shared Responsibility

INDIVIDUALS

**Obtain Health
Coverage**

Shared Responsibility

GOVERNMENT

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

INDIVIDUALS

Obtain health
coverage

Shared Responsibility

GOVERNMENT

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

INDIVIDUALS

Obtain health
coverage

HEALTH PLANS

Guarantee access to
affordable coverage
Medical-loss ratio
of 85%

Shared Responsibility

GOVERNMENT

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

INDIVIDUALS

Obtain health
coverage

HEALTH PLANS

Guarantee access to
affordable coverage
Medical-loss ratio
of 85%

DOCTORS & HOSPITALS

Provide affordable, quality care
Share cost savings

Shared Responsibility

GOVERNMENT

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

EMPLOYERS

Support
employee
access to
affordable
coverage

INDIVIDUALS

Obtain health
coverage

HEALTH PLANS

Guarantee access to
affordable coverage
Medical-loss ratio
of 85%

DOCTORS & HOSPITALS

Provide affordable, quality care
Share cost savings

Governor's Health Care Initiative

■ Prevention / Wellness

■ Shared Responsibility

/ Coverage for All

■ Affordability

Affordability: Short-Term

- Reduce hidden tax
- Provide tax breaks for individuals & businesses tied to purchase of health insurance
 - Section 125 plans
 - Health Savings Accounts

Affordability: Short-Term

- Remove regulatory barriers
 - Reduce barriers to low-cost delivery models (e.g. retail medical clinics)
 - Prioritize hospital seismic retrofit based on “worst first”
- Reduce regulatory red tape
 - Review mandates
 - Eliminate unnecessary reporting requirements
 - Streamline health insurance product approval

Affordability: Short-Term

- Enhance insurer & hospital efficiency by requiring 85% of premiums & hospital dollars be spent on patient care

Affordability: Long-Term Systems Reforms

- Support health promotion, prevention & wellness
- Accelerate adoption of health information technology
- Improve quality and price transparency
- Promote quality and efficiency of care

Governor's Executive Order

- Cornerstones of value driven health care
 - Interoperable health IT
 - Transparency of quality
 - Transparency of price
 - Incentives for high value health care

FISCAL IMPACT

\$12 Billion

Prevention

\$300

Tax Incentive

\$900

Counties

\$2,000

Subsidized Coverage

\$2,270

Medi-Cal/HFP

Coverage

\$2,638

Medi-Cal Rate Increase

\$4,039

Other - \$203

Employer in lieu

\$1,000

County Funds

\$2,000

Physician/Hospitals

Recapture

\$3,472

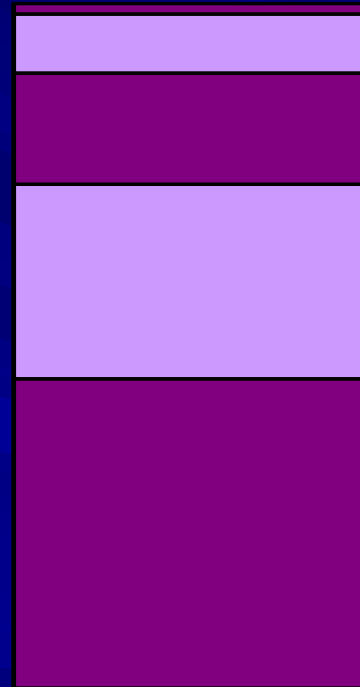
Federal Funds

\$5,474

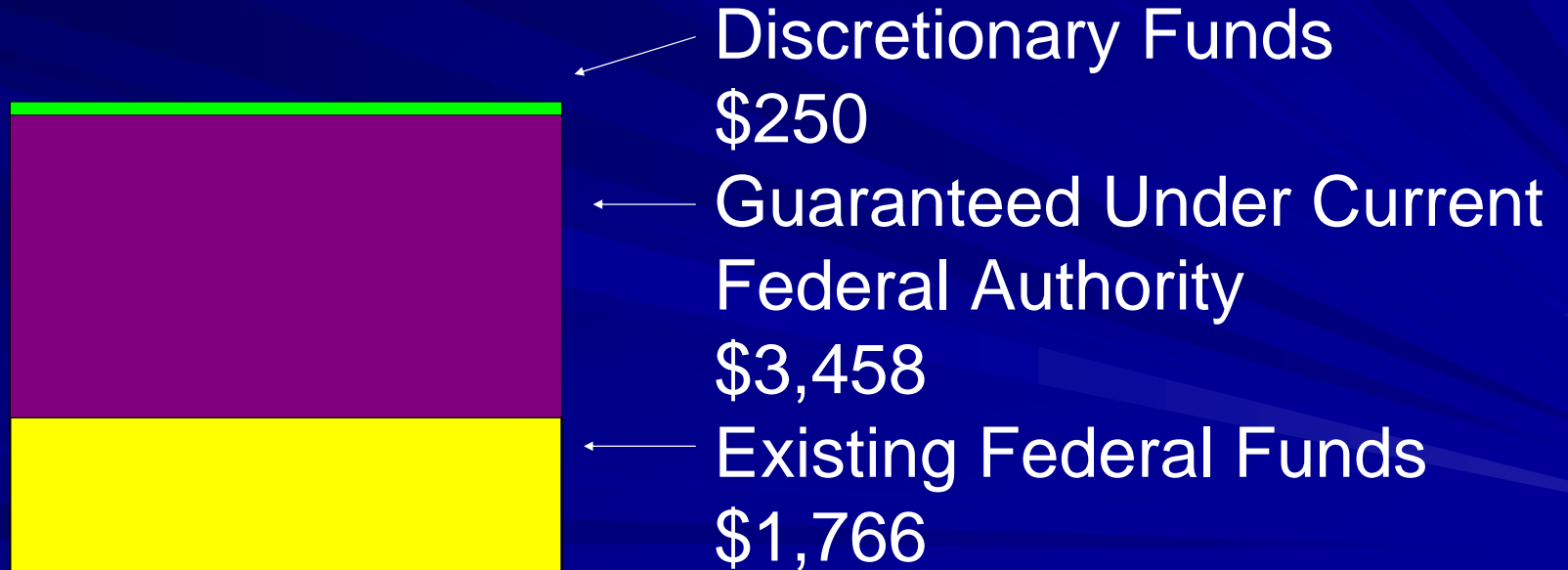
Cost

Funding

\$ in millions



FEDERAL FUNDING: \$5,474



\$ in millions

Tension Points

- Roles and responsibilities of government and employers
- Regulatory versus market-based strategies: affordability, min benefits
- Enforceability of individual mandate
- Undocumented immigrants
- Systems transformation in/attention

Process Going Forward

- Comprehensive reform
- Shared responsibility for reform
- Focus on key principles, reform issues
- 2007: Window of opportunity

Fixing Our Broken System: Shared Responsibility

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