THE STATE OF HEALTH INSURANCE IN CALIFORNIA

FINDINGS FROM THE 2005 CALIFORNIA HEALTH INTERVIEW SURVEY

JULY 2007

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

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www.chis.ucla.edu

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Executive Summary

In 2005, 6.5 million nonelderly Californians were uninsured all or part of the year, or 20% of the state's nonelderly population.

This uninsured rate was slightly lower than in 2001 as a result of two factors: California's tightening labor markets between 2001 and 2005, and increased enrollment and retention of children in California's public coverage programs. Low-income Californians lost the most ground in coverage under employment-based plans over time, but every income and racial/ethnic group declined in job-based coverage. In addition, rising health care costs led to declining employment-based insurance for dependents, while Medi-Cal and Healthy Families continued to provide important sources of coverage for children and low-income families with no other options.

This report provides a comprehensive picture of health insurance trends in California from 2001 to 2005, based on data from the 2001, 2003 and 2005 California Health Interview Surveys (CHIS). Because the elderly have near-universal coverage, we focus on the population under age 65, providing analysis of the nonelderly overall, a specific focus on the working population, children's enrollment in and eligibility for public programs, and the consequences of not having insurance coverage.

A Snapshot of Californians' Health Insurance Coverage in 2005

Overall, the percentage of uninsured adults and children dropped slightly from 21.9% in 2001 to 20.2% in 2005 (Exhibit A). The proportion of children who lacked coverage for the entire year fell by three percentage points since 2001; the decline for adults was smaller but still statistically significant. The proportion of children and adults who lacked coverage for part of the year remained unchanged in this period.

Adults' job-based coverage in 2005 (56.2%) remained below its 2001 level (57%). Half of children were covered by their parents' employment-based coverage in 2005 (50.3%), a five percentage point drop from 2001.

Even with the strong economic recovery, employment-based coverage of the nonelderly population as a whole fell from 56.4% in 2001 to 54.3% in 2005. If job-based insurance rates had not fallen from 2001 levels, an additional 678,000 more Californians would have had employment-based coverage all year in 2005.

Expanding enrollment of children in Medi-Cal and Healthy Families more than offset children's loss of employment-based insurance between 2001 and 2005, although their enrollment in these programs grew more slowly during the last two years. Nearly one in three California children is now covered by Medi-Cal or Healthy Families (30.9%). Adults' coverage through public programs remained small, around 9% throughout this period.

Lack of insurance coverage was a persistent problem for at least three fourths of the uninsured—not a short-term problem due to brief gaps in employment-based insurance. One in four never had health insurance coverage. Over half had been uninsured for at least three years or never had insurance. Only 27% were uninsured for less than a year.

More than eight in ten of the uninsured are workers and their family members. Two-thirds—more than 4.3 million in 2005—are full-time employees and their dependent children and

EXHIBIT A. ADULTS' AND CHILDREN'S HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2001, 2003 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL OR HEALTHY FAMILIES ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Age Group	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
Ages 0-18	14.8*	**10.7 1,116,000**	55.1*	**50.3 5,228,000**	24.2*	**30.9 3,216,000**	2.9*	**4.8 504,000**	3.1	**3.3 338,000**	**100% 10,402,000**
Ages 19-64	25.4	**24.8 5,414,000**	57.0	**56.2 12,292,000**	8.6	**8.7 1,895,000**	5.7	**5.9 1,282,000**	3.3*	**4.5 989,000**	**100% 21,872,000**
Ages 0-64	21.9*	**20.2 6,530,000**	56.4*	**54.3 17,520,000**	13.7*	**15.8 5,111,000**	4.8*	**5.5 1,786,000**	3.2*	**4.1 1,327,000**	**100% 32,274,000**

Notes: Numbers may not add to 100% due to rounding.

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

*Change is between estimates for 2005 and the other year. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

spouses. Employment-based coverage is all but disappearing for adults and children below the federal poverty level. It is eroding rapidly for those below 300% of the poverty level, but it is relatively stable for those above this income level.

The uninsured include individuals from all income groups, but as a result of their much higher rates of uninsurance, low- and moderate-income adults and children account for most of the uninsured. Those who were uninsured all or some of the year in 2005 were predominantly low-income Californians: 61% had family incomes below 200% of the federal poverty level. They will need substantial subsidies to bring health insurance within their financial reach as, cited by the uninsured, affordability was a key reason for being uninsured. Rapid increases in costs made employment-based family coverage more unaffordable as workers, on average, paid 66% more out-of-pocket for their share of family coverage in 2005 than in 2001.

Uninsurance rates differed among racial and ethnic groups. A third of Latinos reported lacking insurance for all or part of the year, the highest rate of all racial/ethnic groups. Latinos who reported their ethnicity as Salvadorean and Guatemalan had the highest rates of uninsurance. Among all Asian American and Pacific Islander groups, Koreans experienced the highest rate of uninsurance.

Contrary to a common misconception, nearly two-thirds of the uninsured in 2005 (63%) were U.S. citizens. Another 15% were noncitizens with green cards, and 22%—about 1.4 million— were noncitizens without green cards. It is important to note that "noncitizens without green cards" includes some adults and children who are residing legally in the United States as temporary workers or students.

There was wide geographic variation in uninsurance rates, with the highest regional rates occurring in the Northern and Sierra counties (22%) the San Joaquin Valley (22.6%) and the Los Angeles County (23.5%) regions. Los Angeles County had the highest total population of uninsured in the state, as it was home to over one-third of the state's uninsured. The highest single county rate, however, was Imperial County, with over one-quarter of nonelderly residents experiencing uninsurance (27.7%).

Coverage for Working Adults

Even with a strengthening economy, the increasing cost of premiums faced by employers, employees and the self-employed portend a worsening situation with employment-based insurance (EBI). Offer and eligibility rates were stable between 2001 and 2005, but for the first time take-up rates dropped. This trend reflects cost constraints faced by employees across the board, even for traditionally more advantaged groups. Over 40% of uninsured employees who declined EBI had incomes below 250% FPL, suggesting that subsidies are likely to be needed to make EBI or other coverage affordable.

However, a majority of uninsured employees (55.1%) worked for an employer that did not offer EBI and another 20% were not eligible for their employer's health benefits. Take-up also significantly declined in 2005. As employers enforce more stringent eligibility rules, the more economically advantaged are left in the pool of employees that can choose to participate in their employers' health plans. It follows that take-up rates among a group of more advantaged employees should increase. However, in 2005, when offer and eligibility rates were stagnant, take-up rates still dropped. This suggests that even among a more advantaged pool of employees, affordability is an issue, especially with the high annual rate of premium increases: 13.4% from 2001 to 2002 and 15.8% from 2002 to 2003. Premium increases have slowed between 2004 and 2005 (8.2%) but they still average more than double the state's inflation rate of 3.9% during this period.[1]

[1] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey, 2005.

The trend in dependent EBI as a source of coverage for working adults is even bleaker. Worker cost share for family coverage increased from 25% of the total average premium in 2001 to 29% in 2005. This erosion in dependent coverage impacts low-income workers, noncitizens and minority groups who face a double jeopardy in both declining primary EBI coverage and eroding dependent EBI coverage. Finally, we see in both the employee and the self-employed populations that the current trend in coverage is leading to widening disparities in EBI for the low-income population (below 200% of the federal poverty level), numbering over four million employees and almost 600,000 self-employed persons. Medi-Cal has buffered, to some extent, the coverage declines driven by eroding EBI.

Overall, with a strengthened economy, and despite the slowing growth in health insurance premiums and the decline in unemployment, California's report card of coverage for all adults is essentially unchanged from 2001. But stagnant offer rates—despite economic growth, declines in dependent coverage, and intractable poverty rates that have hovered at 13% for the past five years—paint a picture of increasing stress and greater health and economic risks for California's low-income adult workers. Policy efforts to expand health insurance coverage should include specific policies to enhance affordability of coverage that would benefit both working adults and low-income workers.

Coverage for Children

California's children are covered primarily through employer-based insurance (50%) and the Medi-Cal and Healthy Families programs (31%). Just over a million (11%) were uninsured for all or part of the year. The remainder were covered by either privately-purchased insurance or another public program. However, the proportion of children covered under dependent employer-based insurance declined since 2001 for all income and racial/ethnic groups. Public coverage has increased as employer-sponsored family coverage has decreased, keeping the uninsured rate among children 28% lower than it was in 2001 (10.7% in 2005 compared to 14.8% in 2001).

Of the 763,000 children who were uninsured at the time of their CHIS interview, 71% were eligible for Medi-Cal, Healthy Families or the Healthy Kids program in their county of residence. This estimate is based on eligibility as it existed in 2005. If, for example, the Healthy Kids program were to be implemented statewide, an additional 85,000 uninsured children would become newly eligible, leaving only 18% of uninsured children statewide ineligible for any public program.

However, it is important to keep in mind the distinction between "eligible" and "enrolled," and note that uninsured eligible children have different demographic characteristics than other groups and need targeted, effective outreach. California seems poised to expand coverage, either public programs or public-private options, that will finally achieve the goal of insuring all children in the state.

Consequences of Being Uninsured

Californians who are uninsured all year suffer from severe access problems, in spite of having relatively poor health status.

Those uninsured the entire year are much more likely than other groups to: have no usual source of care; not see a doctor regularly or have a well-child visit; not take medications for asthma, diabetes and high blood pressure; or receive any of a number of preventive care services. Individuals who are uninsured part of the year also tend to face access barriers for most of the measures reported in this chapter, although generally these barriers are not as severe as those facing individuals who are uninsured the entire year.

One-third of children (34.5%) and one-half of adults (48.2%) who were uninsured all year had no usual source of care. Only 32.5% of adults with high blood pressure who lacked insurance all year reported taking medications for high blood pressure compared to 62% of adults with job-based coverage. A little more than half of children uninsured all year had a well-child visit in the past year, in contrast to 78% of children with employment-based insurance. Uninsured adults had relatively low rates of cancer screening for mammograms (38.5% of women), PSA tests (8.5%), and colonoscopy or sigmoidoscopy (13.3%) compared to all other insurance groups.

In stark contrast, those with Medi-Cal or Healthy Families coverage have achieved access that is often comparable to those with job-based coverage, in spite of their poorer health status relative to people with job-based coverage. The response of children and adults covered by Medi-Cal and Healthy Families to questions about access to care were comparable to those with job-based coverage. The main difference between Medi-Cal/Healthy Families patients and privately-insured patients was the higher likelihood of obtaining care at clinics (44.1% compared to 18.9%) as opposed to a doctor's office (44.4% compared to 76.4%).

Conclusion

Expanding health insurance coverage to California's 6.5 million residents who lack coverage is a top priority of the state's policymakers. As policymakers grapple with these issues and develop health care reform legislation, and as Californians and the nation review the fruits of the policymaking effort in Sacramento, they would do well to keep in mind several key findings in this report.

- **First, employment-based insurance, especially family coverage, is in frail health and this condition may be irreversible.** Adults' and children's coverage through employment-sponsored insurance fell between 2001 and 2005, despite a robust economy.
- **Second, public coverage programs provide a patchwork safety net for children, one that could be expanded and strengthened.** Despite extensive efforts to enroll—and keep enrolled—eligible children who otherwise would have been uninsured, coverage is likely to remain an uncertain factor for children unless California takes the final steps needed to extend affordable health insurance coverage to all its children, regardless of immigration status.
- **Third, the erosion of job-based insurance is most severe for low- and moderate-income adults, but they lack the safety net that helps many children.** For California's 2.4 million uninsured adult employees, lack of access to job-based insurance was the fundamental barrier that kept 80% of them from being insured.
- **Fourth, the lack of coverage has real consequences for access to important health care services and for the health of Californians, as well as shifting additional costs to taxpayers and those who pay for private health insurance.** The uninsured have more health problems than the insured, but get less care than children and adults with private health insurance.

There are a limited number of effective ways to assure affordable coverage for low- and moderate-income adults, who represent the majority of the 5.4 million uninsured adults in California. Governor Arnold Schwarzenegger, Assembly Speaker Fabian Núñez, and Senate President Pro Tem Don Perata all have proposed pay-or-play mandates that would require employers either to offer and help pay for health benefits, or to pay into a public purchasing pool that would provide coverage to the employer's workers. Another option would require all individuals to buy health insurance, a strategy undertaken last year by Massachusetts and proposed by Governor Schwarzenegger. A third option is to have the state or federal government replace private health insurance with a "single-payer" program for the entire population, such as the one proposed by Senator Sheila Kuehl.

All of these options should pay special attention to assuring the affordability and continuity of coverage for children and adults. **Lack of access to affordable health insurance is the main obstacle to coverage for working families and individuals.** And the lack of continuous coverage, both in terms of long-term uninsurance and of disruptions in coverage, has been shown to adversely affect access to necessary medical care, with associated negative consequences for the health of Californians.

1

A Snapshot of Californians' Health Insurance Coverage in 2005

Six and one-half million Californians—one in five children and nonelderly adults—were uninsured for all or some of 2005 (Exhibit 1). This uninsured rate was slightly lower than in 2003 as a result of two factors: California's tightening labor markets between 2003 and 2005, and increased enrollment and retention of children in California's public coverage programs.

More than half of the 6.5 million were uninsured all year (Exhibit 1), while 4.9 million were uninsured at any point in time during the year (data not shown).

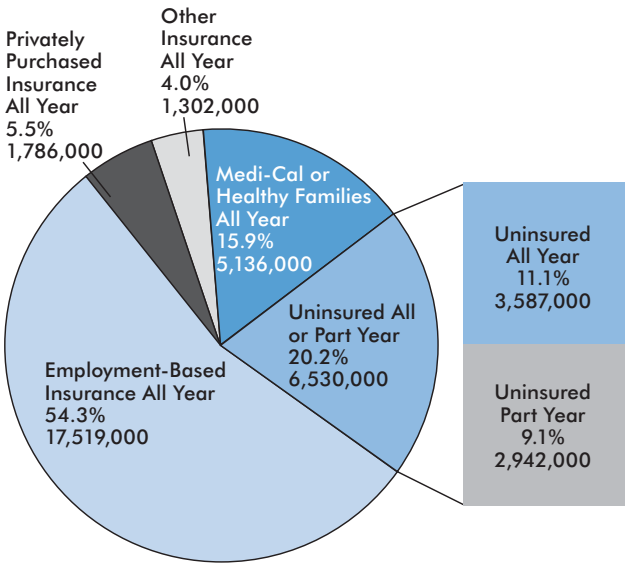
Slightly more than half of the nonelderly population (54%) was covered all year by employment-based insurance, and 16% were enrolled in Medi-Cal or Healthy Families for the entire year in 2005 (Exhibit 1). Coverage through individually-purchased plans and other sources together accounted for just one in ten nonelderly Californians.

Reflecting Medicare's virtually universal eligibility among adults age 65 and over, only 2% of the elderly lacked health insurance coverage for even part of the year—a situation comparable to other countries' coverage of their population of all ages. 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 2). Another 19% were covered all year by Medicare plus

Medi-Cal, a population frequently called "dual eligibles." Just 7% 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 prescription drugs (prior to the implementation in 2006 of Medicare Part D) and dental care. Finally, 5% had some combination of coverage sources, including persons who transitioned into Medicare that year as they turned 65.

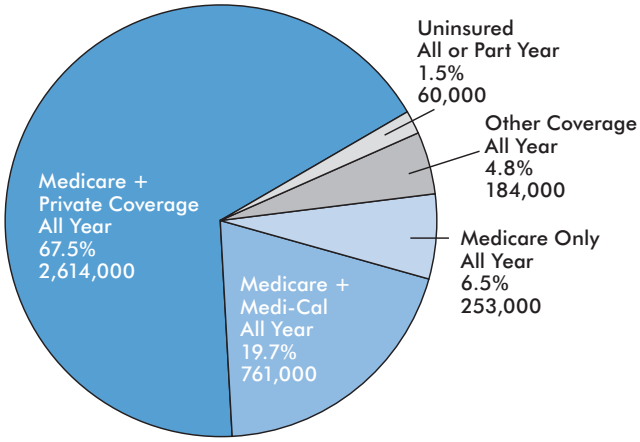
This report provides a comprehensive picture of health insurance trends in California from 2001 to 2005, based on data from the 2001, 2003 and 2005 California Health Interview Surveys (CHIS). Because the elderly have near-universal coverage, we focus on the population under age 65, providing analysis of the nonelderly overall, a specific focus on the working population, children's enrollment in and eligibility for public programs, and the consequences of not having insurance coverage.

EXHIBIT 1. HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2005



Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

EXHIBIT 2. HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 65 AND OVER, CALIFORNIA, 2005



Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

An Overview of Changes in Coverage

The percentage of adults who were uninsured for all or some of the year declined slightly between 2003 and 2005, but the decline for children was not statistically significant (Exhibit 3). Children experienced a greater decline in uninsurance between 2001 and 2003, when greater gains were made in their enrollment in Medi-Cal and Healthy Families.

The proportion of children who lacked coverage for the entire year fell by three percentage points since 2001; the decline for adults was smaller but still statistically significant (data not shown). The proportion of children and adults who lacked coverage for part of the year remained unchanged in this period.

Adults made small gains in employment-based coverage between 2003 and 2005, accounting for their small decline in uninsurance, but their job-based coverage in 2005 remained below its 2001 level (Exhibit 3). Half of children were covered by their parents' employment-based coverage in 2005, a slight (but not statistically significant) decline from 2003 and a five percentage point drop from 2001.

Even with the strong economic recovery, employment-based coverage of the nonelderly population as a whole fell from 56.4% in 2001 to 54.3% in 2005. If job-based insurance rates had not fallen from 2001 levels, an additional 678,000 more Californians would have had employment-based coverage all year in 2005.

Expanding enrollment of children in Medi-Cal and Healthy Families more than offset their loss of employment-based insurance between 2001 and 2005, although their enrollment in these programs grew more slowly during the last two years. Nearly one in three California children is now covered by Medi-Cal or Healthy Families. Adults' coverage through public programs remained small, around 9% throughout this period.

There was no increase in the population covered by privately purchased or other coverage from 2003 to 2005. Although children experienced increased enrollment in privately-purchased health insurance between 2001 and 2003, they lost "other" coverage (any combination of coverage) between 2003 and 2005.

Most of the change that is reflected in the 2005 estimates occurred in the two years following 2001. For most of this report, we therefore show change between 2001 and 2005.

EXHIBIT 3. ADULTS' AND CHILDREN'S HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2001, 2003 AND 2005

	UNINSURED ALL OR PART YEAR			EMPLOYMENT-BASED ALL YEAR			MEDI-CAL OR HEALTHY FAMILIES ALL YEAR			PRIVATELY PURCHASED ALL YEAR			OTHER ALL YEAR			TOTAL
Age Group	2001	2003	2005	2001	2003	2005	2001	2003	2005	2001	2003	2005	2001	2003	2005	2005
Ages 0-18	14.8*	11.3	**10.7 1,116,000**	55.1*	50.8	**50.3 5,228,000**	24.2*	29.2*	**30.9 3,216,000**	2.9*	4.8	**4.8 504,000**	3.1	4.1*	**3.3 338,000**	**100% 10,402,000**
Ages 19-64	25.4	25.7*	**24.8 5,414,000**	57.0	55.1*	**56.2 12,292,000**	8.6	9.0	**8.7 1,895,000**	5.7	5.8	**5.9 1,282,000**	3.3*	4.4	**4.5 989,000**	**100% 21,872,000**
Ages 0-64	21.9*	21.0*	**20.2 6,530,000**	56.4*	53.8	**54.3 17,520,000**	13.7*	15.5	**15.8 5,111,000**	4.8*	5.4	**5.5 1,786,000**	3.2*	4.3	**4.1 1,327,000**	**100% 32,274,000**

Notes: Numbers may not add to 100% due to rounding.

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

*Change is between estimates for 2005 and the other year. Change is statistically significant at $p < 0.1$.

Source: 2001, 2003, and 2005 California Health Interview Surveys

Rates Differ by Age Groups

Examining insurance status by broad age groups masks important differences between young children and adolescents, and between young adults and middle-age adults. Young children are less likely than adolescents to be uninsured and more likely to be enrolled in Medi-Cal or Healthy Families (Exhibit 4). Employment-based coverage for younger children and teenagers fell between 2001 and 2005, as worker contributions for family coverage rose dramatically, a point to which we will return shortly. However, their uninsured rates declined—3.3 percentage points for children ages 0-11 and 5.4 percentage points for teenagers—as all-year enrollment in Medi-Cal and Healthy Families rose approximately seven percentage points and privately-purchased coverage also increased.

Four in every ten young adults ages 19-29 were uninsured for all or part of the year, the highest uninsured rate among all these age groups (Exhibit 4). That rate was statistically unchanged between 2001 and 2005 despite a drop in their job-based insurance coverage, which was partially offset by slight (not significant) increases in Medi-Cal enrollment, the private purchase of health insurance, and other combinations of coverage.

More than two in ten adults ages 30-49 were uninsured all or part of the year, with almost no change in any source of coverage between 2001 and 2005 for this age group. Uninsurance rates were lower for adults ages 50-64, with the only statistical changes being a decline in Medi-Cal coverage and an increase in various combinations of coverage.

EXHIBIT 4. DETAILED AGE GROUP BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL OR HEALTHY FAMILIES ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Age Group	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
Ages 0-11	12.7*	**9.4**	54.6*	**49.6**	26.6*	**33.5**	2.7*	**4.1**	3.3	**3.4**	**100% 6,400,000**
Ages 12-18	18.3*	**12.9**	55.8*	**51.3**	19.9*	**26.9**	3.4*	**6.0**	2.6	**3.0**	**100% 4,002,000**
Ages 19-29	39.4	**40.8**	40.3*	**36.7**	9.9	**10.5**	5.4	**6.4**	4.9	**5.6**	**100% 5,391,000**
Ages 30-49	23	**22.0**	61.8	**61.3**	7.7	**8.3**	4.9	**4.8**	2.5*	**3.6**	**100% 10,946,000**
Ages 50-64	15.2	**14.5**	64.7	**65.1**	9.3*	**7.6**	7.5	**7.4**	3.2*	**5.4**	**100% 5,534,000**

Note: Numbers may not add to 100% due to rounding.

*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

Uninsurance Tends to Be a Long-Term Condition

Lack of insurance coverage was a persistent problem for at least three fourths of the uninsured—not a problem due to brief gaps in employment-based insurance. Of the 4.9 million who were uninsured at the time of the CHIS interview, one in four never had health insurance coverage (Exhibit 5). Over half had been uninsured for at least three years or never had insurance. Only 27% were uninsured for less than a year.

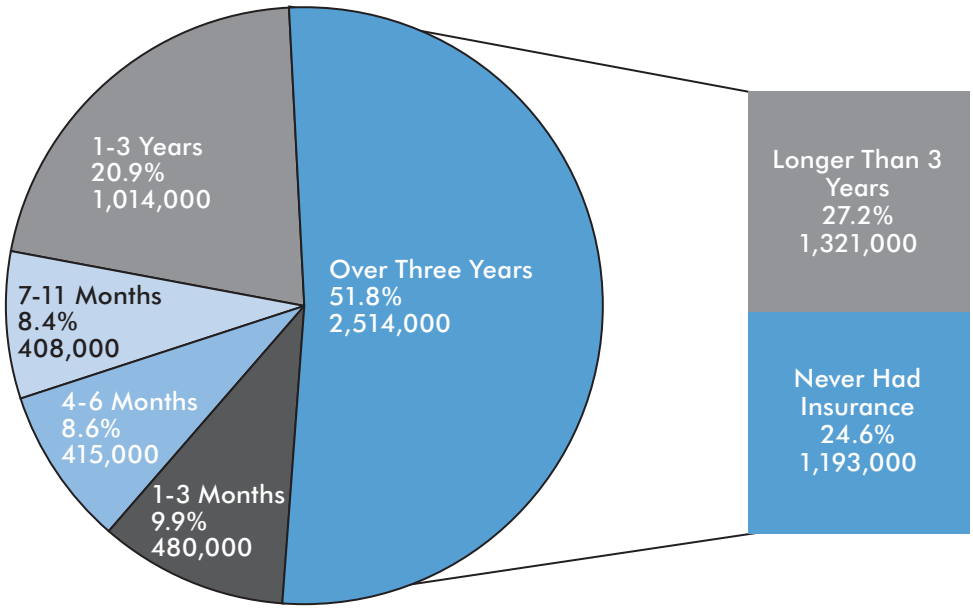
Children were much more likely than adults to be uninsured for short periods of time: 31% of children had been uninsured for six months or less, compared to 16% of adults. Over half of adults had been uninsured more than three years or never had coverage.

Not surprisingly, low-income people were more likely than more affluent persons to be uninsured for long periods. Six in ten people with family incomes below poverty (60%) and 55% of those with incomes between poverty and 200% of the federal poverty level had been uninsured more than three years or never had coverage, compared with 40% of those with incomes 300% of poverty or greater—still a very high proportion.

This long-term uninsured population is likely to have "pent-up demand" for health services—unmet health care needs—as well as receipt of medical care for which they accumulated or generated medical bills that they carry as debt, and other medical bills that were treated as uncompensated care provided by clinics or hospitals.

EXHIBIT 5. DURATION OF UNINSURANCE AMONG PERSONS UNINSURED AT TIME OF INTERVIEW, AGES 0-64, CALIFORNIA, 2005

4,832,000 ADULTS AND CHILDREN UNINSURED AT TIME OF CHIS 2005 INTERVIEW



Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

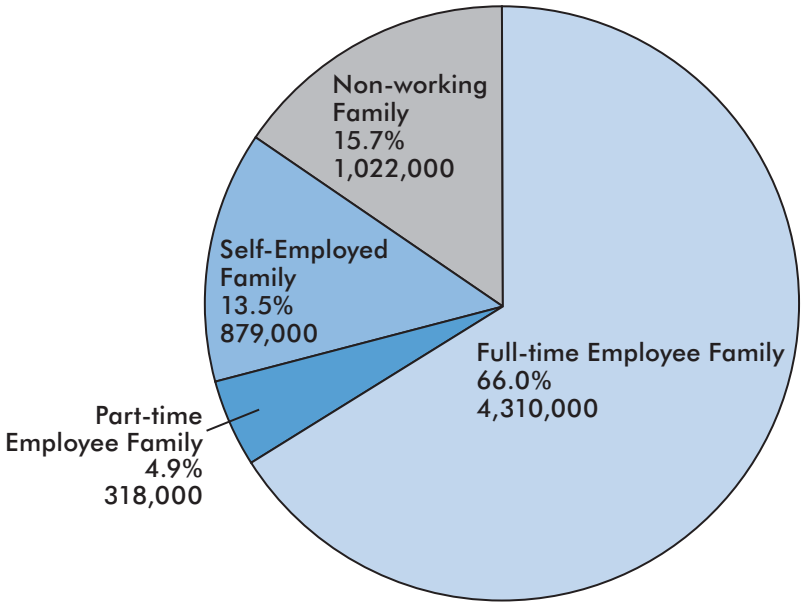
The Uninsured Are a Working Population

More than eight in ten of the uninsured are workers and their family members. Two-thirds—more than 4.3 million—are full-time employees and their dependent children and spouses (Exhibit 6). Another 13%—nearly 900,000—are self-employed adults and their family members. Only 16% of the uninsured had no working adult in the family.

The large share of the uninsured who are workers—and especially those who are full-time employees—and their families underscores the poor access that many workers have to affordable employment-based insurance. We will examine the coverage of workers and their families more fully in the next section.

EXHIBIT 6. CURRENT FAMILY WORK STATUS AMONG THOSE UNINSURED ALL OR PART OF LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2005

6,530,000 ADULTS AND CHILDREN UNINSURED ALL OR PART YEAR



Notes: Numbers may not add to 100% due to rounding. The timeframe for work status is "last week." "Full-time Employee Family" includes at least one full-time employee; "Part-time Employee Family" includes at least one part-time employee and no full-time employees; "Self-employed Family" includes at least one person who is self-employed and no employees; "Non-working Family" includes persons in families with no working adult (includes unemployed, students, retired, or temporarily or permanently disabled persons).

Source: 2005 California Health Interview Survey

Job-based Insurance Drops Most for Moderate- and Low-Income Californians

Employment-based insurance coverage continued to plummet among moderate- and low-income Californians. Only 6.1% of children with family incomes below the federal poverty level had job-based insurance all year in 2005, falling sharply from 2001 (Exhibit 7). Children between 100 and 200% of the federal poverty level experienced the most dramatic drop in employment-based coverage.

The growth in Medi-Cal and Healthy Families coverage for children more than offset their declining coverage through parents' employment (Exhibit 7). Among children below the poverty level, their employment-based coverage fell more than four percentage points between 2001 and 2005, but their Medi-Cal and Healthy Families coverage grew by more than 12 percentage points. Even more dramatic was the offset for children with family incomes between 100 and 199% of the federal poverty level; their employment-based coverage fell 15 percentage points but their coverage in these programs rose nearly 20 percentage points.

Even moderate income children (between 200 and 299% of the federal poverty level) benefited from the expanding enrollment in Healthy Families, as their employment-based coverage declined six percentage points but their public coverage rose more than seven percentage points. Increasing enrollment in privately purchased health insurance also benefited these children as well as children with family incomes at least 300% of the federal

EXHIBIT 7. FAMILY INCOME AS A PERCENT OF FEDERAL POVERTY LEVEL BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, CHILDREN AGES 0-18, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL OR HEALTHY FAMILIES ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Household Income	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
< 100% FPL	26.2*	**18.7**	10.8*	**6.1**	59.5*	**71.6**	1.0	**1.5**	2.7	**2.1**	**100% 2,160,000**
100-199% FPL	21.2*	**17.2**	41.0*	**26.1**	31.2*	**50.8**	1.7	**1.8**	5.0	**4.1**	**100% 2,329,000**
200-299% FPL	13.4*	**8.2**	66.9*	**60.6**	13.7*	**21.3**	3.0*	**5.9**	3.0	**4.1**	**100% 1,384,000**
300% + FPL	4.9	**4.4**	84.4*	**80.6**	3.6*	**4.8**	4.9*	**7.7**	2.2	**2.6**	**100% 4,529,000**

Notes: Numbers may not add to 100% due to rounding.
The 2005 Federal Poverty Level was $9,973 for one person, $12,755 for a two-person family and $15,577 for a three-person family.
*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

poverty level who also saw their employment-based insurance drop during this period. Employers continued to increase the amount that workers had to pay for family coverage, in some cases making a privately-purchased plan, albeit often with less comprehensive coverage, the more affordable monthly premium.[2]

Adults in most income groups also saw an erosion of their employment-based coverage (Exhibit 8), but few had the option to enroll in Medi-Cal. Among nonelderly adults, only those who are pregnant or have dependent children living at home and those who are disabled may be eligible for full-scope Medi-Cal coverage, no matter how low their incomes. Adults below the poverty level who met these criteria were protected, in part, by a partially offsetting increase in Medi-Cal coverage.

However, other low- and moderate-income adults did not have this option. Those with family incomes between 100 and 199% of the federal poverty level experienced a nearly eight percentage-point decline in employment-based coverage between 2001 and 2005, which was offset by a nearly two percentage-point increase in Medi-Cal coverage, with a net increase of more than four percentage points in uninsurance (Exhibit 8). Similarly, employment-based insurance dropped more than five percentage points for adults between 200 and 299% of the federal poverty level, while their coverage through other sources increased only slightly, resulting in a more than three percentage-point rise in uninsurance. Only adults with family incomes at or above 300% of the federal poverty level saw no decline in their employment-based insurance during this period.

[2] Kaiser Family Foundation/EHealthInsurance. Update on Individual Health Insurance. Accessed at http://www.kff.org/insurance/upload/Update-on-Individual-Health-Insurance.pdf on January 24, 2007.

EXHIBIT 8. FAMILY INCOME AS A PERCENT OF FEDERAL POVERTY LEVEL BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, ADULTS AGES 19-64, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Household Income	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
<100% FPL	49.7	**49.6**	14.5*	**10.8**	30.1	**32.3**	2.7	**2.5**	3.1*	**4.8**	**100% 2,847,000**
100-199% FPL	41.6*	**45.9**	36.9*	**29.1**	14.2*	**16.1**	4.0	**3.9**	3.4*	**5.0**	**100% 3,881,000**
200-299% FPL	26.3*	**29.7**	58.3*	**52.7**	5.7	**6.4**	5.7	**5.9**	4.0*	**6.4**	**100% 2,640,000**
300% + FPL	12.1	**11.7**	75.7	**75.7**	1.1*	**1.5**	7.1	**7.3**	3.2*	**3.9**	**100% 12,500,000**

Notes: Numbers may not add to 100% due to rounding.
The 2005 Federal Poverty Level was $9,973 for one person, $12,755 for a two-person family and $15,577 for a three-person family.
*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

Costs Are Driving Changing Patterns of Coverage

In sum, employment-based coverage is all but disappearing for adults and children below the federal poverty level. It is eroding rapidly for those between 100 and 300% of the poverty level and relatively stable for those above this income level. Some analysts will suggest that public coverage programs are "crowding out" employment-based coverage,[3] but that could be true only for children. The "crowd out" argument cannot explain the drop in adults' job-based insurance.

For children, expanding enrollment in Medi-Cal and Healthy Families may have represented some "crowding out" of employment-based insurance, but it also extended coverage to many in these same low- and moderate-income groups who were previously uninsured. At these income levels, the worker contribution for family coverage, when it was available to employees, was growing increasingly expensive and unaffordable. Medi-Cal and Healthy Families provided free or affordable coverage that prevented many children from becoming uninsured.

It seems apparent that the rapidly increasing cost of health insurance is driving down employment-based coverage, and that this is particularly true for family coverage. In California, the average employer health plan premium cost in 2006 was $4,550 for single-worker coverage and $11,860 for family coverage. Both have risen rapidly since 2001. Employers more heavily subsidize single-worker than family coverage: the average worker pays only 12% of the cost of a single-worker plan, but they pay 25% of the cost for family coverage.[4]

However, given the much higher cost of family coverage, the lower employer subsidy results in the worker having to pay a large and rapidly increasing amount of money to cover his or her children and spouse. In 2006, the average California worker had to pay $247 per month, or $2,965 annually for family coverage—up 66% since 2001. A worker earning $25,000 a year—2.8 million employees in California earn less than that[5]—would have to pay 12% of her gross earnings for premiums for family coverage, and then face deductibles and copays when she or her children needed medical care. For many families in this situation, the economically rational decision would be to forgo family coverage, perhaps opt for individual coverage for the worker (which, on average, would cost only $46 per month), and enroll the children in the Healthy Families program.

[3] See Cutler DM, Gruber J. Medicaid and private insurance: Evidence and implications. Health Affairs, 1997; 16(1): 194-200; Bansak C and Raphael S (2007). The effects of state policy design features on take-up and crowd-out rates for the State Children's Health Insurance Program. Journal of Policy Analysis and Management, 26(1): 149-75; and Hadley J et al. (2006-2007). Insurance premiums and insurance coverage of near-poor children. Inquiry, 43(4): 362-77.

[4] California HealthCare Foundation and Center for Studying Health System Change, California Employer Health Benefits Survey 2006, Oakland, CA: California HealthCare Foundation, November 2006.

[5] U.S. Census Bureau, 2005 American Community Survey.

The Uninsured Are Mainly a Low-Income Population

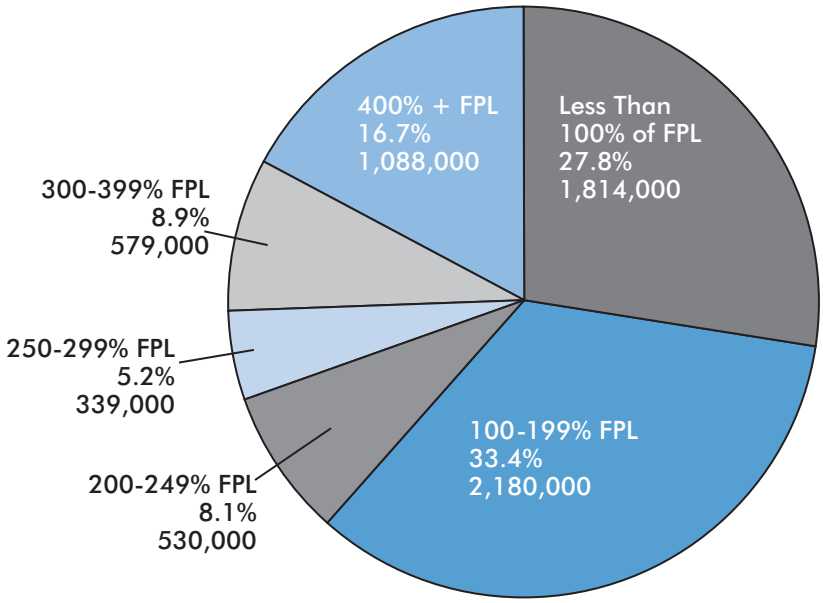
The uninsured include individuals from all income groups, but as a result of their much higher rates of uninsurance, low- and moderate-income adults and children account for most of the uninsured. Those who were uninsured all or some of the year in 2005 were predominantly low-income Californians: 61% had family incomes below 200% of the federal poverty level, or $31,000 for a family of three (Exhibit 9). These six in ten of the uninsured will need substantial subsidies to make health insurance affordable.

But with the growing costs of coverage, even those above this level are likely to need some subsidies. Less than two in ten uninsured people had incomes at least 400% of the federal poverty, or $62,000 for a family of three in 2005. This more affluent group could clearly contribute to the costs of their health insurance, but many of them are likely to have difficulty finding affordable coverage options in the current health insurance market. A basic HMO would average about $9,000 to $10,000 a year, which would consume 14 to 16% of gross family income for a family of three.[6]

[6] Based on averaging the premium costs for a Blue Cross "Select HMO" across regions for families headed by an adult ages 35-39 and ages 50-54; rates effective March 1, 2006. Percent of income was calculated using income for a family of three at $64,316 a year, which is 400% of the federal poverty level in 2006.

EXHIBIT 9. FAMILY INCOME AMONG THOSE UNINSURED ALL OR PART YEAR, AGES 0-64, CALIFORNIA, 2005

6,530,000 ADULTS AND CHILDREN UNINSURED ALL OR PART YEAR



Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

Uninsured Rates Higher Among People of Color

Uninsured rates are higher among people of color than among whites. Latinos continue to have the highest rate of uninsurance: one in three was uninsured all or some of the year in 2005, a rate three percentage points lower than in 2001, but still nearly three times the rate for whites (Exhibit 10). American Indians/Alaska Natives (AI/ANs) also had a substantially higher uninsured rate than whites, followed by Asian Americans and Pacific Islanders (AAPIs) and African Americans. Uninsured rates for AI/ANs, AAPIs and African Americans remained statistically unchanged between 2001 and 2005, despite apparent small changes.

Whites, African Americans and AI/ANs all experienced significant drops in employment-based coverage between 2001 and 2005 (Exhibit 10). AI/ANs' job-based insurance rate dropped 10 percentage points. Job-based insurance rates were statistically unchanged for AAPIs and for Latinos, who had an already extremely low rate.

Most of the loss of job-based insurance for AI/ANs was offset by increases in coverage of children through Medi-Cal and Healthy Families, programs for which there are special provisions related to United States treaty obligations. There were smaller increases in these public coverage

EXHIBIT 10. RACIAL/ETHNIC GROUP BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL OR HEALTHY FAMILIES ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Race and Ethnic Group	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
White	14.2*	**12.5**	69.0*	**66.8**	6.2*	**7.9**	7.1*	**8.4**	3.6*	**4.4**	**100% 14,867,000**
Latino	36.7*	**33.8**	35.9	**35.3**	23.6*	**25.7**	1.4	**1.9**	2.4*	**3.4**	**100% 9,771,000**
Asian American and Pacific Islander	18.7	**17.7**	61.0	**59.3**	10.8	**12.1**	5.9	**6.7**	3.5	**4.3**	**100% 4,036,000**
African American	13.9	**15.3**	55.0*	**50.3**	25.8	**26.9**	1.5	**2.3**	3.8*	**5.2**	**100% 2,067,000**
American Indian/ Alaska Native	24.0	**22.0**	51.3*	**41.2**	19.3*	**28.4**	2.6	**3.3**	2.9*	**5.1**	**100% 338,000**

Notes: Numbers may not add to 100% due to rounding.
"Other single and multiple race" category data are not shown in this table.
*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

programs for other groups. For nearly all race/ethnic groups, children and adults had very similar rates of employment-based insurance, but children without such coverage were much more likely to be enrolled in Medi-Cal or Healthy Families, resulting in uninsured rates for children ranging between one-half to one-fourth that of adults in the same racial/ethnic group (data not shown).

There was a lot of variation in insurance coverage by Latino ethnicity. Latinos who reported their ethnicity as Salvadorean and Guatemalan had the highest rates of uninsurance—44.5% and 40.6%, respectively—compared to one in three Mexican-origin Latinos and other Central Americans, as well as Peruvians and other South Americans (Exhibit 11, which averages data for 2003 and 2005 to produce more robust estimates for smaller ethnic groups). About one in five Nicaraguans, Cubans and Puerto Ricans were uninsured all or part of the year. Most of this variation was due to differences in employment-based insurance, which was higher for Nicaraguans and Cubans, and lower for other Latino ethnic groups.

Among all Asian American and Pacific Islander groups, Koreans experience the highest rate of uninsurance; 35.2% were uninsured all or part

EXHIBIT 11. LATINO ETHNIC GROUP BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, AVERAGE OF 2003 AND 2005 POPULATIONS

LATINO ETHNIC GROUP	UNINSURED ALL OR PART YEAR	EMPLOYMENT-BASED ALL YEAR	MEDI-CAL OR HEALTHY FAMILIES ALL YEAR	TOTAL POPULATION 2005
Mexican	32.8%	36.0%	26.2%	**9,406,000**
Salvadoran	44.5%	29.8%	22.0%	**511,000**
Guatemalan	40.6%	28.8%	26.0%	**355,000**
Nicaraguan	22.0%	64.0%	---	**88,000**
Other Central American	32.5%	37.8%	22.0%	**111,000**
Puerto Rican	18.8%	50.1%	22.9%	**148,000**
Cuban	23.1%	59.0%	---	**67,000**
Peruvian	33.7%	53.2%	---	**61,000**
Other South American	33.2%	47.6%	8.8%	**141,000**
Two or More Latino	20.4%	44.2%	28.1%	**780,000**
Other Latino	14.5%	60.6%	18.7%	**165,000**

--- Estimate is unstable (coefficient of variation is above 30%).

Note: Privately purchased and other insurance estimates not presented because most estimates had coefficient of variation above 30%. Numbers above will not add to 100%.

Source: Average of 2003 and 2005 California Health Interview Surveys Estimates

of the year, a rate nearly twice that for other Asian ethnic groups (Exhibit 12, which averages data for 2003 and 2005 to produce more robust estimates for smaller ethnic groups). Koreans are more likely to be self-employed and lack employment-based coverage compared to other Asian American groups. Although Koreans had exceptionally high rates of privately-purchased insurance, their low rate of employment-based coverage left many uninsured.

Japanese, Filipinos, South Asians and Chinese had the highest rates of employment-based coverage and, consequently, the lowest rates of uninsurance. Vietnamese, Cambodians and other Southeast Asian groups, like Koreans, had low rates of employment-based insurance, but these groups, unlike Koreans, have high rates of coverage through Medi-Cal and Healthy Families, related to their immigration as refugees.

EXHIBIT 12. ASIAN ETHNIC GROUP BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, AVERAGE OF 2003 AND 2005 POPULATIONS

ASIAN ETHNIC GROUP	UNINSURED ALL OR PART YEAR	EMPLOYMENT-BASED ALL YEAR	MEDI-CAL OR HEALTHY FAMILIES ALL YEAR	TOTAL POPULATION 2005
Chinese	16.2%	62.2%	9.9%	1,053,000
Filipino	14.2%	67.1%	7.6%	1,067,000
South Asian	11.1%	69.0%	7.3%	569,000
Vietnamese	20.1%	41.8%	28.8%	493,000
Korean	35.2%	38.2%	9.8%	383,000
Japanese	12.6%	73.8%	2.7%	267,000
Pacific Islander	19.0%	52.6%	20.1%	244,000
Southeast Asian	16.0%	43.8%	33.9%	105,000
Cambodian	---	42.2%	37.6%	32,000
Two or More Asian	16.1%	58.7%	13.1%	198,000
Other Single Asian	---	58.7%	---	23,000

---Estimate is unstable (coefficient of variation is above 30%).

Note: Privately purchased and other insurance estimates not presented because most estimates had coefficient of variation above 30%. Numbers above will not add to 100%.

Source: Average of 2003 and 2005 California Health Interview Surveys Estimates

Uninsured Rates Higher Among Noncitizens

Citizenship and immigration status play key roles in determining access to employment-based insurance coverage and public coverage programs in California, as throughout the nation. Among adults, nearly two-thirds of noncitizens who did not have a green card[7] were uninsured for all or part of the year in 2005 (Exhibit 13). More than one-third of noncitizens *with* green cards were uninsured in 2005, down somewhat from 2001. They clearly fared much better than noncitizens without green cards, but they remain far more disadvantaged in their health insurance status than U.S. citizens. In spite of their relative advantage, nearly one in five adult citizens was uninsured for all or some of the year in 2005.

The driver of these disparities in uninsurance is whether the adult has job-based insurance. Although job-based coverage fell slightly between 2001 and 2005 for U.S. citizens, the rate for non-citizens without green cards fell more than four percentage points (Exhibit 13). The small changes in employment-based coverage for noncitizens with green cards were not statistically significant.

[7] "Noncitizen without green card" includes immigrants who are undocumented, those in the U.S. with temporary work or study permits, and those who are in the process of receiving their "green cards."

EXHIBIT 13. CITIZENSHIP AND IMMIGRATION STATUS BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 19-64, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Citizenship and Immigration Status	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
Citizens	18.8	**18.7**	63.4*	**62.3**	7.9	**7.5**	6.3	**6.6**	3.6*	**4.9**	**100% 17,530,000**
Noncitizens With Green Card	40.9*	**37.2**	40.9	**41.8**	11.8	**13.7**	4.0	**4.1**	2.3	**3.3**	**100% 2,394,000**
Noncitizens Without Green Card	61.7	**63.8**	23.2*	**18.8**	11.2	**12.9**	2.0	**1.5**	1.9*	**3.0**	**100% 1,953,000**

Note: Numbers may not add to 100% due to rounding.

*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

Children whose parents are U.S. citizens, those whose parents lack green cards as well as those whose parents have them, and children who themselves are noncitizens all benefited from the expansion of Medi-Cal and Healthy Families enrollment between 2001 and 2005 (Exhibit 14). All of these groups experienced increased enrollments in these public programs and decreases in uninsurance. Those whose parents are U.S. citizens and those who themselves are noncitizens also lost employment-based insurance. Large changes in coverage occurred between 2001 and 2003, with only small increases between 2003 and 2005.

Medi-Cal and Healthy Families were critical for all types of children as employment-based insurance declined during this period in the face of dramatic increases in health insurance premiums and the amounts that employers required workers to contribute for family coverage. Privately-purchased coverage rose for children with U.S.-citizen parents and those whose parents had green cards.

EXHIBIT 14. FAMILY CITIZENSHIP AND IMMIGRATION STATUS BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-18, CALIFORNIA, 2001 AND 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		MEDI-CAL OR HEALTHY FAMILIES ALL YEAR		PRIVATELY PURCHASED ALL YEAR		OTHER ALL YEAR		TOTAL
Citizenship and Immigration Status	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
Both Parents Citizens	10.1*	**7.4**	65.4*	**59.4**	18.2*	**24.1**	3.5*	**5.8**	2.9	**3.2**	**100% 7,678,000**
Parent Noncitizen with Green Card	21.1*	**14.7**	33.0	**34.6**	40.8*	**45.6**	1.6*	**2.8**	3.6	**2.3**	**100% 1,329,000**
Parent Noncitizen without Green Card	22.6*	**14.5**	14.9	**12.4**	59.6*	**70.5**	1.0	**1.0**	2.2	**2.0**	**100% 745,000**
Child Noncitizen	47.4*	**37.5**	22.1*	**17.3**	24.2*	**36.2**	1.7	**2.1**	4.6	**6.9**	**100% 652,000**

Note: Numbers may not add to 100% due to rounding.

*Change is between estimates for 2001 and 2005. Change is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

U.S. Citizens are Majority of Uninsured

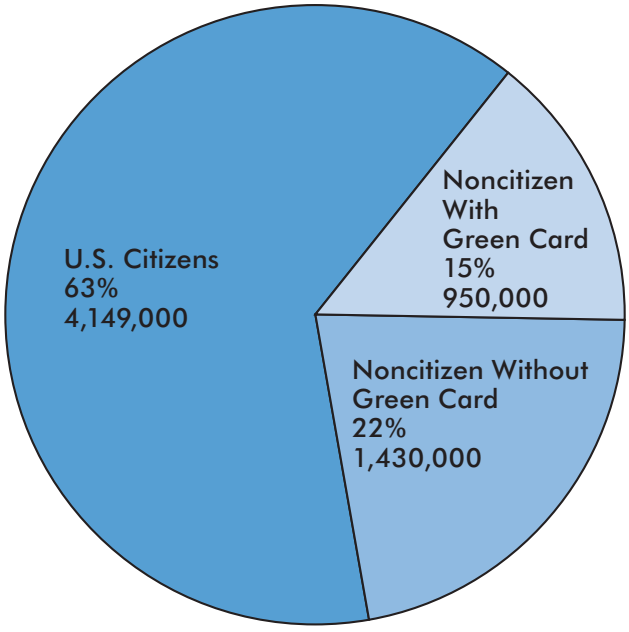
Nearly two out of three uninsured Californians are U.S. citizens. Half of all the uninsured are U.S.-born citizens—more than 3.3 million in all—and another 12% are naturalized citizens (Exhibit 15). Noncitizens comprise slightly more than one in three uninsured Californians: 15% are noncitizens with green cards, and 22%—about 1.4 million—are noncitizens without green cards. It is important to note that "noncitizens without green cards" includes many adults and children who are residing legally in the United States as temporary workers or students.[8]

Thus, California's uninsured population includes many noncitizens without green cards, but the uninsured are overwhelmingly U.S. citizens and noncitizens residing legally in the country.

[8]"Noncitizens without green cards" includes workers and spouses with H-1, H-2, H-3, H-4, L-1, L-2, O-1, O-2, O-3, P-1, P-2, P-3, P-4 visas, students and their families in the U.S. on F-1, F-2, J-1, J-2, H-3, M-1, M-2 visas, and others with I, K-1, K-2, K-3, K-4, N-8, N-9 and other types of temporary residence visas are all legal non-permanent visitors to the U.S. See "Immigration Classifications and Visa Categories, U.S. Citizenship and Immigration Services, Department of Homeland Security," (see http://www.uscis.gov/, accessed 12/17/06). Based on CHIS 2005, we estimate that there are 2.3 million undocumented immigrants, or persons residing illegally in the country, in California, a number that is close to the 2.4 million estimate by Jeffrey Passel of the Pew Hispanic Center (see Passel, "Estimates of the Size and Characteristics of the Undocumented Population," Washington, DC: Pew Research Center, 2005).

EXHIBIT 15. CITIZENSHIP AND IMMIGRATION STATUS OF CALIFORNIANS UNINSURED ALL OR SOME OF LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2005

6,529,000 ADULTS AND CHILDREN UNINSURED ALL OR PART YEAR



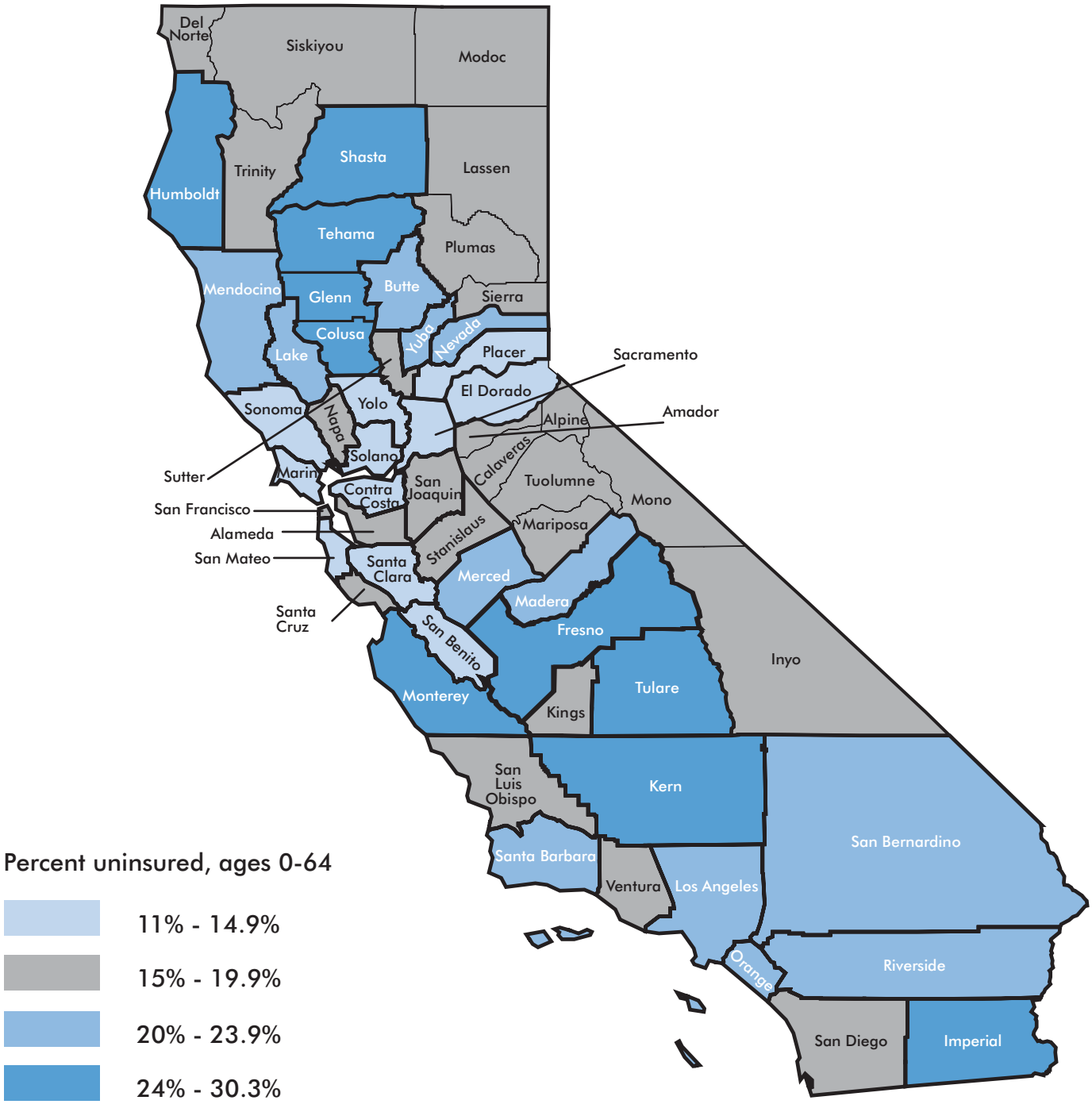
Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

Regional Differences in Health Insurance Coverage

The San Francisco Bay Area and the Sacramento Area have the lowest rates of uninsurance in the state due to their high rates of employment-based coverage (Exhibits 16 and 17). The two counties in those regions with employment-based insurance rates below 60%, Sacramento and Sonoma, both have offsetting higher rates of Medi-Cal and Healthy Families coverage (data not shown).

The highest rates of uninsurance and the lowest rates of employment-based coverage are in Los Angeles County, the San Joaquin Valley, and the Northern and Sierra areas of the state. Counties with very low rates of employment-based insurance (below 50%) and relatively high uninsured rates (at least 23%) include Los Angeles, Tulare, Fresno, Imperial, Madera, Tehama, Glenn, Colusa, Lake, Shasta, Humboldt, Mendocino, Butte and Nevada counties.

EXHIBIT 16. PERCENT OF POPULATION UNINSURED ALL OR PART OF YEAR BY COUNTY, AGES 0-64, CALIFORNIA, 2005



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

Source: 2005 California Health Interview Survey

EXHIBIT 17. COUNTY AND REGION BY HEALTH INSURANCE COVERAGE DURING LAST 12 MONTHS, AGES 0-64, CALIFORNIA, 2005

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		TOTAL POPULATION AGES 0-64
	RATE	MARGIN OF ERROR = +/-%	RATE	MARGIN OF ERROR = +/-%	
All California	**20.2%**	0.6	**54.3%**	0.7	32,270,000
Northern and Sierra Counties	**22.0%**	1.6	**48.0%**	1.9	1,136,000
Butte	**22.3%**	4.8	**46.6%**	5.9	175,000
Tuolumne, Inyo, Calaveras, Amador, Mariposa, Mono, Alpine	**19.5%**	10.8	**56.8%**	6.4	148,000
Shasta	**26.4%**	5.4	**40.1%**	5.5	140,000
Sutter	**17.8%**	5.0	**55.9%**	6.6	139,000
Del Norte, Siskiyou, Lassen, Trinity, Modoc, Plumas, Sierra	**16.9%**	4.4	**56.9%**	6.3	119,000
Humboldt	**24.4%**	4.1	**43.4%**	4.3	113,000
Tehama, Glenn, Colusa	**30.3%**	5.5	**39.8%**	5.4	91,000
Nevada	**20.4%**	5.7	**49.3%**	6.2	83,000
Mendocino	**23.6%**	5.1	**41.5%**	5.6	77,000
Yuba	**20.3%**	5.2	**52.8%**	6.1	60,000
Lake	**20.1%**	5.2	**40.5%**	6.4	52,000
Greater Bay Area	**14.5%**	1.2	**64.4%**	1.5	6,162,000
Santa Clara	**12.0%**	2.3	**65.5%**	3.2	1,554,000
Alameda	**17.6%**	3.0	**63.1%**	3.4	1,327,000
Contra Costa	**14.7%**	3.5	**67.1%**	4.1	901,000
San Francisco	**15.5%**	3.5	**60.6%**	4.4	669,000
San Mateo	**14.2%**	4.3	**66.8%**	5.1	625,000
Sonoma	**14.4%**	4.3	**59.7%**	5.6	410,000
Solano	**13.3%**	2.5	**66.3%**	3.4	362,000
Marin	**11.0%**	1.9	**63.5%**	2.4	205,000
Napa	**19.9%**	4.9	**63.5%**	5.5	110,000
Sacramento Area	**14.0%**	2.0	**61.0%**	2.6	1,799,000
Sacramento	**14.8%**	2.8	**58.4%**	3.6	1,214,000
Placer	**12.6%**	3.5	**68.5%**	5.1	269,000
Yolo	**13.2%**	3.6	**62.7%**	5.2	164,000
El Dorado	**11.4%**	3.4	**66.9%**	5.2	152,000

EXHIBIT 17. CONTINUED

	UNINSURED ALL OR PART YEAR		EMPLOYMENT-BASED ALL YEAR		TOTAL POPULATION AGES 0-64
	RATE	MARGIN OF ERROR = +/-%	RATE	MARGIN OF ERROR = +/-%	
San Joaquin Valley	**22.6%**	1.9	**46.5%**	2.1	3,336,000
Fresno	**27.4%**	4.7	**40.9%**	4.6	794,000
Kern	**24.2%**	4.1	**45.3%**	4.7	666,000
San Joaquin	**18.0%**	4.6	**55.3%**	5.7	588,000
Stanislaus	**18.3%**	4.4	**50.8%**	5.5	455,000
Tulare	**24.3%**	4.6	**38.6%**	5.0	374,000
Merced	**21.0%**	4.5	**50.5%**	5.3	221,000
Kings	**18.5%**	4.4	**51.0%**	5.2	121,000
Madera	**23.9%**	5.0	**44.6%**	5.6	118,000
Central Coast	**20.1%**	2.2	**53.9%**	2.4	1,921,000
Ventura	**18.2%**	3.9	**58.8%**	4.6	718,000
Monterey	**24.7%**	4.7	**45.9%**	4.9	369,000
Santa Barbara	**21.7%**	5.6	**53.9%**	5.9	350,000
Santa Cruz	**19.8%**	4.7	**51.5%**	5.2	226,000
San Luis Obispo	**17.2%**	5.1	**52.1%**	5.9	206,000
San Benito	**14.9%**	4.9	**59.0%**	6.5	53,000
Los Angeles	**23.5%**	1.3	**48.8%**	1.4	9,053,000
Los Angeles	**23.5%**	1.3	**48.8%**	1.4	9,053,000
Other Southern California	**21.0%**	1.2	**55.4%**	1.4	8,867,000
Orange	**21.3%**	2.5	**56.8%**	2.8	2,714,000
San Diego	**19.3%**	1.7	**58.1%**	2.0	2,642,000
San Bernardino	**21.9%**	2.7	**50.6%**	3.2	1,770,000
Riverside	**21.7%**	3.0	**55.0%**	3.3	1,601,000
Imperial	**27.7%**	4.9	**40.5%**	5.3	141,000

Note: Numbers are rates and will not add to 100%.
Source: 2005 California Health Interview Survey

Reasons for Being Uninsured

In the CHIS 2005 interview, respondents who are or were uninsured were asked the main reason they had no coverage. For those who were uninsured all year, the most common reason was that they could not afford health insurance that was available to them, the reason given by 43.2% (Exhibit 18). That was the reason given by 30.8% of those who were uninsured part of the year, but another 32.8% said they were uninsured due to employment-related factors, such as changing employers or losing a job (16.2%). The employer not offering health benefits or the employee not being eligible for health benefits due to work status (such as working too few hours or not long enough to meet employer's criteria) were the main reason that 16.6% of the part-year uninsured and nearly 11% of the all-year uninsured did not have coverage.

A variety of other barriers accounted for the lack of coverage of 16% of the all-year uninsured and nearly 20% of those uninsured part of the year (Exhibit 18). These reasons ranged from immigration issues, to exclusion by health plans due to health problems, to administrative or bureaucratic delays.

Finally, one in five of the all-year uninsured and one in nine of the part-year uninsured mentioned their own attitudes or actions as the reason for their lack of coverage. Among those who were uninsured all year, 14.5% reported that they didn't need or didn't believe in health insurance, compared to just 6.5% of those who were uninsured part of the year (Exhibit 18).

EXHIBIT 18. REASONS PERSONS DO NOT HAVE COVERAGE AMONG UNINSURED, AGES 0–64, CALIFORNIA, 2005

REASONS FOR NOT HAVING INSURANCE	UNINSURED ALL YEAR	UNINSURED PART YEAR
Can't Afford/Too Expensive	**43.2**	**30.8**
Employment-Related Factors	**15.0**	**32.8**
Changed Employer/Lost Job	4.2	16.2
Employer Does Not Offer	5.3	5.6
Not Eligible Due to Working Status	5.5	11.0
Other Barriers	**16.0**	**19.6**
Not Eligible Due to Citizenship or Immigration Status	7.5	2.3
Not Eligible Due to Health or Other Problems	4.0	4.2
Family/Personal Situation Changed	1.0	3.4
Lost/Can't Qualify for Public Program Coverage	1.2	3.0
In Process of/Problems With Getting Insurance	1.3	5.4
Lack of Information on Insurance/Forms Too Difficult	1.0	1.3
Own Action or Inaction	**19.4**	**10.6**
Pays for Own Health Care/Gets Health Care for Free	2.9	1.3
Healthy (No Need)/Don't Believe in Health Insurance	14.5	6.5
Personal Refusal or Inaction	2.0	2.8
Other	**2.0**	**5.4**
Total	**100% 3,587,000**	**100% 2,943,000**

Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

The complexity of getting and retaining health insurance coverage is evident in these data. The reasons given by the uninsured themselves are consistent with the analysis of the characteristics of the uninsured. But their characteristics suggest the multiple barriers that many of the uninsured face—low income despite working and immigration barriers prominent among them. These problems shape workers' attitudes and their perception of the value of health plans that are available to them.

The high cost of coverage certainly must encourage low-income workers to decide that the premiums for health insurance, especially when it comes with a substantial deductible and cost-sharing, makes it unaffordable. If they are relatively healthy, then they may well feel that they can take the risk of being without coverage in order to stretch their earnings to cover other necessities of life, such as the high costs of housing or food, both of which are also essential to a person's health.

2

The Coverage of California's Working Adults

Most of California's 15.4 million working adults get health insurance through their jobs. However, four million of these working adults (19%) were uninsured at some point in 2005 (Exhibit 19). In this chapter, we examine the recent trends between 2001 and 2005 in health insurance coverage among all working adults, ages 19-64. Next, we focus on California's 12.8 million employees, and examine the important trends in coverage based on employer decisions to offer and set eligibility rules for employment-based insurance (EBI), and once eligible, the employee decision on taking up EBI. We delve deeper into the situation of employees by examining the coverage status of employees who decline their employment-based plans (1.7 million). We then focus on uninsured employees (2.4 million) and identify the stage in the series of offer, eligibility and take-up decisions that led to a lack of EBI. Finally, new in this report, we also profile the self-employed, who make up a small proportion of California's working adults (15% or 2.6 million) yet have much higher uninsured rates than employees.

A Downturn in Dependent Coverage Despite Economic Recovery

California's unemployment rate rose from 5.4% in 2001 to 6.9% in 2003, but bounced back in 2005 to the 2001 level of 5.4%, as labor markets tightened across most regions in the state.[9] Adults reporting EBI from their own employer ("EBI own coverage") closely followed this labor market trend, and we saw no change in EBI own coverage between 2001 and 2005 (Exhibit 19). However, the percentage of workers covered by a family member's EBI ("EBI dependent coverage") markedly declined between 2001 and 2005.

This erosion in dependent EBI can be attributed to a growth in both premium costs for family coverage (average premiums for EBI family coverage rose from approximately $6,877 annually in 2001 to $10,430 in 2005) and worker share of premiums paid (from $1,788 in 2001 to $2,712 in 2005).[10] The loss in EBI dependent coverage was offset by the gains in coverage from Medi-Cal and other sources, so that between 2001 and 2005, the all or part year uninsured rate for California's workers remained stable at 19%.

[9] State of California Employment Development Department, Labor Market Information, available at : http://www.labormarketinfo.edd.ca.gov/ accessed 3/9/07

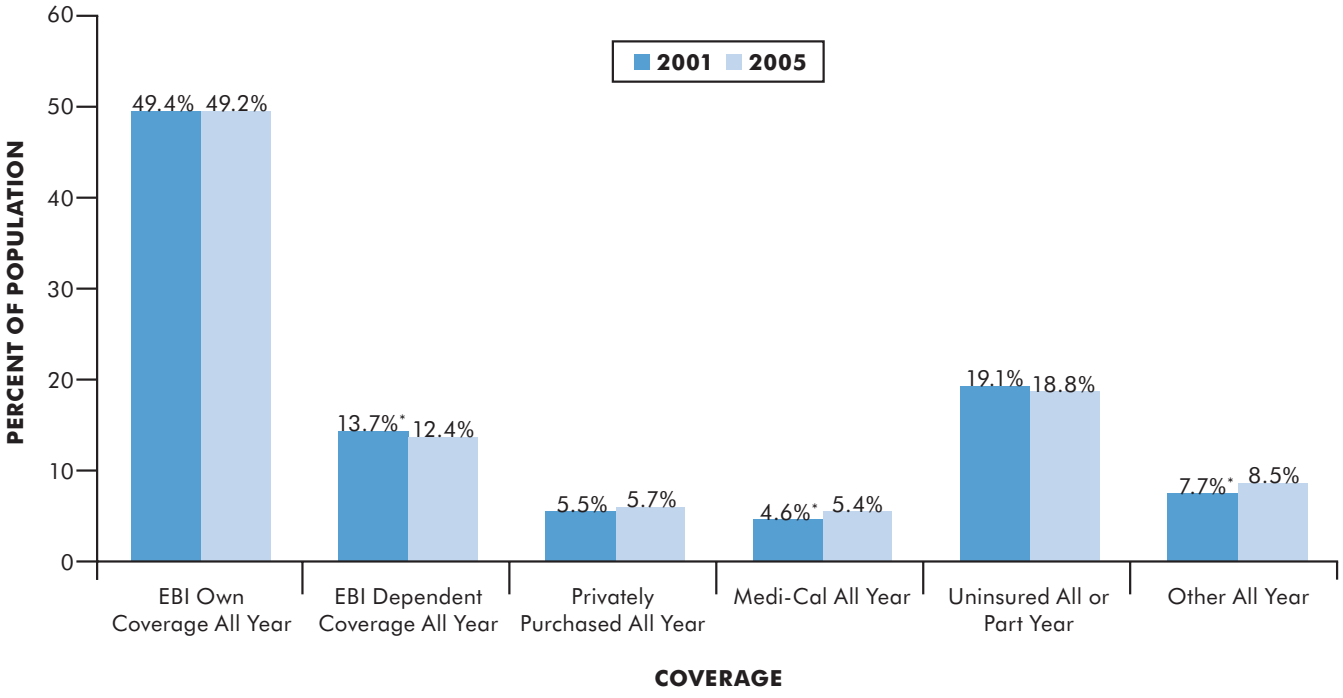
[10] The annual dollar amounts for total premiums in a given year were calculated by dividing the average annual worker contributions for family coverage by the average percentage of worker share of premiums for family coverage. Source: Kaiser Family Foundation. Trends and Indicators in the Changing Health Care Marketplace; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey.

Further Erosion of EBI Hits Many Groups

Although workers' EBI coverage ("EBI own coverage") was stable between 2001 and 2005, it further deteriorated for groups that have been consistently identified as having poor EBI coverage: 24-29 year-olds, single adults, noncitizens without a green card, and workers with family incomes between 100-199% poverty (Exhibit 20). Moreover, the EBI own coverage rate declined for African Americans, a group that historically has had high own EBI rates in the state.

But the erosion of EBI dependent coverage hit the majority of Californians. It is striking that no demographic or labor market group experienced an improvement in dependent coverage between 2001 and 2005, despite economic growth (Exhibits 20 and 21). Even groups that have historically higher rates of health insurance coverage posted significantly lower dependent coverage rates: whites, 30-54 year olds, citizens, married workers with children, workers with some college education or a vocational degree, full-time and higher income workers. We do detect a double jeopardy for the most vulnerable workers, where both own and dependent coverage dropped from 2001 to 2005. We see this double jeopardy among noncitizens without a green card and workers with family incomes between 100-199% poverty level (Exhibit 20).

EXHIBIT 19. INSURANCE COVERAGE DURING LAST 12 MONTHS AMONG WORKING ADULTS, AGES 19-64, CALIFORNIA, 2001 AND 2005



Notes: Numbers may not add to 100% due to rounding.
EBI: Employment-based Insurance.
"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.

*Change is measured between 2005 and other years and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

In the labor market, both own and dependent EBI dropped for low-wage workers, part-time workers and workers in the education, health and leisure industries (Exhibit 21). Interestingly, own EBI coverage increased for workers in small firms (fewer than 10 employees) although the rate is still low (19.5%), whereas EBI own coverage decreased for workers in larger firms (100-999 employees). This suggests that either offer rates have also declined in medium-sized firms, a trend that we will examine later in this chapter, or that the worker contribution to a premium even for a medium-sized firm may be so unaffordable for many workers that they drop out of plans. Indeed, Exhibit 21 shows that workers in medium firms increased their enrollment in Medi-Cal, but this increased uptake was not enough to offset this group's loss of job-based insurance, thus increasing the ranks of the uninsured. There could very well be a liability in working in mid-sized firms. The risk of being uninsured increases for this "middle" group as EBI own coverage continually dwindles, but public coverage options for these adults remain too limited to overcome the coverage loss.

The lowest wage workers (workers earning below minimum wage), offset the decline in dependent coverage with increased enrollment in Medi-Cal (Exhibit 21). The uninsured rate for workers earning below minimum wage was still very high in 2005: 35.7% compared to 6.7% for workers earning at least four times the minimum wage.

The Private Individual Market as a Reservoir for Young Workers and Some Industries

The privately-purchased individual insurance market did not significantly grow between 2001 and 2005 (Exhibit 19). We did, however, see a greater rate of purchasing in the private individual market among the youngest group of workers (age 19-23) that almost completely compensated for the drop in coverage from their parent's job-based health plan—a traditional source of coverage for young adults up to the age of 23 (Exhibit 20). The private market may offer competitively-priced premiums for younger workers who tend to be healthier and who opt for less generous plans, although benefits may be skimpy.

Workers earning one to two times the minimum wage, and certain industries also tapped into the privately-purchased insurance market for a source of coverage more so in 2005 than in 2001 (Exhibit 21). Since 2001, EBI own coverage rates plummeted for workers in wholesale and retail trade sectors and the manufacturing and construction industries. Rising uninsurance among workers in these industries was offset by higher rates of coverage from the individual insurance market.

EXHIBIT 20. HEALTH INSURANCE STATUS DURING LAST 12 MONTHS BY DEMOGRAPHIC CHARACTERISTICS, WORKING ADULTS, AGES 19-64, CALIFORNIA, 2001 AND 2005

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2005
All Workers	49.4	**49.2**	13.7*	**12.4**	5.5	**5.7**	4.6*	**5.4**	19.1	**18.8**	7.7*	**8.5**	**17,020,000**
Age Group													
Ages 19-23	17.7	**18.2**	17.2*	**13.5**	6.0*	**9.0**	9.3	**9.6**	31.6	**30.7**	18.1	**19.1**	**100% 1,794,000**
Ages 24-29	44.5*	**39.8**	6.2	**7.3**	3.7	**4.2**	5.5*	**7.2**	29.1	**27.8**	11.0*	**13.6**	**100% 2,376,000**
Ages 30-44	53.3	**52.7**	13.3*	**12.2**	4.5	**4.5**	4.5*	**5.8**	18.0	**17.7**	6.4	**7.1**	**100% 6,818,000**
Ages 45-54	56.2	**57.7**	17.2*	**14.1**	6.6	**5.9**	3.1	**3.5**	12.7	**14.0**	4.3	**4.9**	**100% 3,959,000**
Ages 55-64	57.3	**59.4**	14.4	**14.3**	8.9	**8.0**	2.4	**2.3**	11.7	**10.8**	5.2	**5.2**	**100% 2,072,000**
Race and Ethnic Group													
White	54.1*	**56.5**	17.2*	**15.3**	7.6	**7.9**	1.9*	**2.4**	11.8*	**10.7**	7.3	**7.2**	**100% 8,469,000**
Latino	36.3	**35.2**	8.3	**7.7**	1.6	**2.1**	9.0	**9.7**	36.6	**34.5**	8.2*	**10.9**	**100% 4,700,000**
Asian American and Pacific Islander	53.6	**52.0**	13.5	**12.1**	6.7	**6.6**	3.8*	**5.4**	14.3	**16.4**	8.1	**7.4**	**100% 2,207,000**
African American	58.3*	**52.1**	7.6	**9.5**	1.7	**3.0**	9.4	**9.3**	14.9	**15.3**	8.0*	**10.9**	**100% 983,000**
Other and Multiple Race	44.7	**42.6**	12.3	**13.3**	5.5	**8.2**	3.9	**6.8**	23.7	**23.6**	7.1	**8.5**	**100% 660,000**
Family Composition													
Single Adult	46.0*	**44.0**	5.8	**5.0**	6.5*	**7.7**	4.0	**4.0**	27.4	**28.2**	10.2	**11.1**	**100% 5,686,000**
Single Parent	46.1	**45.5**	3.2	**2.7**	3.5	**3.4**	16.1	**17.4**	18.9	**19.5**	12.3	**11.5**	**100% 1,232,000**
Married without Children	55.8*	**58.0**	20.9	**19.4**	5.7	**5.4**	1.5	**1.5**	11.2	**10.0**	5.0	**5.7**	**100% 3,648,000**
Married with Children	49.3	**49.5**	19.2*	**16.7**	4.7	**4.5**	4.8*	**6.7**	16.1	**15.3**	5.9*	**7.3**	**100% 6,452,000**

EXHIBIT 20. CONTINUED

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2005
All Workers	49.4	**49.2**	13.7	**12.4**	5.5	**5.7**	4.6*	**5.4**	19.1	**18.8**	7.7*	**8.5**	**17,020,000**
Citizenship and Immigration Status													
Citizen	53.5	**54.0**	15.4*	**13.8**	6.1	**6.3**	3.8	**4.2**	13.8	**13.7**	7.4	**8.1**	**100% 13,810,000**
Noncitizen with Green Card	37.9	**37.1**	8.8	**10.0**	3.9	**4.3**	8.3	**10.3**	33.0*	**28.2**	8.2	**10.2**	**100% 1,771,000**
Noncitizen without Green Card	24.1*	**18.9**	3.3*	**1.4**	1.6	**1.0**	7.2*	**11.6**	54.3	**56.0**	9.5	**11.1**	**100% 1,439,000**
Highest Level of Education Attained													
Less Than High School	28.5	**26.1**	8.0*	**4.9**	2.1	**2.4**	10.9*	**14.2**	42.2	**42.7**	8.3	**9.7**	**100% 2,396,000**
High School Graduate	45.6	**43.6**	13.3	**12.4**	4.1	**4.8**	6.1	**7.2**	22.2	**22.1**	8.8	**10.0**	**100% 4,005,000**
Some College	45.8	**45.5**	17.4*	**15.4**	6.1	**6.9**	4.7	**5.0**	16.4	**18.2**	9.6	**8.9**	**100% 2,558,000**
Vocational School, AA, AS	53.8	**52.1**	16.7*	**13.2**	5.6	**4.7**	2.8*	**5.0**	15.1	**16.0**	6.1*	**9.1**	**100% 1,750,000**
College Graduate or Higher	62.3	**62.3**	14.2	**13.7**	7.7	**7.3**	1.1	**1.3**	8.4	**8.6**	6.4	**6.8**	**100% 6,309,000**
Family Income													
< 100% FPL	13.4	**11.7**	5.0*	**2.1**	2.2	**2.7**	20.9*	**24.0**	45.4	**42.2**	13.0*	**17.4**	**100% 1,686,000**
100 – 199% FPL	33.7*	**27.0**	8.5*	**6.0**	3.8	**3.7**	8.3*	**11.7**	35.6*	**39.7**	10.0*	**11.9**	**100% 2,769,000**
200 – 299% FPL	48.2*	**44.8**	13.6	**11.7**	5.2	**5.8**	2.9	**3.5**	22.2	**22.9**	7.9*	**11.3**	**100% 2,036,000**
300%+ FPL	61.2	**62.0**	17.0*	**15.8**	6.7	**6.7**	0.8*	**1.2**	8.5	**8.7**	5.9	**5.7**	**100% 10,530,000**

*Change is measured between 2005 and 2001 and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

Medi-Cal as an Alternative Coverage Source for Working Adults

Medi-Cal coverage rose from 4.6% to 5.4% between 2001 and 2005 (Exhibit 19). Notably, enrollment in Medi-Cal went up nearly across the board for family income, hourly wage, size of establishment and almost all industries. Although workers across several labor market characteristics increased Medi-Cal enrollment, not all workers qualify for Medi-Cal benefits. In general, non-elderly adults are eligible for Medi-Cal only if they meet stringent requirements. They can have only very low incomes (for most, below the poverty level), have very few assets of any kind, and are citizens or legal permanent residents who have lived in the United States longer than five years. In addition, they must meet "categorical" requirements. That is, they must either have their dependent children living with them, or be pregnant, or be disabled.

Increased enrollment in these public insurance programs would occur only if there were eligibility expansions, if poverty rates grew, or if enrollment among eligible workers and their families increased. Eligibility rules did not change during this period. However, enrollment in Medi-Cal could have increased because the proportion of Californians living in poverty slightly increased between 2001 (12.9%) and 2005 (13.2%).[11] Also during this period, outreach efforts were intensified to eligible families with children.

For several groups, the rise in Medi-Cal coverage singularly braced the fall in EBI own or dependent (Exhibit 20). This was true for workers age 24-44, noncitizens without a green card[12] and workers with less than a high school education. In the labor market, Medi-Cal increased its coverage of workers in the financial, professional, educational, health and leisure services, Californians working in a range of firm size—big, medium and small—and most workers earning up to four times the minimum wage (Exhibit 21). Thus, although Medi-Cal has played a lesser role as a source of coverage for working adults, since 2001 it has grown on a par with privately-purchased insurance to fill the coverage gaps of California's workers.

In sum, for California's workers, dependent coverage is eroding virtually across the board, and primary employment-based insurance (EBI) has also declined for many industries and even for medium-sized firms. Premium rate hikes for both single and family (dependent) coverage are surely associated with EBI coverage declines. However, many uninsured workers do not even face the opportunity of participating in EBI since they work in firms that do not offer it.

In the next section we focus on California's employee population and examine the decisions made by employers in offering health insurance to their employees, as well as subsequent choices in setting eligibility rules, and the decisions made by eligible employees in participating or "taking up" a health plan offered by their employers.

[11] Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

[12] Noncitizens without a green card are eligible only for Medi-Cal coverage of emergency services, such as a hospitalization, and then only if they meet other categorical and financial eligibility requirements. Pregnant undocumented immigrant women are also eligible for coverage of their pregnancy.

EXHIBIT 21. HEALTH INSURANCE STATUS DURING LAST 12 MONTHS BY LABOR MARKET CHARACTERISTICS, WORKING ADULTS, AGES 19-64, CALIFORNIA, 2001-2005

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	**2005**	**2001**	**2005**	**2001**	**2005**	**2001**	**2005**	**2001**	**2005**	**2001**	**2005**	**2005**
All Workers	49.4	**49.2**	13.7	**12.4**	5.5	**5.7**	4.6*	**5.4**	19.1	**18.8**	7.7*	**8.5**	**17,020,000**
Hourly Wage													
<1x Minimum Wage	19.2	**19.5**	14.4*	**12.1**	5.8	**5.9**	11.1*	**13.5**	37.0	**35.7**	12.5	**13.4**	**100% 2,778,000**
1x–<2x Minimum Wage	38.4*	**35.4**	13.8*	**10.8**	4.1*	**5.1**	6.5*	**8.5**	27.9	**28.7**	9.3*	**11.5**	**100% 4,147,000**
2x-<3x Minimum Wage	58.8	**56.8**	13.9*	**12.3**	4.4	**4.4**	2.1	**2.8**	13.9*	**16.3**	6.9	**7.4**	**100% 3,180,000**
3x-<4x Minimum Wage	68.0	**66.6**	11.9	**12.3**	5.2	**4.7**	1.3*	**2.2**	9.0	**8.2**	4.6*	**6.0**	**100% 2,041,000**
4x + Minimum Wage	66.5	**66.1**	13.9	**13.9**	7.9	**7.3**	1.3	**1.2**	5.8	**6.7**	4.6	**4.8**	**100% 4,800,000**
Work Status													
Full-Time	52.6	**52.1**	11.9*	**11.1**	4.9	**5.1**	4.1*	**5.0**	19.1	**18.7**	7.4*	**8.2**	**100% 15,300,000**
Part-Time	15.3*	**24.3**	32.6*	**24.2**	11.9	**11.8**	9.9	**9.2**	20.0	**19.3**	10.5	**11.3**	**100% 1,580,000**
Selected Industries													
Financial Activities and Professional/ Business Services	45.1*	**49.6**	15.8	**14.3**	8.3	**7.6**	4.3*	**3.4**	18.2	**16.7**	8.4	**8.4**	**100% 3,427,000**
Educational, Health, and Leisure Services	50.2*	**47.9**	18.8*	**15.5**	6.7	**5.8**	3.9*	**5.9**	12.3*	**16.1**	8.2	**8.9**	**100% 4,153,000**
Wholesale and Retail Trade	61.2*	**45.3**	10.8	**10.8**	2.8*	**5.5**	3.0*	**5.8**	16.1*	**21.5**	6.2*	**11.2**	**100% 2,051,000**
Manufacturing and Construction	59.5*	**46.6**	8.8	**8.2**	2.4*	**4.5**	4.3*	**6.8**	19.0*	**25.5**	6.1*	**8.4**	**100% 2,931,000**
Other	45.2	**43.2**	12.4	**11.5**	5.2*	**6.7**	5.6	**6.6**	23.7	**23.7**	7.9	**8.2**	**100% 4,456,000**
Firm size													
Fewer than 10 Employees	17.7*	**19.5**	20.2*	**18.0**	14.9	**15.0**	5.6	**6.7**	32.1	**30.7**	9.7	**10.2**	**100% 3,953,000**
10-50 Employees	36.8	**37.9**	13.1	**12.1**	5.4	**5.3**	6.2*	**7.9**	30.1*	**25.8**	8.5*	**11.0**	**100% 2,762,000**
51-99 Employees	46.8	**51.4**	12.1*	**8.6**	2.4	**3.0**	7.9	**9.1**	20.6	**18.6**	9.6	**9.3**	**100% 709,000**
100-999 Employees	60.8*	**55.1**	10.5	**10.0**	2.4	**3.1**	4.3*	**5.1**	14.4*	**17.9**	7.7	**8.9**	**100% 2,667,000**
1,000+ Employees	68.3	**69.2**	11.9*	**10.4**	2.1	**1.7**	2.4*	**3.4**	8.8	**9.2**	6.0	**6.2**	**100% 6,787,000**

Note: Minimum wage in 2001 was $6.25 per hour and in 2005 was $6.75 per hour.

*Change is measured between 2005 and 2001 and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

California Employees and Their Employers

OFFER AND ELIGIBILITY RATES REMAIN STABLE, TAKE-UP DROPS

For employees to obtain EBI, three things must happen: first they must work for a firm that offers coverage to its workers, second, if their firm offers coverage, then they must be eligible to participate in an EBI plan, and third, if eligible, they must choose to take-up the plan and make the requisite contributions. We track each of the links in this chain of EBI own coverage with four rates. The "offer rate" is the proportion of all employees who work for a firm that offers EBI; the "eligibility rate" is the proportion of employees working in a firm that offers EBI who are eligible to participate in EBI; and the "take-up rate" is the proportion of eligible employees who participate in EBI. The product of the offer, eligibility and take-up rates is the "EBI coverage rate" (the proportion of all employees who have coverage through their own employer). In 2005, 83% of employees worked for a firm that offered EBI, 90% were eligible, and 84% participated in EBI. As a result of this sequence of employer and employee decisions, the EBI own coverage rate for employees was 63% in 2005.

Unlike the previous section that discussed trends between 2001 and 2005, we additionally provide data for 2003 (Exhibit 22). Offer rates were essentially statistically unchanged between 2001 and 2005, although they increased temporarily in 2003.[13]

Eligibility rates dove from 2001 to 2003, but stabilized in 2005. Take-up rates then significantly declined in 2005. It is not surprising that take-up rates increased in 2003, given that the percentage of eligible employees dipped during that same period. As employers enforce more stringent eligibility rules, the more economically advantaged are left in the pool of employees that can choose to participate in their employers' health plans. It follows that take-up rates among a more advantaged employee cohort would increase, as occurred in 2003. It is however critical to note that in 2005, when offer rates and eligibility rates were stagnant, take-up rates still dropped. This suggests that even among a more advantaged pool of employees, affordability is an issue, especially with the high annual rate of premium increases: 13.4% from 2001 to 2002 and 15.8% from 2002 to 2003. Premium increases have slowed between 2004 and 2005 (8.2%) but are still more than double the state's inflation rate of 3.9% during this period.[14]

The next section profiles the offer, eligibility and take-up status of employees in 2005, and delves deeper into the characteristics and coverage status of those who decline EBI.

[13] With an economic downturn, newer and smaller firms that typically do not offer health insurance to their workers may have dropped out from the economy. Hence, workers in firms that were less likely to offer coverage may have lost their jobs, decreasing the denominator of the offer rate without as great a reduction in the numerator of workers whose employers did offer coverage. Thus, as unemployment increased, the number of workers whose employers did not offer coverage decreased, increasing the offer rate.

[14] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey: 2005.

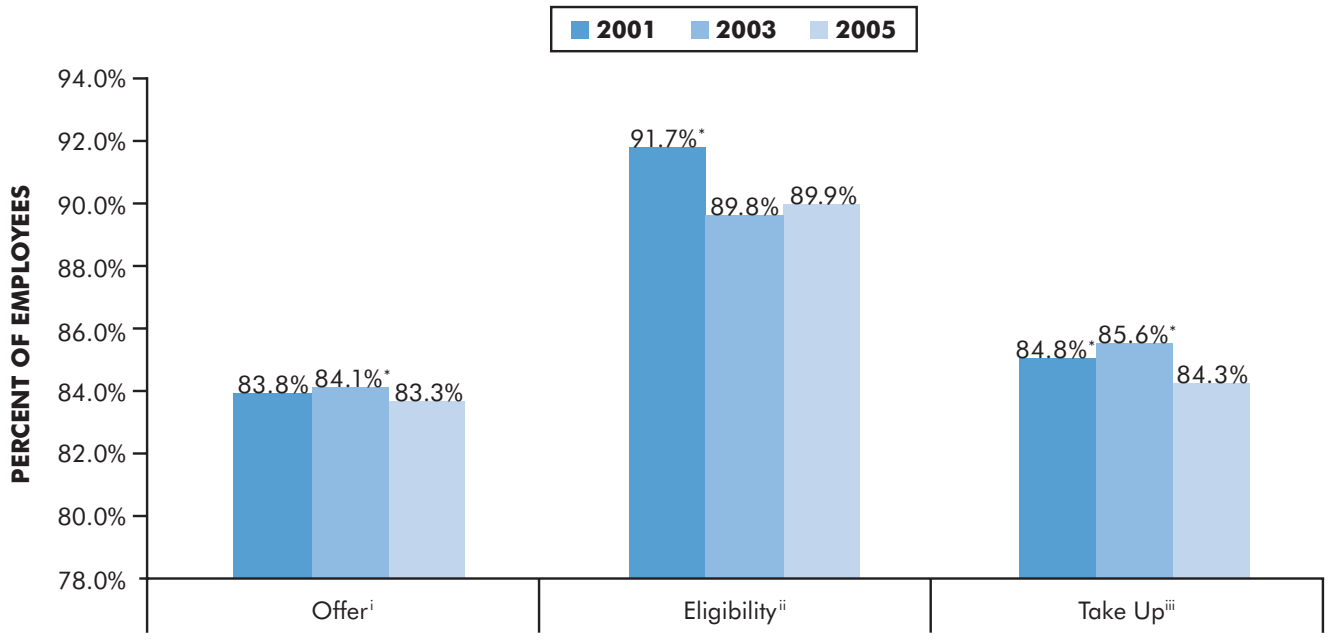
GREATEST DISPARITY IN OFFER RATES

According to recent data from employers, the proportion of California firms that offer coverage has been steady since 2000, while the proportion of U.S. employers that offer coverage has declined and is currently below that of employers in California.[15] Among the CHIS 2005 respondents, 83% of employees report that they work for a firm that offers coverage (Exhibit 22). But there are substantial disparities across demographic and labor market groups. Younger workers, Latino, American Indian/Alaska Native, Other race/multiracial individuals and noncitizens are less likely to work for an employer that offers EBI than the overall average worker (Exhibit 23). Workers with lower educational attainment or lower income also have lower offer rates (Exhibit 23). Those who worked for lower wages, fewer hours per week, in manufacturing and construction industry, or in smaller firms are also less likely to have an employer that offers EBI coverage (Exhibit 24). The largest disparities in offer rates were by family income, hourly wage and firm size. To illustrate, 56.6% of employees working in firms with fewer than 10 employees had an employer that offered health benefits compared to 95% of those in firms with 1,000 or more employees.

The eligibility rate was 89.9% in 2005 for all California employees (Exhibit 22). Latinos had the lowest eligibility rate among all racial/ethnic groups (Exhibit 23). Unlike the offer rate, the eligibility rate was lower for educational, health and leisure services, and wholesale and retail trade (Exhibit 24). For all other demographic and labor market characteristics, the disparities mirrored the offer rate (Exhibits 23 and 24).

[15] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey: 2005.

EXHIBIT 22. OFFER, ELIGIBILITY AND TAKE-UP RATES FOR EMPLOYMENT-BASED COVERAGE AMONG EMPLOYEES, AGES 19-64, CALIFORNIA, 2001-2005



[i] Offer rate: The total number of employees who work 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 total number of employees working for employers that *offer* health insurance.

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

*Change is statistically significant from 2005 at $p < 0.1$.

Source: 2001, 2003 and 2005 California Health Interview Surveys

LOWER TAKE-UP RATES FOR ALL RACIAL/ETHNIC MINORITIES AND NON-COLLEGE GRADUATES

The take-up rate has historically been higher in California than in the rest of the nation.[16] Counter to previous trends, the take-up rate significantly declined between 2001 and 2005. The pattern of take-up follows the patterns of offer and eligibility among vulnerable groups. However, it is evident that although the difference between the most advantaged and the least advantaged group is not as great as with offer rates, the most advantaged group clearly enjoys above average take-up rates. For example, compared to the overall average, only employees with college degrees and whites take-up at a higher rate. Put another way, there is a select group of employees who "make it" to the take-up decision and this group tends to be more advantaged. Nevertheless, even among this group of "coverage survivors," we found that the most advantaged group still tended to take-up their employer's health plan more so than the less advantaged groups, most likely due to both their higher family incomes and the greater generosity, on average, with which employers of the most skilled workers subsidize their employees' health benefits.

DISPARITIES AT EACH STAGE LED TO WIDE DISPARITIES IN EBI COVERAGE

Disparities at each stage in the offer, eligibility and take-up chain accumulated into wide disparities in EBI coverage. This cumulative disparity can be seen clearly in the more than two-fold difference between the highest and lowest EBI coverage rates in the domains of age, education, wages and hours worked per week (Exhibit 23 and 24).

[16] Brown ER, Ponce N and Rice T. *The State of Health Insurance in California: Recent Trends, Future Prospects*. UCLA Center for Health Policy Research, March 2001.

EXHIBIT 23. OFFER, ELIGIBILITY AND TAKE-UP RATES BY DEMOGRAPHIC CHARACTERISTICS AMONG EMPLOYED ADULTS, AGES 19-64, CALIFORNIA, 2005

	EMPLOYED ADULTS			
	Offer Rate[i]	Eligibility Rate[ii]	Take-Up Rate[iii]	Coverage Rate[iv]
All Employees	83.3%	89.9%	84.3%	63.1%
Age Group				
Ages 19-23	71.4%	65.1%	70.1%	32.6%
Ages 24-29	78.5%	85.7%	80.6%	54.2%
Ages 30-44	83.9%	93.0%	85.0%	66.3%
Ages 45-54	87.9%	94.7%	86.2%	71.8%
Ages 55-64	89.6%	94.1%	89.5%	75.5%
Race and Ethnic Group				
White	90.2%	91.0%	86.9%	71.3%
Latino	70.0%	85.9%	79.9%	48.0%
Asian American and Pacific Islander	84.5%	92.4%	83.8%	65.4%
African American	90.7%	89.4%	81.3%	65.9%
American Indian/Alaska Native	70.7%	---	80.1%	51.0%
Other and Multiple Race	78.3%	90.4%	79.9%	56.6%
Citizenship and Immigration Status				
U.S.-born	89.3%	89.8%	85.5%	68.6%
Naturalized Citizen	84.6%	92.0%	85.2%	66.3%
Noncitizen	61.3%	88.1%	76.9%	41.5%
Highest Educational Level Attained				
Less than High School	57.8%	86.7%	75.9%	37.7%
High School Graduate	79.2%	87.9%	82.2%	57.2%
Some College	84.7%	84.8%	82.4%	59.1%
Vocational school, AA, AS	88.0%	89.2%	83.9%	65.9%
College graduate or higher	93.6%	93.8%	87.7%	77.0%
Family Income				
Less than 100% FPL	48.0%	73.0%	69.5%	24.4%
100-249% FPL	71.0%	81.9%	78.6%	45.7%
250%-399% FPL	88.3%	89.8%	86.3%	68.4%
400% + FPL	93.9%	94.3%	86.4%	76.5%

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

[i] Offer rate: The total number of employees who work 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 total number of employees working for employers that *offer* health insurance.

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

[iv] Coverage rate: Offer rate multiplied by the eligibility rate multiplied by the take-up rate.

--- = Data is unstable because coefficient of variation is above 30%.

Source: 2005 California Health Interview Survey

EXHIBIT 24. OFFER, ELIGIBILITY AND TAKE-UP RATES BY LABOR MARKET CHARACTERISTICS AMONG EMPLOYED ADULTS, AGES 19-64, CALIFORNIA, 2005

	EMPLOYED ADULTS			
	Offer Rate[i]	Eligibility Rate[ii]	Take-Up Rate[iii]	Coverage Rate[iv]
All Employees	83.3%	89.9%	84.3%	63.1%
Hourly Wage				
<1x Minimum Wage	56.1%	75.2%	70.0%	30.5%
1x – <2x Minimum Wage	76.4%	81.8%	78.5%	49.1%
2x - <3x Minimum Wage	89.8%	91.7%	85.2%	70.2%
3x - <4x Minimum Wage	94.7%	95.9%	88.5%	80.4%
4x + Minimum Wage	95.2%	96.7%	89.0%	81.9%
Hours Worked Per Week				
0-20	68.1%	64.5%	76.1%	33.4%
21-34	73.6%	71.8%	71.1%	37.6%
35-39	78.4%	85.6%	76.2%	51.1%
40+	86.4%	94.2%	86.2%	70.2%
Selected Industries				
Financial, Professional/ Business Services	87.7%	92.8%	83.9%	68.3%
Educational, Health and Leisure Services	82.9%	87.2%	81.4%	58.8%
Wholesale and Retail Trade	84.8%	85.1%	80.7%	58.2%
Manufacturing and Construction	77.6%	90.7%	86.2%	60.7%
Public Administration	94.4%	94.5%	88.7%	79.1%
Other	76.6%	90.2%	86.8%	60.0%
Firm size				
Fewer than 10 Employees	56.6%	88.1%	83.5%	41.6%
10-50 Employees	71.1%	86.6%	77.6%	47.8%
51-99 Employees	82.5%	89.7%	83.3%	61.6%
100-999 Employees	87.9%	89.8%	82.6%	65.2%
1,000+ Employees	95.0%	91.2%	86.9%	75.3%

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

[i] Offer rate: The total number of employees who work 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 total number of employees working for employers that *offer* health insurance.

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

[iv] Coverage rate: Offer rate multiplied by the eligibility rate multiplied by the take-up rate.

Source: 2005 California Health Interview Survey

Coverage Status of Employment-Based Insurance Decliners

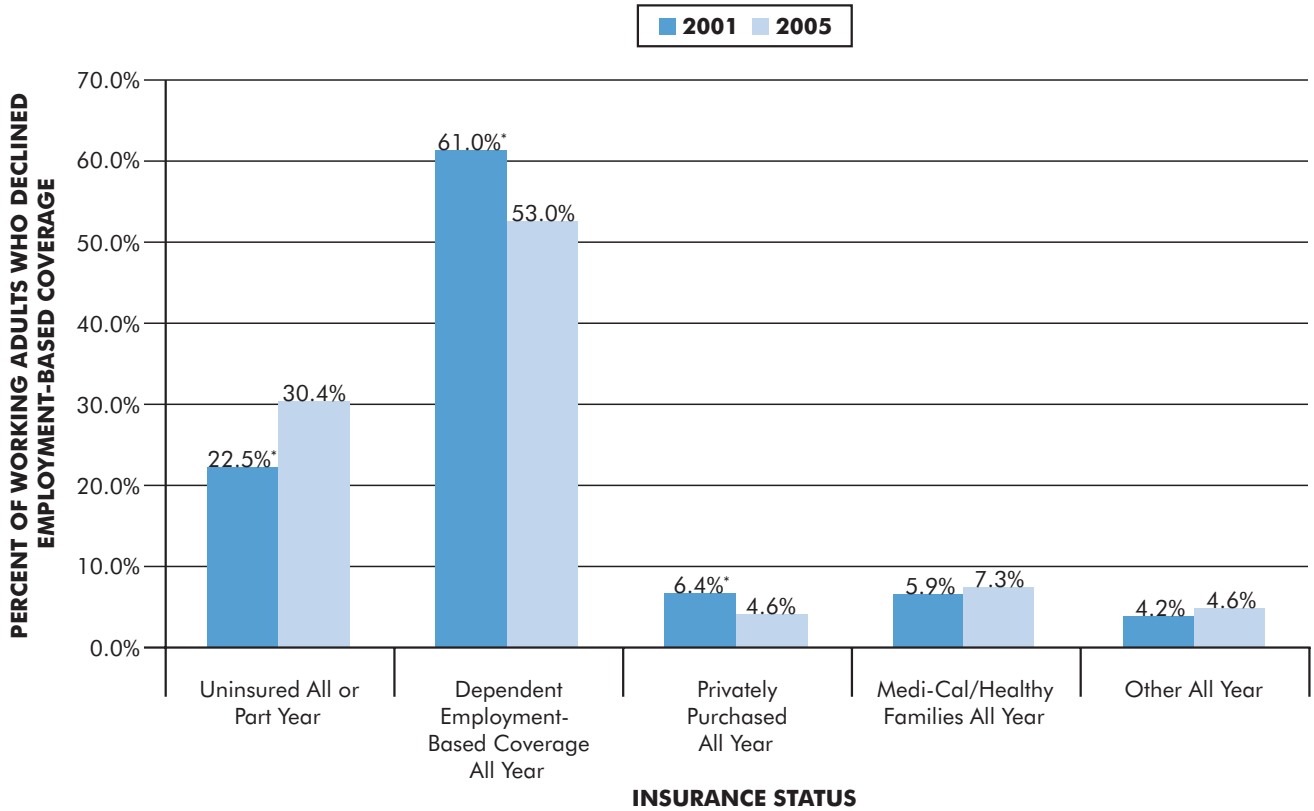
MOST EMPLOYEES WHO DECLINE EBI END UP UNINSURED

Over half of employees who decline their employer's plan secured EBI from a family member (Exhibit 25). Another 7.3% of decliners were covered by Medi-Cal and other public coverage, and 4.6% privately purchased a health plan. Despite these coverage options, a considerable proportion, (30.4%) were uninsured in 2005, significantly up from 22.5% in 2001. This rise in uninsured rates among decliners was driven largely by a drop in dependent coverage and to some extent by lower rates of coverage from privately-purchased insurance.

Compared to the 30.4% uninsured rate among all the decliners, in 2005 we saw higher uninsured rates for younger adults ages 19-29, employees with only a high school diploma or who did not finish high school and single adults (Exhibit 26). Lower educational levels are associated with less income, limiting the ability to pay for even single coverage plans that on average cost the worker $492 per year.[17]

[17] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey: 2005.

EXHIBIT 25. INSURANCE STATUS OF EMPLOYED ADULTS WHO DECLINED THEIR OWN EMPLOYMENT-BASED COVERAGE OVER PAST 12 MONTHS, AGES 19-64, CALIFORNIA, 2001 AND 2005



Note: "Other All Year" includes other public coverage that is not Medi-Cal, as well as any combinations of insurance over the last 12 months during which the person was never uninsured.

*Change is measured between 2005 and 2001 and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

There is a clear income divide among the decliners who are uninsured (Exhibit 26): over half of decliners with incomes lower than 250% the federal poverty level are uninsured, strongly suggesting that affordability is an issue. Low-income workers also may differentially be required to pay more for their EBI if they work in low-wage firms: in 2005, the average employee share of premium cost in low wage-firms was higher ($648 per year) than that of high wage firms ($468 per year).[18]

Half of Latinos who declined EBI were uninsured (Exhibit 26). Latinos also comprise nearly half of all decliners who are uninsured (data not shown).

Nearly 80% of noncitizens without a green card declined EBI and remained uninsured. Latino noncitizens and other noncitizens in general are less likely to be eligible for public programs like Medi-Cal, even if they qualify on the basis of disability, income support and family composition. Thus as with any of the other groups, the extent to which an employee values health insurance coverage surely plays a role in their decision to accept or decline their employer's health benefits, but for many workers with low income or who work in a small firm, whether citizens or noncitizens, they face significant barriers in obtaining coverage, barriers that need to be considered for policy reform.

[17] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey: 2005.

[18] Ibid.

EXHIBIT 26. DEMOGRAPHIC CHARACTERISTICS OF EMPLOYED ADULTS WHO DECLINED EMPLOYMENT-BASED COVERAGE BY INSURANCE STATUS DURING LAST 12 MONTHS, AGES 19-64, CALIFORNIA, 2005

	WORKERS WHO DECLINED OWN EMPLOYMENT-BASED COVERAGE				
	Uninsured All or Part Year N = 535,000	Employment-Based All year N = 935,000	Privately Purchased or Other Coverage All Year N = 161,000	Public Coverage All Year N = 128,000	Total Population N = 1,759,000
All Decliners	30.5	53.0	9.2	11.9	100%
Age Group					
Ages 19-23	41.9	5.6	20.4	22.6	100% 232,000
Ages 24-29	51.9	36.5	7.2	7.7	100% 287,000
Ages 30-44	26.5	57.4	8.9	12.8	100% 705,000
Ages 45-54	21.2	68.5	8.4	8.4	100% 387,000
Ages 55-64	15.5	71.6	9.5	7.5	100% 152,000
Race and Ethnic Group					
White	17.4	67.2	11.7	8.9	100% 787,000
Latino	50.5	34.1	4.9	14.1	100% 512,000
Asian American and Pacific Islander	29.9	54.7	9.6	---	100% 249,000
African American	27.7	42.1	10.9	25.9	100% 133,000
Other and Multiple Race	41.9	50.5	7.7	---	100% 82,000

EXHIBIT 26. CONTINUED

	WORKERS WHO DECLINED OWN EMPLOYMENT-BASED COVERAGE				
	Uninsured All or Part Year N = 535,000	Employment-Based All year N = 935,000	Privately Purchased or Other Coverage All Year N = 161,000	Public Coverage All Year N = 128,000	Total Population N = 1,759,000
All Decliners	30.5	53.0	9.2	11.9	100%
Citizenship and Immigration Status					
Citizen	24.1	60.0	9.8	6.1	100% 1,408,000
Noncitizen with Green Card	40.8	41.5	6.3	11.5	100% 209,000
Noncitizen without Green Card	78.0	2.8	7.0	12.1	100% 146,000
Highest Educational Level Attained					
Less Than High School	58.9	20.2	2.7	19.5	100% 242,000
High School Graduate	36.3	47.5	8.3	12.5	100% 441,000
Some College	25.7	51.8	15.4	17.9	100% 281,000
Vocational School, AA, AS	21.9	57.3	11.2	15.6	100% 194,000
College Graduate or Higher	19.5	70.2	9.0	3.9	100% 599,000
Family Income					
> 100% FPL	54.4	6.2	3.9	37.9	100% 154,000
100-249% FPL	56.4	21.9	10.0	17.8	100% 425,000
250%-399% FPL	26.8	55.9	12.7	12.9	100% 287,000
400% + FPL	15.4	74.8	8.7	4.2	100% 898,000
Family Composition					
Single Adult	59.5	15.1	18.0	13.8	100% 444,000
Single Parent	36.9	14.6	7.1	47.1	100% 84,000
Married without Children	15.6	76.3	16.0	5.6	100% 444,000
Married with Children	21.8	65.7	5.7	10.3	100% 817,000

--- = Data is unstable due to coefficient of variation is above 30%

Source: 2005 California Health Interview Survey

UNAFFORDABLE EMPLOYMENT-BASED INSURANCE PLANS CONSTRAIN TAKE-UP

Among the estimated 538,000 decliners who are uninsured, 15.6% (84,000) are below poverty, 44.5% (239, 000) have family incomes between 100 to 249% FPL, and 14.3 % (77,000) have family incomes between 250 to 399% FPL (data not shown). Six out of ten uninsured decliners are below 250% of the federal poverty level (which in 2005 was a gross annual income of $23,928 for one person, or $48,384 for a family of four).[19] Since annual average premium contribution for a family of four in California was $2,883,[20] the average family right at 250% FPL would have had to spend about 6% of gross income, and hence a higher percentage of net disposable income, just for health insurance premiums. A family making $30,000 a year would have to spend nearly 10% of their income just to buy health insurance. It is no wonder that nearly two-thirds of employees who did not take-up their employers EBI and did not have some other source of coverage at the time of their decision to decline EBI reported that their employers plan is unaffordable (61.8%; data not shown).

Uninsured decliners who work in smaller firms may also be priced out of the option to participate in their employer's plan, since our data show a higher than average rate of uninsurance among decliners for firms with fewer then 100 employees (Exhibit 27). Typically, premiums are higher for smaller firms because of economies of scale. Insuring premium affordability for smaller firms could have a major impact in reducing the number of uninsured employees. In 2005, firms with three to 49 employees represented over 90% of firms in California.[21]

In the next section we further focus on uninsured employees and examine selected demographic and labor market characteristics to identify the extent that the barriers to coverage were imposed by not being offered, or by employees not being eligible or not taking up coverage.

[19] U.S. Department of Health and Human Services.

[20] California Health Care Foundation report on the Kaiser/HRET California Employer Health Benefits Survey: 2005.

[21] Ibid

EXHIBIT 27. LABOR MARKET CHARACTERISTICS OF EMPLOYED ADULTS WHO DECLINED OWN EMPLOYMENT-BASED COVERAGE BY INSURANCE STATUS DURING LAST 12 MONTHS, AGES 19-64, CALIFORNIA, 2005

	UNINSURED ALL OR PART YEAR N = 535,000	EMPLOYMENT-BASED ALL YEAR N = 935,000	PRIVATELY PURCHASED COVERAGE ALL YEAR N = 81,000	PUBLIC COVERAGE ALL YEAR N = 128,000	OTHER COVERAGE ALL YEAR N = 80,000	TOTAL N = 1,759,000
All Decliners	30.4	53.1	4.6	7.3	4.6	100%
Work Status						
Full-time	25.0	51.9	8.3	9.2	5.6	100% 131,000
Part-time	30.9	53.2	4.3	7.1	4.5	100% 1,628,000
Selected Industries						
Financial Activities and Professional/ Business Services	25.0	62.3	3.6	5.0	4.1	100% 372,000
Educational, Health and Leisure Services	25.2	55.8	6.3	8.8	4.0	100% 512,000
Wholesale and Retail Trade	43.7	35.3	5.7	7.6	7.8	100% 259,000
Manufacturing and Construction	41.2	43.4	4.1	9.0	2.3	100% 251,000
Public Administration	11.2	72.0	2.3	7.5	7.1	100% 149,000
Other	37.8	50.2	3.1	5.1	3.8	100% 220,000
Firm size						
Fewer Than 10 Employees	39.4	41.6	5.6	6.2	7.1	100% 174,000
10-50 Employees	37.4	47.1	3.2	9.4	2.9	100% 365,000
51-99 Employees	38.7	40.3	2.0	12.9	6.1	100% 85,000
100-999 Employees	31.3	54.4	5.8	4.8	3.7	100% 363,000
1,000+ Employees	23.8	59.5	4.7	7.0	5.0	100% 771,000

Source: 2005 California Health Interview Survey

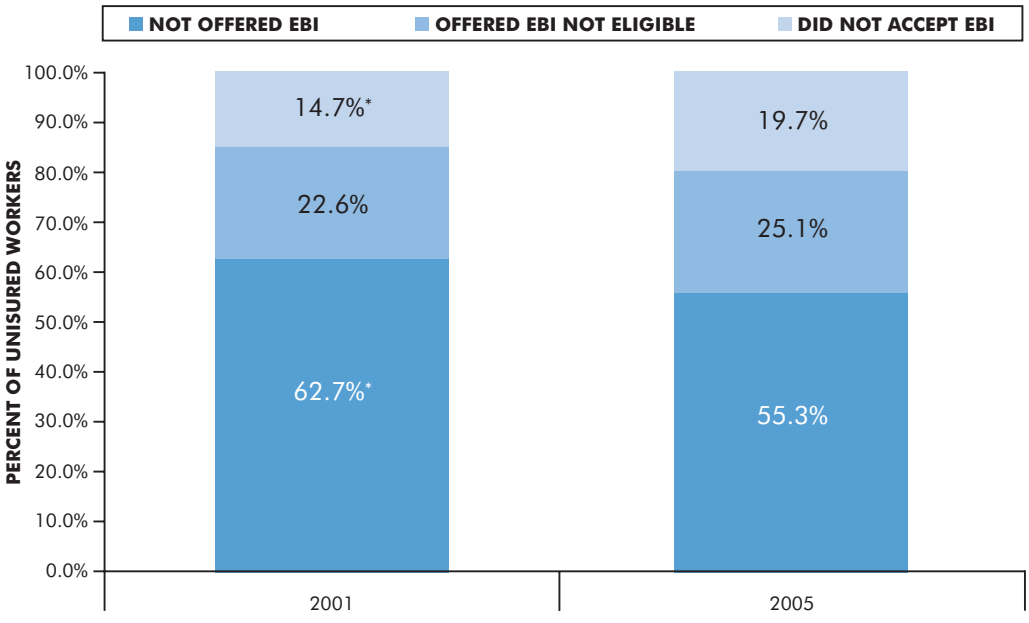
California's Uninsured Employees

Most uninsured employees work for a firm that does not offer health insurance, but the proportion whose employer did not offer coverage at all decreased from 62.7% in 2001 to 55.3% in 2005 (Exhibit 28). There was no significant change in those who were not eligible between 2001 and 2005. However, the percentage of uninsured employees who declined coverage grew between 2001 and 2005. As previously discussed, the expanding economy appears to have reduced the proportion of uninsured workers who had no access to coverage from 85.3% to 80.3%, but the rising premium costs that workers were required to pay for coverage made lack of take-up a correspondingly somewhat bigger part of the problem (increasing from 14.7% to 19.7%).

Nevertheless, in 2005, for almost all of the demographic and labor market groups, working for a firm that did not offer EBI was the greatest source of lack of coverage (Exhibit 29). The notable exceptions were for uninsured African Americans and uninsured workers who worked in firms with over 1,000 employees. For these two groups, not being eligible for health insurance was the biggest driver of uninsurance. Uninsured workers age 30 to 54, Latinos, other and multiracial individuals, noncitizens, those with less than a high school education, parents, low-wage workers, those working in the manufacturing and construction industries, and those working in firms with 50 or fewer employees had higher than average proportions who were not offered EBI.

There were considerably higher than average proportions who did not accept EBI among uninsured employees between the ages of 24 and 29, Asian Americans and Pacific Islanders, African Americans, citizens, college graduates, married workers, financial, professional and business services, wholesale and retail trade, public administration, and firms with over 1,000 employees.

EXHIBIT 28. OFFER, ELIGIBILITY AND TAKE-UP OF EMPLOYMENT-BASED COVERAGE BY CURRENTLY UNINSURED EMPLOYED ADULTS, AGES 19-64, CALIFORNIA, 2001 AND 2005



*Change is measured between 2005 and other years and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

EXHIBIT 29. DEMOGRAPHIC CHARACTERISTICS BY ACCESS TO OWN EMPLOYMENT-BASED COVERAGE AMONG CURRENTLY UNINSURED EMPLOYEES, AGES 19-64, CALIFORNIA, 2005

	NOT OFFERED	NOT ELIGIBLE	DID NOT ACCEPT	TOTAL POPULATION
All Uninsured Employees	55.3	25.1	19.7	100% 2,371,000
Age Group				
Ages 19-23	46.2	37.4	16.4	100% 491,000
Ages 24-29	49.4	28.0	22.7	100% 550,000
Ages 30-44	61.9	18.3	19.8	100% 845,000
Ages 45-54	60.4	19.0	20.7	100% 365,000
Ages 55-64	57.4	27.1	15.5	100% 122,000
Race and Ethnic Group				
White	45.3	36.8	17.9	100% 567,000
Latino	62.0	20.5	17.5	100% 1,322,000
Asian American and Pacific Islander	52.0	19.9	28.1	100% 250,000
African American	30.4	40.9	28.7	100% 112,000
Other and Multiple Race	58.7	15.7	25.5	100% 121,000
Citizenship and Immigration Status				
Citizen	43.2	35.3	21.5	100% 1,301,000
Noncitizen with Green Card	64.8	15.5	19.7	100% 385,000
Noncitizen without Green Card	72.9	11.0	16.1	100% 686,000
Highest Educational Level Attained				
Less Than High School	70.1	13.5	16.4	100% 839,000
High School Graduate	51.1	27.9	20.9	100% 686,000
Some College	48.2	33.0	18.8	100% 321,000
Vocational School, AA, AS	41.6	40.4	18.1	100% 191,000
College Graduate or Higher	41.3	31.7	26.9	100% 334,000
Family Composition				
Single Adult	48.5	32.2	19.3	100% 1,211,000
Single Parent	59.1	27.1	13.8	100% 189,000
Married without Children	53.7	21.4	24.9	100% 235,000
Married with Children	66.0	13.9	20.1	100% 737,000

Source: 2005 California Health Interview Survey

California's Self-Employed Adults

There are over 2.5 million self-employed adults contributing to California's economy, and nearly 25% (762,000) were uninsured for all or part of the year in 2005. As compared to other workers, the self-employed have higher uninsured rates (25% compared to 19% for all working adults; Exhibits 19 and 31). Self-employed workers' higher uninsured rate is due to their lower rate of job-based coverage. There were no significant trends in overall coverage status from 2001 to 2005 among the self-employed (Exhibit 31), but we do see significant gains and losses of coverage within demographic and labor-market groups (Exhibits 32 and 33).

EXHIBIT 30. LABOR MARKET CHARACTERISTICS BY ACCESS TO OWN EMPLOYMENT-BASED COVERAGE AMONG CURRENTLY UNINSURED EMPLOYEES, AGES 19-64, CALIFORNIA, 2005

	NOT OFFERED	NOT ELIGIBLE	DID NOT ACCEPT	TOTAL POPULATION
All Uninsured Employees	55.3	25.1	19.7	100% 2,373,000
Hourly Wage				
<1x Minimum wage	64.0	18.7	17.2	100% 853,000
1x – <2x Minimum wage	53.5	27.9	18.6	100% 957,000
2x - <3x Minimum wage	44.6	31.8	23.6	100% 329,000
3x -<4x Minimum wage	39.6	34.6	25.8	100% 83,000
4x + Minimum wage	49.2	22.8	28.0	100% 150,000
Selected Industries				
Financial Activities and Professional/Business Services	50.9	26.1	23.0	100% 341,000
Educational, Health and Leisure Services	50.9	29.1	19.9	100% 547,000
Wholesale and Retail Trade	42.3	29.2	28.6	100% 357,000
Manufacturing and Construction	64.1	20.7	15.2	100% 591,000
Public Administration	45.4	28.0	26.5	100% 54,000
All Others	63.2	21.7	15.1	100% 481,000
Firm size				
Fewer than 10 Employees	77.2	12.7	10.0	100% 646,000
10-50 Employees	62.0	19.2	18.8	100% 642,000
51-99 Employees	47.0	29.2	23.8	100% 120,000
100-999 Employees	47.4	29.6	23.1	100% 389,000
1,000+ Employees	27.8	42.9	29.2	100% 546,000

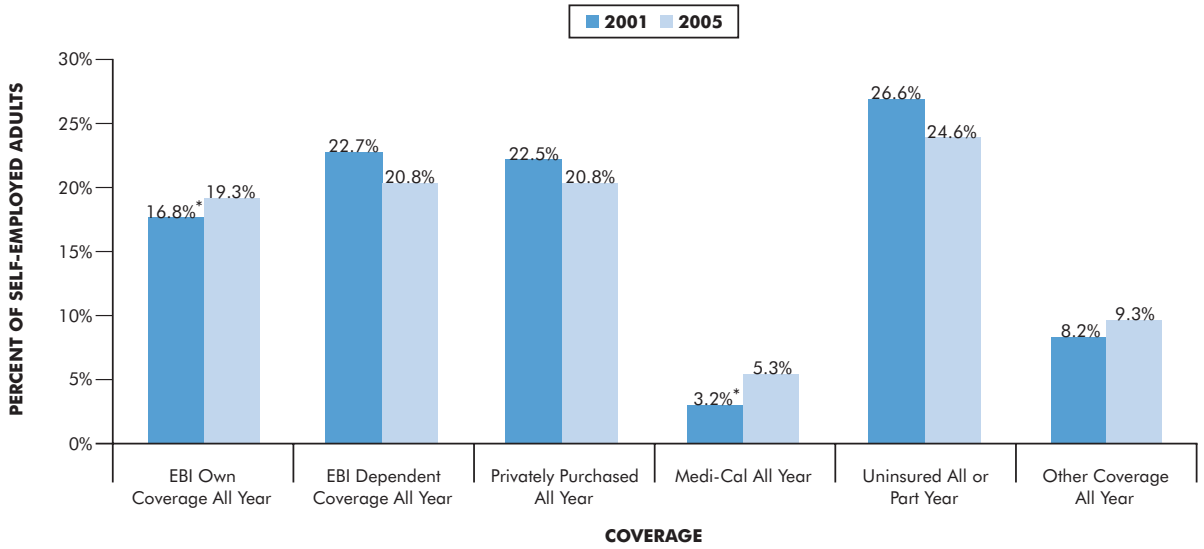
Source: 2005 California Health Interview Survey

EBI OWN COVERAGE STABLE OR HIGHER IN MOST GROUPS OF SELF-EMPLOYED

The biggest gains made in EBI own coverage were among the self-employed in more advantaged groups: adults ages 30-44, whites, citizens, financial, professional business services, workers with some college education and family incomes greater than 200% of the poverty level (Exhibit 32). There were some surprising gains in coverage among workers with less than a high school education, consisting of about a 13% of self-employed adults (data not shown), yet there was a significant loss in coverage among workers with vocational degrees. Between 2001 and 2005, those in the manufacturing and construction industries also experienced a drop in the rate of EBI coverage from their own company, dropping significantly from 24% to 16% and uninsured rates doubling during this time from 15 to 30%. This may reflect the responsiveness of the manufacturing and construction industries to economic swings reflecting the economic downturn in 2003, and the beginnings of a recovery in 2005.

Overall, self-employed workers in the financial, professional, educational and health industries were more likely to have job-based coverage—either own or dependent—than self-employed workers in the wholesale, trade, manufacturing and construction industries (Exhibit 33). In fact, while 44.8% of those in the financial industries and 48.7% of those in the educational/health care industries had job-based coverage in 2005, this rate was 38.4% for self-employed workers in the wholesale/retail industry and 33.9% for those in the manufacturing/construction industries. For all industries, rates of privately-purchased insurance were relatively high—with nearly one in five workers having this type of coverage.

EXHIBIT 31. INSURANCE COVERAGE OF SELF-EMPLOYED ADULTS DURING PAST 12 MONTHS, AGES 19 - 64, CALIFORNIA, 2001 AND 2005



*Change is measured between 2005 and other year and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

MEDI-CAL: AN INCREASINGLY VIABLE OPTION FOR SELF-EMPLOYED

Despite a significant decline in their uninsured rates from 2001 to 2005, Latino self-employed workers were still the most likely racial/ethnic group to be uninsured for all or part of the year in 2005. Nearly half of Latino self-employed workers were uninsured at some time during 2005. A significant increase in Medi-Cal coverage from 7.7% to 12.1% accounted for at least some of the decline in the uninsured rate among Latinos.

Stark differences in coverage rates exist between family income groups: those with self-employed workers and family incomes less than 200% FPL have relatively lower rates of employment-based coverage and higher uninsured rates compared to workers with family incomes above 200% FPL. While rates of job-based coverage through their own employment increased from 2001 to 2005 for all workers, the lowest-income workers experienced a significant increase in coverage through Medi-Cal from 14% to 19.3%, which buffered the decline in dependent job-based coverage, and protected the self-employed poor from increased uninsurance.

EXHIBIT 32. HEALTH INSURANCE STATUS DURING LAST 12 MONTHS BY DEMOGRAPHIC CHARACTERISTICS OF SELF-EMPLOYED ADULTS, AGES 19-64, CALIFORNIA, 2001 AND 2005

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2005
All Self-Employed	16.8*	**19.3**	22.7	**20.8**	22.5	**20.8**	3.2*	**5.3**	26.6	**24.6**	8.2	**9.3**	**2,555,000**
Age Group													
Ages 19-23	3.6	**10.9**	11.2	**12.5**	8.6*	**28.1**	9.5	**9.0**	55.5*	**33.1**	11.7	**6.5**	**100% 124,000**
Ages 24-29	14.2	**12.6**	9.8	**9.7**	11.6	**14.3**	8.4	**12.1**	38.2	**32.9**	17.9	**18.5**	**100% 208,000**
Ages 30-44	14.9*	**18.3**	22.4	**21.5**	20.5	**18.0**	3.5*	**5.8**	30.8*	**26.7**	7.9	**9.8**	**100% 1,001,000**
Ages 45-54	17.8	**19.7**	26.3*	**22.5**	24.9	**23.3**	2.1*	**4.0**	21.8	**22.3**	7.2	**8.1**	**100% 730,000**
Ages 55-64	22.4	**25.6**	23.0	**23.5**	28.8*	**23.6**	1.6	**2.5**	17.5	**18.2**	6.7	**6.7**	**100% 492,000**
Race and Ethnic Group													
White	19.8*	**23.3**	26.2	**24.8**	27.4	**25.9**	1.4	**2.0**	17.3	**16.9**	8.0	**7.3**	**100% 1,534,000**
Latino	6.9	**9.8**	12.7	**10.6**	6.4	**9.0**	7.7*	**12.1**	56.0*	**45.9**	10.4	**12.5**	**100% 522,000**
Asian American and Pacific Islander	18.3	**15.6**	19.3	**19.8**	27.4	**22.9**	1.7	**3.9**	26.7	**26.2**	6.7	**11.7**	**100% 287,000**
African American	15.8	**18.2**	17.8	**17.6**	12.2	**10.8**	10.7	**14.7**	33.6	**23.5**	10.0	**15.2**	**100% 125,000**
Other and Multiple Race	12.0	**19.3**	24.7	**18.6**	14.4	**9.7**	3.2	**15.1**	36.8	**28.8**	8.2	**8.4**	**100% 87,000**

EXHIBIT 32. CONTINUED

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2001	2005	2005
All Self-Employed	16.8	**19.3**	22.7	**20.8**	22.5	**20.8**	3.2	**5.3**	26.6	**24.6**	8.2	**9.3**	**2,555,000**
Citizenship and Immigration Status													
Citizen	18.8*	**21.4**	24.9	**23.0**	24.9*	**22.6**	3.0	**3.9**	20.4	**20.4**	8.0	**8.8**	**100% 2,157,000**
Noncitizen with a Green Card	8.3	**10.5**	14.8	**13.1**	15.3	**16.7**	5.6*	**12.0**	48.7*	**37.0**	7.3	**10.8**	**100% 238,000**
Noncitizen without a Green Card	2.9	**4.2**	5.0	**2.1**	1.3	**3.2**	2.4*	**14.3**	76.3*	**62.9**	12.2	**13.4**	**100% 160,000**
Family Income													
< 100% FPL	3.5	**3.9**	1.7	**2.7**	5.0	**6.7**	14.0	**19.3**	63.1*	**51.0**	12.8	**16.3**	**100% 249,000**
100–199% FPL	8.0*	**4.8**	14.7*	**7.9**	14.1	**10.1**	5.8*	**16.0**	47.6	**50.2**	9.8	**11.0**	**100% 356,000**
200–299% FPL	13.4	**16.2**	22.1	**17.8**	17.7	**19.3**	3.8	**4.0**	35.1*	**27.3**	7.9*	**15.4**	**100% 279,000**
300%+ FPL	21.8*	**25.2**	28.2	**26.7**	28.4*	**25.4**	0.6	**1.2**	13.9	**14.7**	7.1	**6.8**	**100% 1,672,000**
Highest Level of Education Attained													
Less than High School	4.8*	**10.1**	14.3*	**6.0**	7.5	**8.4**	8.5*	**16.0**	57.2*	**46.3**	7.8*	**13.3**	**100% 335,000**
High School Graduate	13.3	**15.0**	20.9	**20.5**	19.6	**20.2**	3.6*	**6.1**	34.7*	**28.0**	8.0	**10.2**	**100% 535,000**
Some College	14.5*	**19.0**	26.3	**23.0**	23.0	**19.1**	4.0	**4.1**	22.5	**27.1**	9.8	**7.7**	**100% 414,000**
Vocational School, AA, AS	18.2	**13.8**	26.9*	**20.6**	23.0	**17.9**	2.0*	**7.7**	19.8*	**30.9**	10.1	**9.2**	**100% 254,000**
College Graduate or Higher	23.7	**26.0**	24.4	**24.9**	29.5	**26.6**	1.0	**1.3**	14.1	**13.0**	7.4	**8.1**	**100% 1,018,000**
Family Composition													
Single Adult	15.5	**17.9**	3.5	**4.6**	25.0	**26.4**	3.4	**3.6**	42.3	**38.4**	10.4	**9.3**	**100% 747,000**
Single Parent	13.3	**18.8**	6.1	**5.9**	18.8	**13.9**	14.6	**15.8**	31.9	**27.6**	15.3	**18.1**	**100% 162,000**
Married without Children	20.6	**23.7**	34.6	**33.9**	22.5	**19.6**	1.1	**1.3**	14.9	**15.2**	6.3	**6.4**	**100% 632,000**
Married with Children	15.6	**17.7**	31.2*	**26.9**	20.7	**18.6**	3.1*	**7.5**	22.4	**19.8**	7.0*	**9.6**	**100% 1,014,000**

*Change is measured from 2005 and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

EBI DEPENDENT COVERAGE STABLE BUT ERODES FOR MORE VULNERABLE SELF-EMPLOYED

Over 64% of the self-employed are married and thus can avail themselves of dependent coverage if their spouse works. Dependent coverage has been the main source of coverage for the self-employed in previous years, but this has declined over time (Exhibits 32 and 33). Although stable across most groups, it is a concern that the health insurance market trend of eroding dependent coverage impacts most adults who are socio-economically disadvantaged: those with incomes below 200% of the federal poverty level; those with less than a high school degree; and those with vocational school or an associate of arts or sciences degree. Dependent coverage also decreased for part-time workers and for the self-employed who are married with children. The significant decline in job-based dependent coverage for both part-time and married workers with children was offset by an increase in both Medi-Cal and other coverage for this group during this period.

EXHIBIT 33. HEALTH INSURANCE STATUS DURING LAST 12 MONTHS BY LABOR MARKET CHARACTERISTICS OF SELF-EMPLOYED ADULTS, AGES 19-64, CALIFORNIA, 2001 AND 2005

	EBI OWN COVERAGE ALL YEAR		EBI DEPENDENT COVERAGE ALL YEAR		PRIVATELY PURCHASED ALL YEAR		MEDI-CAL ALL YEAR		UNINSURED ALL OR PART YEAR		OTHER ALL YEAR		TOTAL POPULATION IN 2005
	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	2001	**2005**	**2005**
All Self-Employed	16.8	**19.3**	22.7	**20.8**	22.5	**20.8**	3.2	**5.3**	26.6	**24.6**	8.2	**9.3**	**2,555,000**
Selected Industries													
Financial Activities and Professional/ Business Services	14.7*	**23.1**	23.5	**21.7**	24.4	**22.4**	3.2	**3.6**	26.1*	**19.5**	8.2	**9.7**	**100% 792,000**
Educational, Health and Leisure Services	18.2*	**22.7**	25.6	**26.0**	22.4	**19.7**	4.1	**5.8**	20.5	**17.5**	9.2	**8.3**	**100% 463,000**
Wholesale and Retail Trade	18.1	**20.1**	23.0	**18.3**	13.8*	**21.9**	3.7	**2.5**	32.8	**26.9**	8.6	**10.3**	**100% 247,000**
Manufacturing and Construction	23.7*	**15.7**	26.6	**18.2**	25.0	**19.8**	2.9	**5.8**	15.1*	**30.2**	6.8	**10.4**	**100% 422,000**
Other	17.0	**14.1**	20.1	**18.3**	22.2	**20.0**	2.7*	**7.8**	30.2	**31.6**	7.8	**8.3**	**100% 629,000**
Work Status													
Full-Time	17.8	**19.7**	21.3	**20.2**	23.3	**21.3**	2.9*	**4.9**	26.4	**25.1**	8.5	**8.9**	**100% 2,103,000**
Part-Time	12.4*	**17.8**	29.4*	**23.8**	18.9	**18.6**	4.5*	**7.4**	27.9*	**21.3**	7.0*	**11.2**	**100% 440,000**

*Change is measured between 2005 and other years and is statistically significant at $p < 0.1$.

Source: 2001 and 2005 California Health Interview Surveys

Summary and Conclusions

This section provides a comprehensive landscape of the health insurance status of working adults, both employees and the self-employed, providing information underlying employer decisions to offer and to set eligibility rules for EBI, and employee decisions to either take it up or decline it.

Even with a strengthening economy, the increasing cost of premiums faced by employers, employees and the self-employed portend a worsening situation for EBI. Offer and eligibility rates were stable between 2001 and 2005, but take-up rates dropped for the first time. Between 2001 and 2005, we saw a rise in uninsured rates among those who decline EBI. This signals a cost constraint faced by employees across the board, even for traditionally more advantaged groups. Over 40% of uninsured employees who declined EBI had incomes below 250% FPL, suggesting that subsidies may be needed to alleviate the income constraint on purchasing EBI or other coverage. Nevertheless a majority of uninsured employees (55.1%) were not offered EBI, so that while affordability is a critical issue in the policy discussion, efforts to increase offer rates among small firms should still be under serious consideration, if employment-based coverage is to continue to be the foundation of the nation's health insurance for nonelderly workers.

The trend in dependent EBI as a source of coverage for working adults is even bleaker. Worker share of cost for dependent coverage increased from 25% of the total average premium in 2001 to 29% in 2005. This growing cost of dependent coverage impacts low-income and low-wage workers, and noncitizens and minority groups who face a double jeopardy in both declining their own primary EBI coverage and eroding dependent coverage. Finally, we see in both the employee and the self-employed population that the current trend in coverage is leading to widening disparities in EBI among the low-income population (those below 200% FPL), numbering over four million employees and almost 600,000 self-employed workers. Medi-Cal has buffered, to some extent, the declines in coverage driven by eroding EBI.

Overall, with a strengthened economy—despite the slowing growth in health insurance premiums and the decline in unemployment—California's report card of coverage for all adults is essentially unchanged from 2001. But stagnant offer rates despite economic growth, declines in dependent coverage, and intractable poverty rates that have hovered at 13% for the past five years paint a picture of increasing stress and greater health and economic risks for California's low-income adult workers. Policy efforts to expand health insurance coverage should include specific policies to enhance affordability of coverage that would benefit both working adults and low-income workers.

3

Children's Insurance Coverage

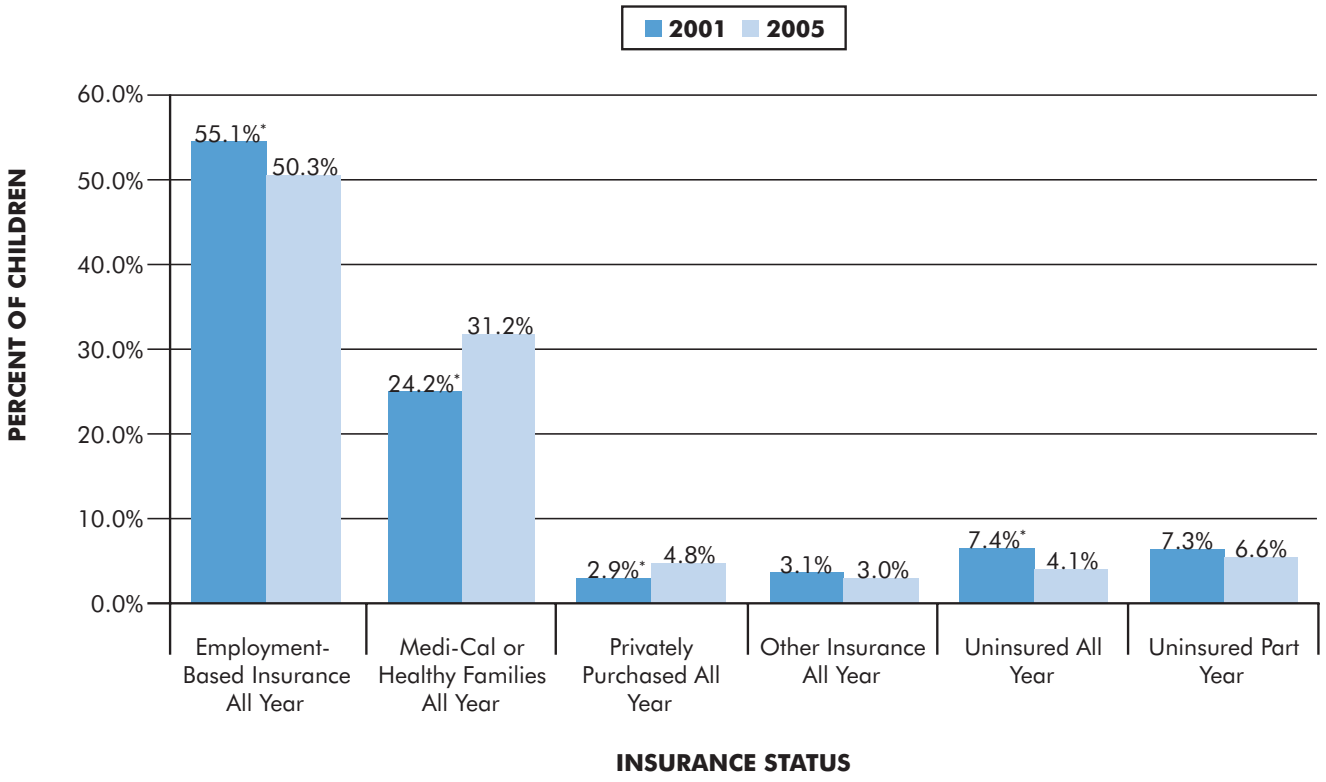
The majority of California's children had private coverage in 2005, either through their parents' employers (50.3%) or privately-purchased insurance (4.8%; Exhibit 34). These rates are only slightly lower than that of their parents for 2005, but the decline from 2001 to 2005 is striking. A drop of nearly five percentage points in employment-based coverage indicates that parents are finding it increasingly difficult to offer continuous insurance to their children through this avenue. As mentioned in the previous section, the average worker's costs for premiums for family coverage increased from a monthly average of $149 in 2001 to a monthly average of $226 in 2005.[22] Clearly, cost increases decreased the ability of parents to cover their children in 2005 through their employment-based insurance.

[22] Source: Kaiser Family Foundation. Trends and Indicators in the Changing Health Care Marketplace; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2005; KPMG Survey.

The decline in employment-based coverage for children was offset by strong growth in children's public coverage. With nearly one-third of California's children enrolled continuously in the Medi-Cal or Healthy Families programs for all of 2005 (31%), it is clear that public coverage plays a large role in keeping the uninsurance rate for children relatively low, at roughly one-in-nine (11% uninsured all or part year for 2005). As enrollment in Medi-Cal and Healthy Families grew from 2001 to 2005, the percent of children uninsured all or part of the year dropped significantly, from 14.7% to 10.7%, despite the decline in employment-based coverage.

This section focuses on insurance coverage for California's children, both private and public. The disparate impact of employment-based coverage, both all year and part year, on children of different racial and ethnic groups is discussed, as well as those of different household incomes. Next, public coverage for children is examined, with a focus on children who are currently uninsured but are eligible for either Medi-Cal or Healthy Families coverage.

EXHIBIT 34. INSURANCE STATUS OF CHILDREN DURING PAST TWELVE MONTHS, AGES 0-18, CALIFORNIA, 2001 AND 2005



Note: "Other" insurance includes public programs that are not Medi-Cal or Healthy Families (such as Healthy Kids or AIM), and any combination of insurance types during the past year.

*Significantly different from 2005 (tested at $p < 0.1$).

Source: 2001 and 2005 California Health Interview Surveys

Employment-Based Insurance is Dropping for All Children

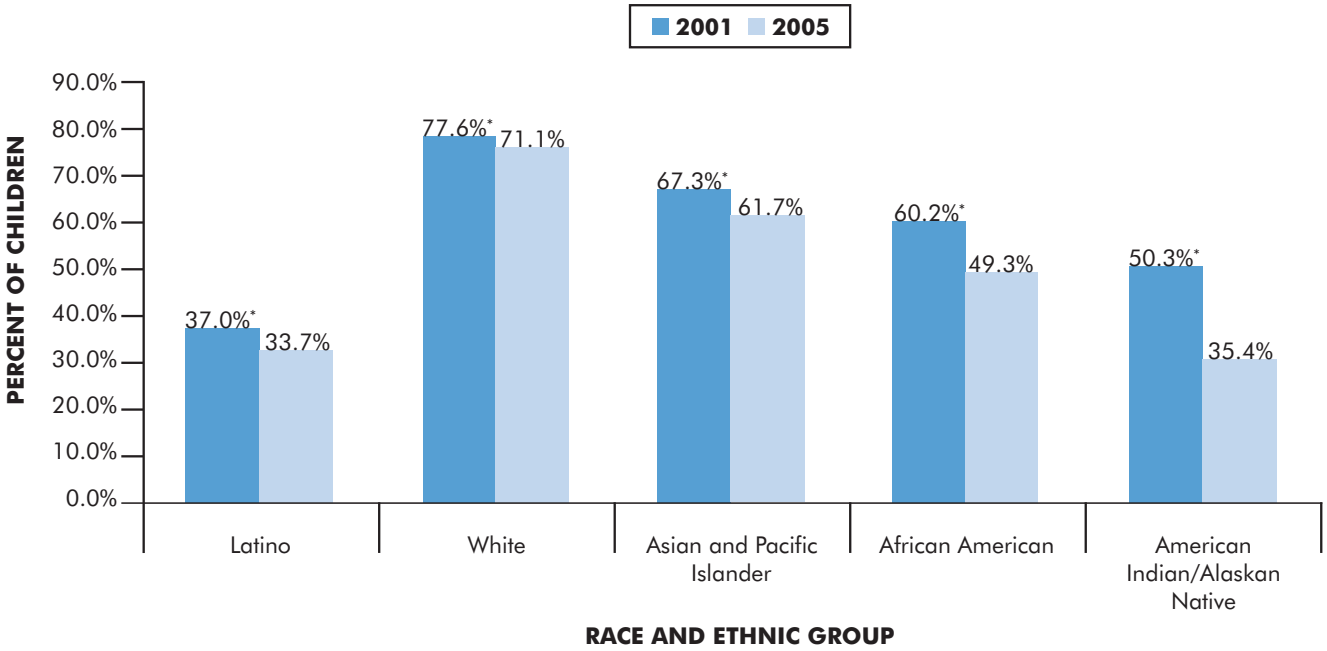
Over half of California's children (53.6%) were insured through their parent's employment for all or part of the year in 2005. The vast majority of these children had continuous employment-based coverage throughout the entire year, as shown in Exhibit 34. The small percentage of children with part-year employment-based coverage is included in the following discussion to assess the impact of the declines in coverage among all who are affected by this type of insurance.

Rates of employment-based insurance show sharp disparities by racial and ethnic groups. Only 33.7% of Latino children had continuous employment-based insurance in 2005, compared to 71.1% of white children (Exhibit 35). Asian American and Pacific Islander children had the second highest rate of employment-based insurance at 61.7%, with African Americans (49.3%) and Other Single or Multiple Race (49%) in the middle.

From 2001 to 2005, however, the rate of employment-based coverage dropped over time for all groups (Exhibit 35). The rates for both Latinos and whites, although at the opposite ends of the coverage spectrum (33.7% and 71.1%, respectively), were markedly lower in 2005 than they were in 2001 (37% and 77.6%). African-American children experienced a large decline in dependent employment-based insurance, from 60.2% in 2001 to 49.3% in 2005, second only to the 15 percentage-point decline for American Indian/Alaskan Native (AI/AN) children.

Similar disparities and declines occurred among all income groups as well. Only 7.8% of children who lived in households with annual income under 100% of the federal poverty level had employment-based coverage at any time during the year, compared to 84% of children who have household incomes over 300% FPL (Exhibit 36).

EXHIBIT 35. RATES OF DEPENDENT EMPLOYMENT-BASED INSURANCE FOR ALL OR PART OF PAST YEAR BY RACIAL/ETHNIC GROUP OF CHILDREN, AGES 0-18, CALIFORNIA, 2001 AND 2005



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

*Significantly different from 2005 (tested at $p < 0.1$).

Source: 2001 and 2005 California Health Interview Surveys

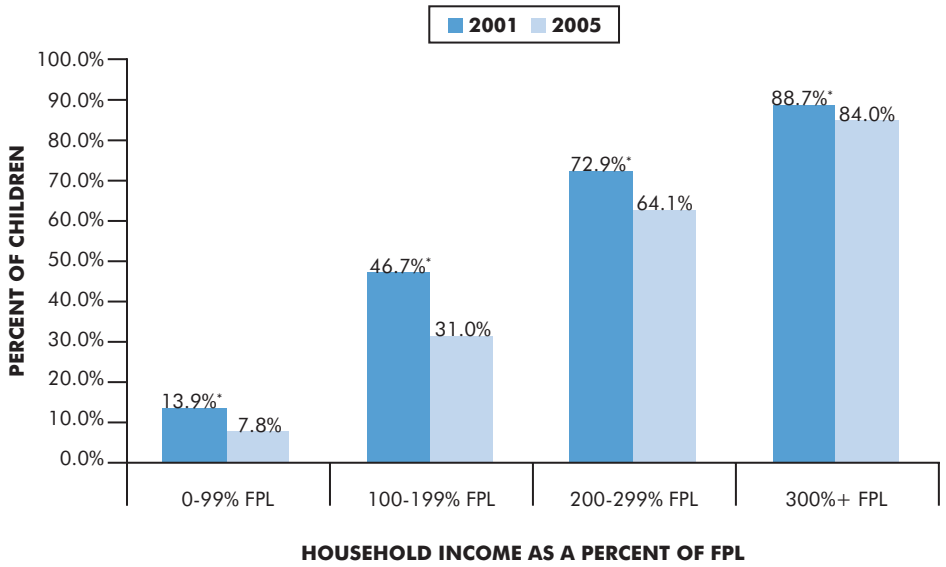
Every income group, however, experienced a significant decline in employment-based coverage from 2001 to 2005. The steepest was among children with household incomes from 100-199% FPL (Exhibit 36); employment-based insurance dropped among these children from 46.7% in 2001 to 31% in 2005. Even children in the upper-half of the income distribution (from 300% FPL and higher) saw a decrease in employment-based coverage from 88.7% in 2001 to 84% in 2005.

These declines indicate that the dependent employment-based insurance system for children is deteriorating, despite the state's improved economic situation. As discussed in the first section of this report, while adults realized a gain in continuous employment-based coverage from 2003 to 2005, children's insurance coverage eroded further.

As Exhibits 35 and 36 indicate, the declines are spread among all racial and ethnic groups, as well as among all income groups.

Public health insurance, though, has provided coverage to children in the lower-income groups who otherwise would have become uninsured. Government officials have always been concerned that attractive public programs would "crowd out" private insurance, encouraging people who would otherwise take-up private coverage to instead opt for the less expensive public programs. However, this does not seem to be the case, according to recent research. Instead, the higher private insurance costs force parents to choose between uninsurance and a public program for which they might be eligible.[23]

EXHIBIT 36. RATES OF DEPENDENT EMPLOYMENT-BASED INSURANCE FOR ALL OR PART OF PAST YEAR BY HOUSEHOLD INCOME AS A PERCENT OF FPL OF CHILDREN, AGES 0-18, CALIFORNIA, 2001 AND 2005



Note: Numbers may not add to 100% due to rounding. The 2005 federal poverty level was $9,973 for one person, $12,755 for a two-person family and $15,577 for a three-person family.

*Significantly different from 2005 (tested at $p < 0.1$).

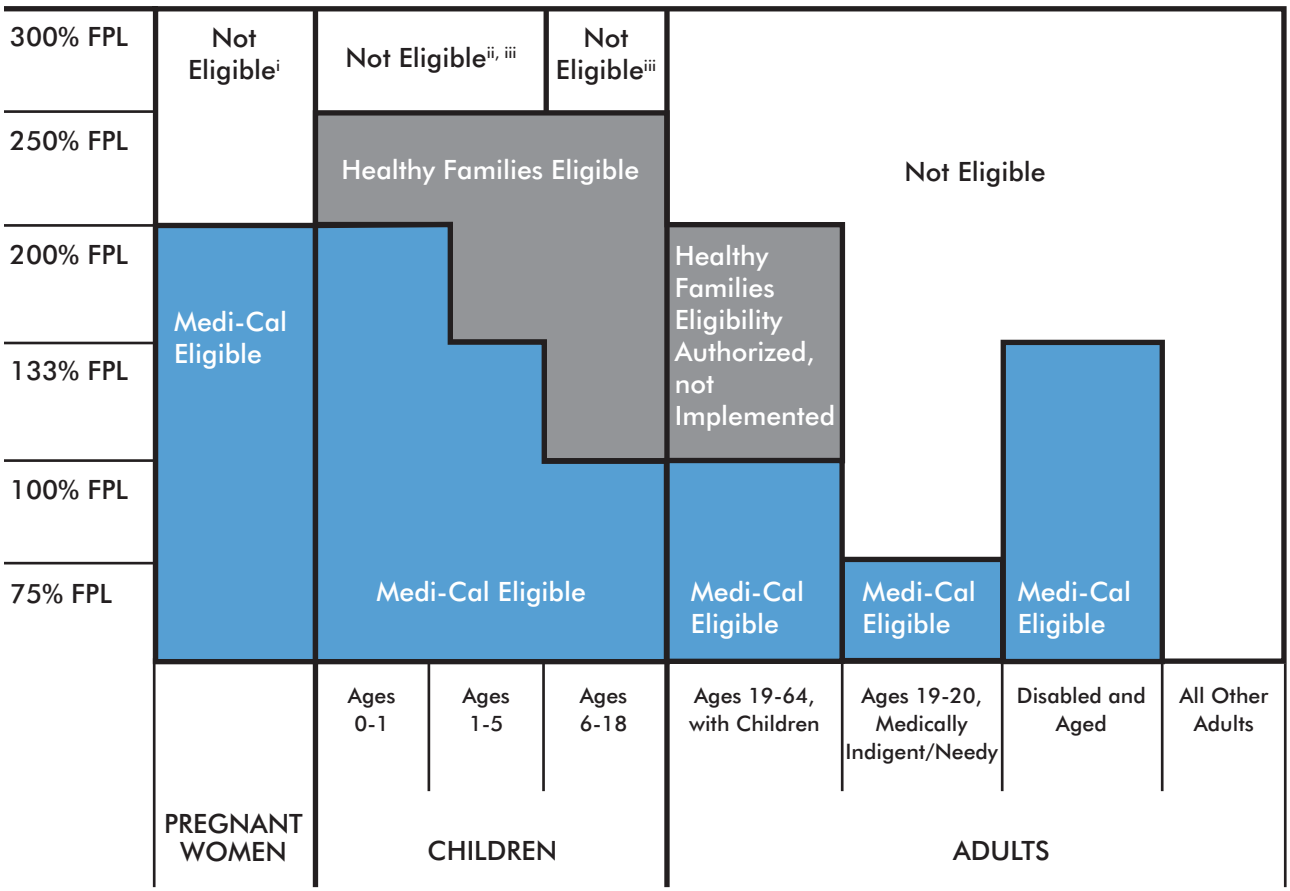
Source: 2001 and 2005 California Health Interview Surveys

[23] Bansak C and Raphael S (2007). The effects of state policy design features on take-up and crowd-out rates for the State Children's Health Insurance Program. *Journal of Policy Analysis and Management*, 26(1): 149-75; and Hadley J et al. (2006-2007). Insurance premiums and insurance coverage of near-poor children. *Inquiry*, 43(4): 362-77.

Public Coverage Expanding for Children

The two main public health insurance programs for children in California remain Medi-Cal (California's Medicaid program) and Healthy Families (California's State Children's Health Insurance Program). These two programs intersect on a variety of age- and income-eligibility requirements to create a "patchwork quilt" that provides coverage for most low- and near-low-income children who do not have access to private health insurance. Exhibit 37 presents an overview of the eligibility requirements for Medi-Cal and Healthy Families, for both children and adults.

EXHIBIT 37. MEDI-CAL AND HEALTHY FAMILIES INCOME ELIGIBILITY AS A PERCENT OF FEDERAL POVERTY GUIDELINES (FPG), CALIFORNIA, 2005



FPG = Federal Poverty Guidelines

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

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

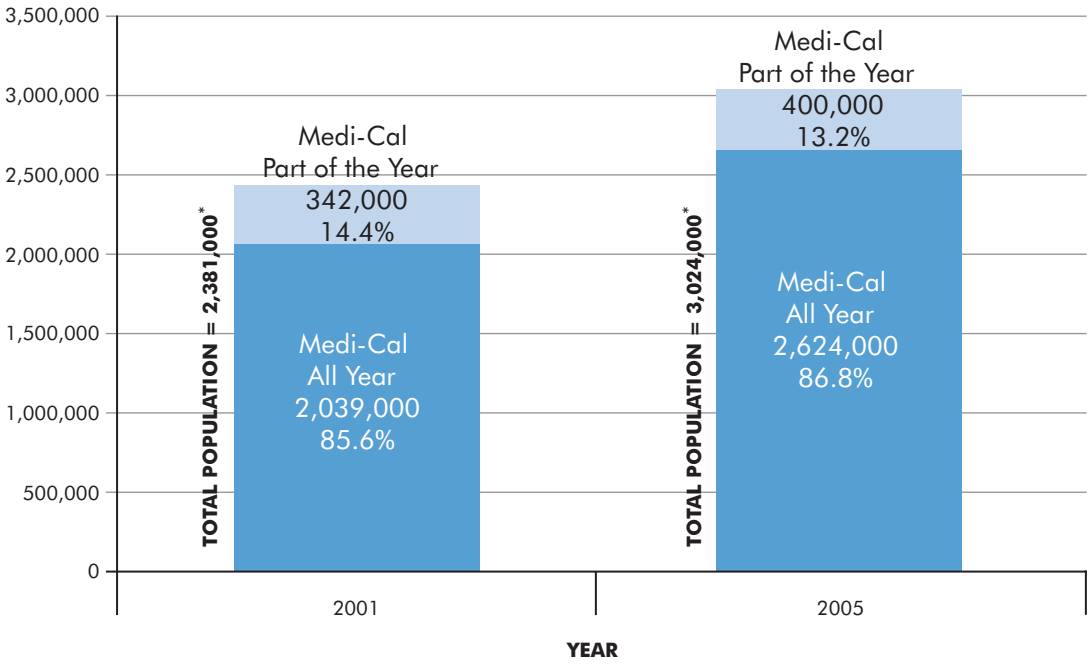
[ii] Children up to two years old with household incomes under 300% FPL with mothers in the AIM program are automatically enrolled in the Healthy Families program.

[iii] In 2005, fourteen counties had county-based public-private partnership programs (most often called "Healthy Kids") that insure children through age 18 up to 300% FPL, regardless of immigration status.[24]

[24] Institute for Health Policy Solutions, Child and Family Coverage Technical Assistance Center. "Overview of Local Children's Coverage Expansions, 1/11/07." Accessed at www.ihps-ca.org

From 2001 to 2005, both Medi-Cal and Healthy Families experienced surges in their enrolled populations, due to increased efforts both at the statewide and local levels to identify uninsured children who were eligible for the programs, enroll them, and retain their coverage for as long as the period of eligibility continued. Administrative barriers were also reduced during this time period, such as the change in 2002 to full-year presumptive eligibility for children, which dropped the quarterly income reporting previously required under Medi-Cal. The number of children with continuous Medi-Cal coverage rose from just over two million in 2001 to 2.6 million in 2005 (Exhibit 38). Added to the 400,000 children who had Medi-Cal for part of the year, just over three million children had insurance through Medi-Cal for some part of 2005.[25]

EXHIBIT 38. NUMBER OF CHILDREN COVERED BY MEDI-CAL DURING LAST 12 MONTHS, AGES 0-18, CALIFORNIA, 2001 AND 2005



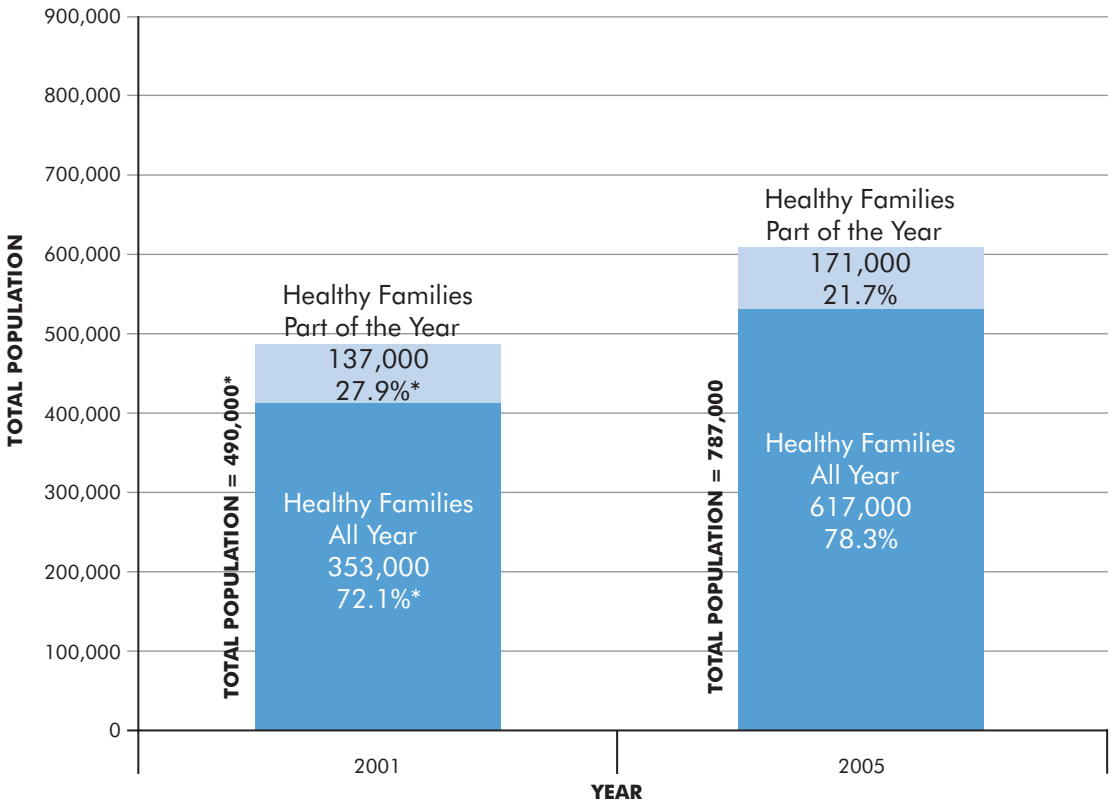
*Significantly different from 2005 (tested at p<0.10).
Source: 2001 and 2005 California Health Interview Surveys

[25] According to administrative data, there were 3.27 million children ages 0-18 enrolled in Medi-Cal in July 2005 and 3.25 million enrollees in April 2006 (dates correspond to the time of CHIS 2005 data collection). The "point-in-time" estimate from CHIS 2005 is a better comparison to administrative data than the past twelve months figure, since point-in-time corresponds to monthly enrollment. According to CHIS 2005, 2.84 million children were enrolled in Medi-Cal at the time of their CHIS interview, with a 95% confidence interval of 2.7 million to three million. This undercount, as compared to 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.

Healthy Families, not surprisingly, also experienced large growth from 2001 to 2005 as the program became more widely known within the eligible population (Exhibit 39). The number of continuous enrollees nearly doubled from 2001 to 2005, jumping from 353,000 to 617,000. Unlike Medi-Cal, though, this larger continuously-enrolled population was also a greater proportion of the total number of children covered by Healthy Families in 2005. This makes sense given the timing of the CHIS surveys; in 2001, Healthy Families was a new program with greater amounts of new enrollment. These data suggest that the population covered through Healthy Families is stabilizing over time.

Another 146,000 children had Healthy Families coverage for part of the year in 2005, which could indicate either that they lost their Healthy Families coverage for some reason, were previously uninsured and newly enrolled in the program, or that they moved into Healthy Families coverage as they were transitioning out of the Medi-Cal program (Exhibit 39). In total, 787,000 children were insured at some time during 2005 through the Healthy Families program–a population equal to the number of children uninsured at the time of their CHIS interview (see Exhibit 42 for data on currently uninsured children).[26]

EXHIBIT 39. NUMBER OF CHILDREN COVERED BY HEALTHY FAMILIES DURING LAST 12 MONTHS, AGES 0-18, CALIFORNIA, 2001 AND 2005



*Significantly different from 2005 (tested at p<0.10).

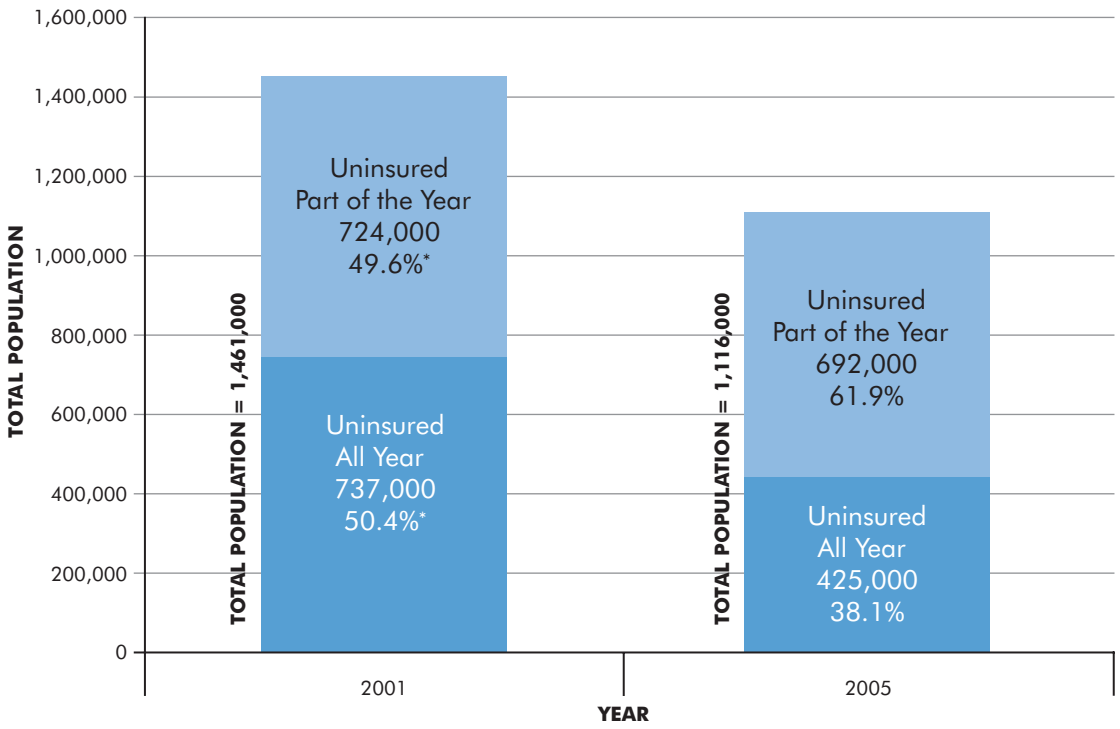
Source: 2001 and 2005 California Health Interview Surveys

[26] According to administrative data, there were 737,209 children ages 0-18 enrolled in Healthy Families at the end of 2005 (the latest available information reported to the federal government). As with Medi-Cal enrollment, the "point-in-time" estimate from CHIS 2005 is a better comparison to administrative data than the past twelve months figure, since point-in-time corresponds to monthly enrollment. According to CHIS 2005, 681,000 children were enrolled in Healthy Families at the time of their CHIS interview, with a 95% confidence interval of 611,000 to 750,000. This range, then, indicates that the CHIS 2005 estimate range includes the administrative figure, implying no statistical difference between the two.

During this same time period as enrollment in Medi-Cal and Healthy Families expanded, the number of children who were uninsured for all or part of the year declined (Exhibit 40). Interestingly, the mix among uninsured also changed. In 2001, the number of children who were uninsured all year roughly equaled the number who were uninsured for part of the year. By 2005, the proportions had changed. While both populations had experienced declines, the number of uninsured all year fell more dramatically (from 737,000 in 2001 to 425,000 in 2005). The majority of children who were uninsured in 2005 were uninsured for part of the year (61.9%).

Enrollment in county-based public health insurance programs, most often called Healthy Kids, also surged during this time period. Funded by local public-private partnerships, these programs cover children with household incomes up to 300% FPL who are not otherwise eligible for coverage through Medi-Cal or Healthy Families. According to administrative data, over 86,000 children were enrolled in these programs as of January, 2007.[27]

EXHIBIT 40. NUMBER OF CHILDREN UNINSURED DURING LAST 12 MONTHS, AGES 0-18, CALIFORNIA, 2001 AND 2005



*Significantly different from 2005 (tested at p<0.10).
Source: 2001 and 2005 California Health Interview Surveys

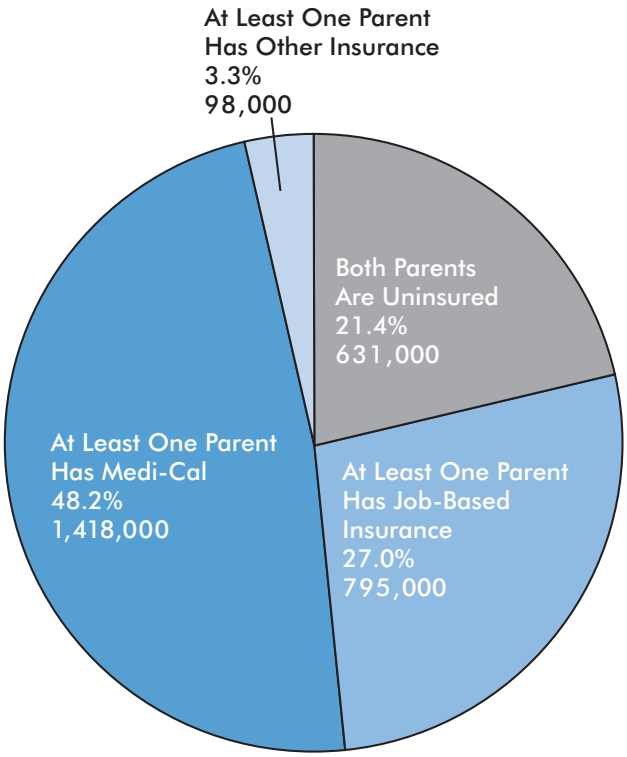
[27] Data from the Institute for Health Policy Solutions, Child and Family Coverage Technical Assistance Center. "Overview of Local Children's Coverage Expansions, 1/11/07." Accessed at www.ihps-ca.org. CHIS 2005 was not able to generate stable estimates for these county programs, due to small sample size.

Public Coverage Should Have a Family Focus

With all of these expansions in children's coverage, however, it should be noted that there was no change from 2003 to 2005 in the proportion of children with Medi-Cal or Healthy Families who had parents who were both uninsured.[28] Children with Medi-Cal or Healthy Families mostly have parents who are also insured, although through a variety of sources. Only 48.2% of these children have parents with Medi-Cal themselves (Exhibit 41). Just over one-quarter (27%) have parents with insurance through their own or a spouse's employment. One in five children enrolled in Medi-Cal or Healthy Families have parents who are both uninsured (21.4%).

This high number of uninsured parents is particularly relevant, since an expansion of Healthy Families to parents with enrolled children has already been approved both at the state and federal levels since 2002. However, it has never been funded or implemented. Its passage, though, indicated willingness at the time to examine family coverage through public programs. More recent policy proposals for expanding health insurance have dropped this idea, focusing on other publicly subsidized mechanisms of coverage for parents of children enrolled in the Healthy Families program.

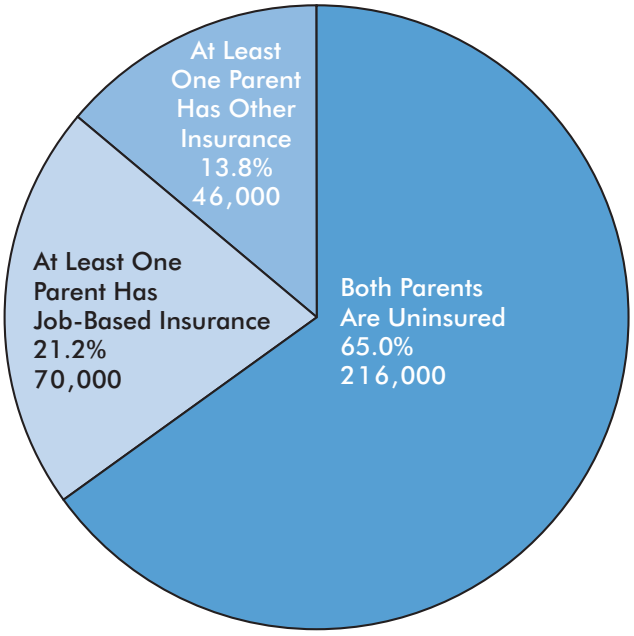
EXHIBIT 41. PARENTS' INSURANCE STATUS AMONG MEDI-CAL OR HEALTHY FAMILIES ENROLLEES, AGES 0-18, CALIFORNIA, 2005



Note: Numbers may not total to 100% due to rounding.
Source: 2005 California Health Interview Survey

[28] CHIS 2001 did not ask about insurance coverage for all parents, and so is not directly comparable to CHIS 2005 on these measures. For this reason, we compare CHIS 2003 data to CHIS 2005 data for parental insurance status.

EXHIBIT 42. PARENTS' INSURANCE STATUS AMONG UNINSURED CHILDREN ELIGIBLE FOR MEDI-CAL OR HEALTHY FAMILIES PROGRAMS, AGES 0-18, CALIFORNIA, 2005



Note: Numbers may not total to 100% due to rounding.
Source: 2005 California Health Interview Survey

Two-thirds of children who are uninsured but eligible for Medi-Cal or Healthy Families (65%) have parents who are both uninsured as well (Exhibit 42). Only one-fifth (21.2%) have at least one parent with job-based insurance, and another 13.8% have a parent with some other type of insurance. The lack of coverage among parents of uninsured eligible children suggests that one relatively easy way to expand public coverage options for uninsured adults in California is to implement the approved, but unfunded, expansion of Healthy Families for parents of eligible children. This option not only benefits parents, it also would tend to increase enrollment of eligible children in these programs, as indicated by other research.[29] Uninsurance among children is a family problem that requires a comprehensive family-based solution to adequately address the issue.

[29] Wolfe B, et al. (2006). SCHIP expansion and parental coverage: An evaluation of Wisconsin's BadgerCare. *Journal of Health Economics*, 25(6): 1170-92; Guendelman S, et al. (2006). The effects of child-only insurance coverage and family coverage on health care access and use: Recent findings among low-income children in California. *Health Services Research*, 41(1): 125-47.

Eligibility for Public Coverage Among Uninsured Children

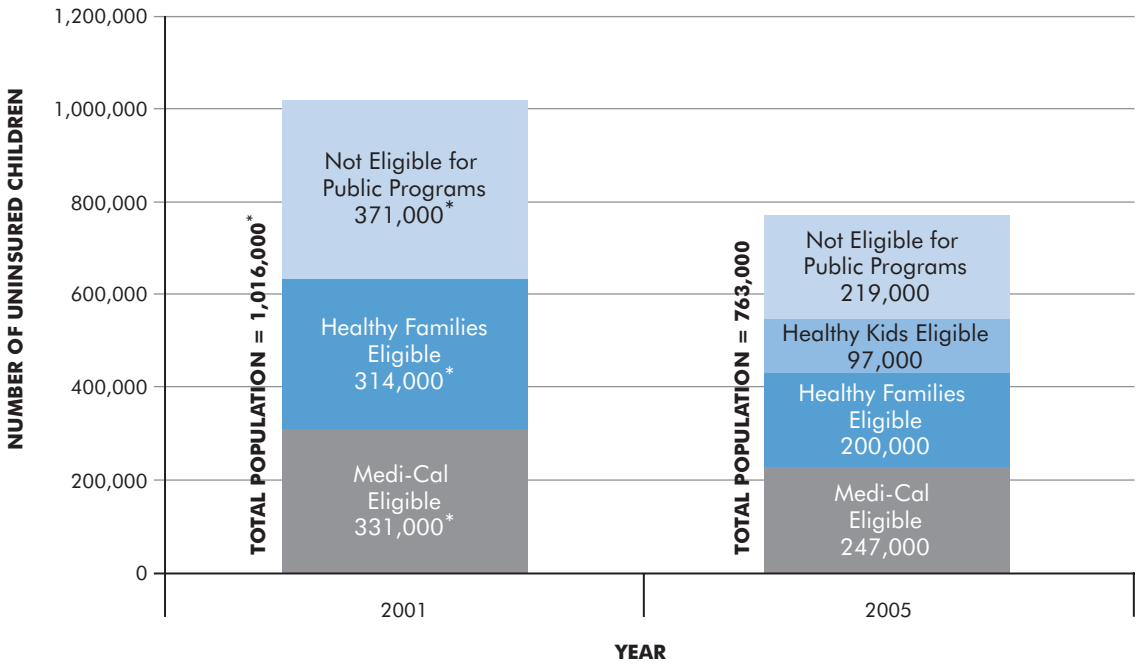
While more than three-quarters of a million children (763,000) were uninsured at the time of their CHIS 2005 interview, just under one-half million of those children (447,000) were eligible for either Medi-Cal or Healthy Families (Exhibit 43). This is a significant drop from the 645,000 who were uninsured and eligible for either program in 2001, due mainly to the reduction in the overall number of children who were uninsured at the time of their CHIS 2005 interview (1.02 million in 2001).

An additional 97,000 uninsured children were eligible for one of the 14 county-based Healthy Kids programs in 2005, but not enrolled (Exhibit 43), nearly double the number of uninsured children that were eligible for these programs in 2003. In 2001, eligibility for Healthy Kids was not measured, since the programs were extremely limited and still in formative stages in the state.

Although many more counties expanded programs between 2003 and 2005, most of the Healthy Kids programs have enrollment caps, effectively limiting this option even for uninsured children who meet eligibility requirements.

However, enrollment efforts for Medi-Cal and Healthy Families often overlap with the county-based Healthy Kids programs, where they exist. This is called the "no wrong door" philosophy, and it is increasingly popular both at the county and at the state levels. All county-level workers who screen for public-coverage eligibility are trained to gather all information needed to determine eligibility for any public program that operates within that county. Enrolling children in any public program for which they are eligible has become the primary goal. Due to age and citizenship variations, it is entirely possible that different children within a

EXHIBIT 43. ELIGIBILITY OF CURRENTLY UNINSURED CHILDREN FOR PUBLIC PROGRAMS UNDER CURRENT ELIGIBILITY RULES, AGES 0-18, CALIFORNIA, 2001 AND 2005



*Significantly different from 2005 (tested at p<0.10).

Source: 2001 and 2005 California Health Interview Surveys

family may be eligible for different programs. For example, a family who has heard about Healthy Kids may come in to enroll in that program, and find that their U.S.-born infant might be eligible for Medi-Cal, while an older immigrant sibling may be eligible for Healthy Kids. Therefore, even with a Healthy Kids program with a waitlist, the increased outreach programs launched through Healthy Kids spill over into benefits for the Medi-Cal and Healthy Families programs, helping the county's uninsured eligible children find coverage options.[30]

In total, seven in ten children who were uninsured at the time of the CHIS 2005 interview were eligible for, but not enrolled in, Medi-Cal, Healthy Families or the Healthy Kids programs in California. The remaining 219,000 uninsured children who were not eligible for public-program enrollment lived in counties without a Healthy Kids expansion program, or had family incomes above 300% of the federal poverty level, or both. Thus, even if all children eligible statewide for Medi-Cal and Healthy Families were enrolled in the programs, an additional 316,000 children would still remain uninsured.

Most children who are uninsured but eligible for Medi-Cal or Healthy Families have been uninsured continuously for a year or longer (46.2% and 55.4%, respectively; Exhibit 44). However, nearly one-third of children who were uninsured but eligible for Medi-Cal (30.4%) had been enrolled in the program at some time during the course of the previous year. A corresponding decrease appeared in the percentage of children who were uninsured all year but eligible for Medi-Cal. The data suggest that the Medi-Cal program may be improving its outreach to children who previously had no insurance at all. However, the fact that eligible children are still losing their Medi-Cal coverage and becoming uninsured remains troubling.

EXHIBIT 44. INSURANCE COVERAGE OVER PAST 12 MONTHS AMONG CURRENTLY UNINSURED CHILDREN, AGES 0-18, CALIFORNIA, 2005

	CHILDREN WHO WERE UNINSURED AT TIME OF INTERVIEW		
Insurance Status Over Past 12 Months	**Eligible for Medi-Cal**	**Eligible for Healthy Families**	**Not Eligible for Medi-Cal or Healthy Families**
Had Medi-Cal, Became Uninsured	30.4	12.7	11.1
Had Healthy Families, Became Uninsured	8.2	8.8	3.1
Had Employment-Based Insurance, Became Uninsured	12.4	12.2	10.0
Had Other Insurance, Became Uninsured	2.9	10.9	12.5
Uninsured All Year	46.2	55.4	63.4
Population in 2005	100% 247,000	100% 200,000	100% 316,000

Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

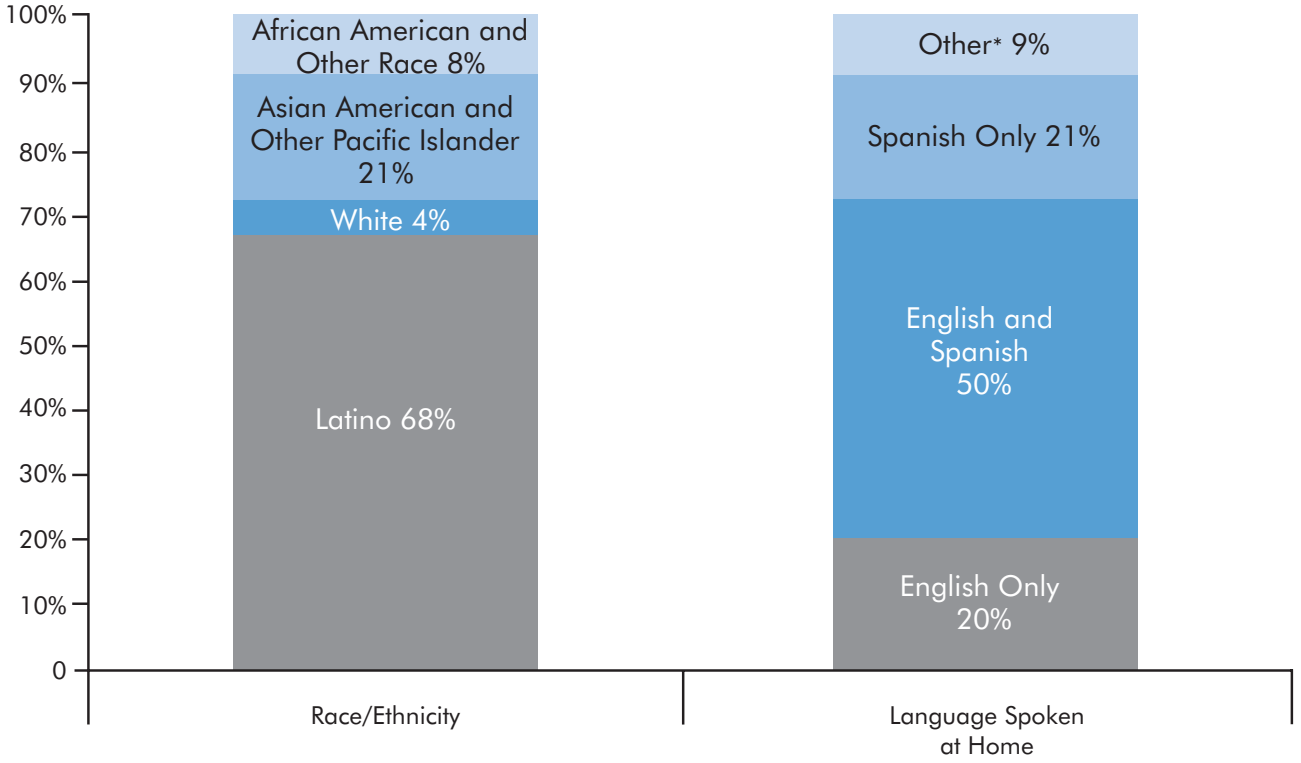
[30] Kincheloe JR et al. (2007). Determinants of children's participation in California's Medicaid and SCHIP programs. *Health Services Research*, 42(2) 847-66.

Demographics of Uninsured Children Who Are Eligible for Public Coverage

Among uninsured children who are eligible for any of the three main public insurance programs, two-thirds are Latino (67.7%) and nearly eight in ten speak Spanish as at least one of the languages in their homes (70.9% ; Exhibit 45). Only 20.4% speak English as their only language at home. Uninsured eligible children who speak Asian languages at home, as well as any combination of other languages, are 9% of this group.

While Asian American and Pacific Islander children comprise 21% of uninsured eligible children, only 8.7% speak some language other than English or Spanish in their homes, indicating that many in this population in fact speak English primarily. African-American uninsured eligible children have been combined with the "other single or multiple race" category due to small sample sizes. These language and race distributions have remained unchanged since 2001.

EXHIBIT 45. RACIAL/ETHNIC GROUP AND LANGUAGE SPOKEN AT HOME AMONG UNINSURED CHILDREN ELIGIBLE FOR MEDI-CAL, HEALTHY FAMILIES OR HEALTHY KIDS PROGRAMS, AGES 0-18, CALIFORNIA, 2005



Note: Numbers may not add to 100% due to rounding.

*"Other" language spoken at home includes all Asian languages, any combination of English plus an Asian language, and any combination of three languages or more. These categories were aggregated due to small sample size.

Source: 2005 California Health Interview Survey

By far, the largest group of uninsured children in the state resides in Los Angeles County (209,000; Exhibit 46). Los Angeles also has the highest percentage of uninsured children who are eligible for public coverage (82%), due in part to the full implementation of the local Healthy Kids program. As the epicenter of uninsurance, Los Angeles County has made strong progress in enrolling eligible children, but the task remains incomplete.

EXHIBIT 46. NUMBER OF UNINSURED CHILDREN ELIGIBLE FOR MEDI-CAL, HEALTHY FAMILIES OR HEALTHY KIDS PROGRAMS BY COUNTY, AGES 0–18, CALIFORNIA, 2005

	CHILDREN (AGES 0-18)	
	Estimate of Number of Uninsured Children*	% of Uninsured Who Are Eligible for Public Programs*
Northern and Sierra Counties		
Butte	6,000	44%
Tuolumne, Calaveras, Amador, Inyo, Mariposa, Mono, Alpine	4,000	56%
Shasta	7,000	57%
Sutter	3,000	47%
Del Norte, Siskiyou, Lassen, Trinity, Plumas, Modoc, Sierra	4,000	58%
Humboldt	3,000	63%
Tehama, Glenn, Colusa	4,000	52%
Nevada	2,000	42%
Mendocino	3,000	48%
Yuba	2,000	62%
Lake	2,000	55%
Greater Bay Area		
Santa Clara	17,000	71%
Alameda	18,000	76%
Contra Costa	15,000	42%
San Francisco	4,000	69%
San Mateo	6,000	62%
Sonoma	5,000	70%
Solano	5,000	74%
Marin	2,000	54%
Napa	2,000	67%
Sacramento Area		
Sacramento	35,000	56%
Placer	6,000	23%
Yolo	5,000	59%
El Dorado	3,000	37%

EXHIBIT 46. CONTINUED

	CHILDREN (AGES 0-18)	
	Estimate of Number of Uninsured Children*	% of Uninsured Who Are Eligible for Public Programs*
San Joaquin Valley		
Fresno	34,000	77%
Kern	32,000	80%
San Joaquin	18,000	77%
Stanislaus	14,000	61%
Tulare	14,000	72%
Merced	8,000	49%
Kings	4,000	71%
Madera	4,000	64%
Central Coast		
Ventura	27,000	43%
Monterey	11,000	70%
Santa Barbara	15,000	77%
Santa Cruz	5,000	51%
San Luis Obispo	4,000	52%
San Benito	2,000	56%
Los Angeles		
Los Angeles	209,000	82%
Other Southern California		
Orange	94,000	32%
San Diego	81,000	47%
San Bernardino	73,000	79%
Riverside	72,000	68%
Imperial	8,000	59%

Note: These numbers are modeled estimates, computed using small area estimation methods.[31]

Source: 2000 U.S. Census, 2005 population projections from the CA Department of Finance, and 2005 California Health Interview Survey

[31] The method for small-area estimation consists of two steps: 1) building hierarchical logistic regression models for the outcomes of the interest in CHIS; and 2) applying the model to population data that contain all the predictors and boundaries of the areas of interest. The population data that the models would be applied to were based on the 2000 Census, updated to reflect the changes which occurred in the half decade since the data were originally collected. Marginal distributions of the controls for the updating were obtained from 2005 projections by the California Department of Finance and from CHIS 2005. We then applied a raking process to derive the totals for the cells needed for the updates. Finally, we applied the models to the updated population data and computed the estimates and their variances.

Summary and Conclusions

California's children are covered primarily through employment-based insurance (50%) and the Medi-Cal and Healthy Families programs (31%). Just over a million (11%) were uninsured for all or part of the year. The remainder were covered by either privately-purchased insurance or another public program. However, the proportion covered under dependent employment-based insurance declined since 2001 for all income and racial/ethnic groups. Public coverage has increased as employer-sponsored coverage has decreased, keeping the uninsured rate among children 28% lower than it was in 2001 (10.7% in 2005 compared to 14.8% in 2001).

Out of the 763,000 children who were uninsured at the time of their CHIS 2005 interview, 71% were eligible for either Medi-Cal, Healthy Families or the Healthy Kids programs in their county of residence. This estimate is based on eligibility rules in 2005. If, as proposed by Governor Schwarzenegger's and Speaker Núñez's proposals, eligibility for public coverage were raised to 300% FPL for all children in the state, an additional 85,000 uninsured children would become newly eligible, leaving only 18% of uninsured children statewide ineligible for any public program.

In recent years, numerous campaigns have attempted to achieve universal coverage for California's children through the mechanism of expanding public coverage, most recently Proposition 86 on the ballot in November 2006. This measure incorporated ideas generated in the real-world laboratories of the county Healthy Kids programs, using lessons from that work to inform the process of covering all kids statewide. Although the proposition was defeated, the health insurance piece lives on in universal coverage proposals by Governor Schwarzenegger, Speaker Fabian Núñez, Senate President pro Tem Don Perata, and State Senator Sheila Keuhl. All four proposed health insurance options take a core principle of the Healthy Kids programs, namely insuring children regardless of citizenship or immigration status, and apply it statewide to tackle the problem of uninsurance among children.

However, it is important to keep the distinction between "eligible" and "enrolled" firmly in mind, and note that uninsured eligible children have different demographics than other groups and need targeted, effective outreach. Coupled with the proposed individual mandate for coverage, though, it is possible that within the next few years, California will undergo an expansion of coverage, either public or private, that will finally achieve the goal of insuring all children in the state.

4

Consequences of Insurance Status

This section examines the consequences resulting from lack of health insurance among Californians. While much evidence highlights the role of health insurance in improving health status and decreasing mortality,[32] CHIS data also allow examination of whether those who are insured part of the year fare better than those who are continuously uninsured; to what extent Medi-Cal or Healthy Families programs reduce access barriers among those with low incomes; and whether public programs can provide access as successfully as job-based coverage.

Unlike the previous sections, where we combined all Californians who were uninsured at any point during 2005, here we separate those who were uninsured all year from those who were uninsured during part of 2005 because there are clear differences between being uninsured all year and being uninsured part year. Almost one-third of those uninsured for all of the last 12 months have incomes below the poverty level, compared to one-quarter of those uninsured part of the year (data not shown). Conversely, only 21% of those uninsured all year have incomes 300% or more than the federal poverty level, compared to 31% of those uninsured part of the year. Those uninsured all year are also more likely to be Latino and less likely to be white. Finally, twice as many of the uninsured-all-year group are noncitizens without green cards compared to those uninsured part of the year.

Therefore, this section compares the experiences of Californians who were uninsured all year with those who were uninsured part of the year, or had Medi-Cal or Healthy Families all year or employment-based coverage all year. We discuss health status, access indicators such as usual source of care and frequency in visiting physicians, treatment of chronic diseases such as asthma, delays in receiving care, use of preventive services, and receipt of mental health care among the four previously mentioned insurance groups.

[32] Institute of Medicine reports in this series found at: http://www.iom.edu/CMS/3809/4660/12313.aspx

Health Status

Among children, those with employment-based insurance report better health status than any other group (Exhibit 47). Among adults, those with Medi-Cal have the poorest self-reported health status, and those with employment-based coverage, the best (Exhibit 48). The differences in health status between adults in Medi-Cal and those in other insurance statuses are greater among older beneficiaries than younger ones. Medi-Cal-enrolled adults in the youngest age group, ages 19-34, include a larger proportion who are enrolled through the families with children program and as pregnant women, compared to older adults in Medi-Cal who are more likely to be disabled.

EXHIBIT 47. SELF-REPORTED HEALTH STATUS BY INSURANCE TYPE, CHILDREN AGES 0-18, CALIFORNIA, 2005

	SELF-REPORTED HEALTH STATUS			
	Ages 0-18			
Insurance Status	**Excellent/Very Good**	**Good**	**Fair/ Poor**	**Total**
Uninsured All Year	45.1	40.0	14.9	100% 425,000
Uninsured Part Year	55.5	31.1	13.4	100% 692,000
Medi-Cal/Healthy Families All Year	52.8	33.3	13.9	100% 3,216,000
Employment-Based Insurance All Year	75.1	20.5	4.5	100% 5,228,000

Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

EXHIBIT 48. SELF-REPORTED HEALTH STATUS BY INSURANCE TYPE, ADULTS AGES 19-64, CALIFORNIA, 2005

	SELF-REPORTED HEALTH STATUS											
	Ages 19-34				Ages 35-49				Ages 50-64			
Insurance Status	**Excellent/ Very Good**	**Good**	**Fair/ Poor**	**Total**	**Excellent/ Very Good**	**Good**	**Fair/ Poor**	**Total**	**Excellent/ Very Good**	**Good**	**Fair/ Poor**	**Total**
Uninsured All Year	35.0	41.4	23.6	100% 1,485,000	32.6	37.4	30.0	100% 1,093,000	30.9	32.0	37.1	100% 585,000
Uninsured Part Year	45.4	39.6	15.0	100% 1,407,000	42.3	32.0	25.8	100% 625,000	33.6	29.5	37.0	100% 219,000
Medi-Cal All Year	39.8	40.4	19.8	100% 794,000	24.2	30.8	45.1	100% 680,000	12.8	23.0	64.2	100% 420,000
Employment-Based Insurance All Year	66.5	26.9	6.6	100% 3,433,000	62.7	26.9	10.5	100% 5,258,000	57.0	28.1	14.9	100% 3,600,000

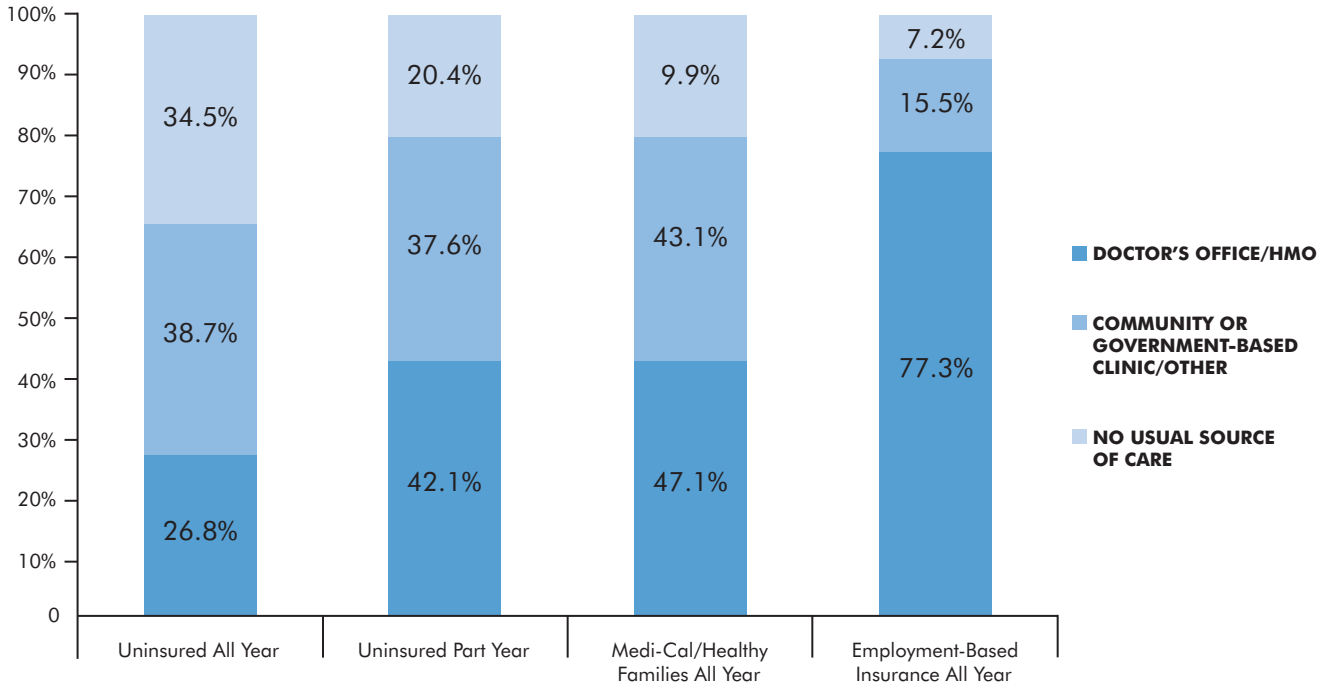
Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

Access to Primary Care

Having a usual source of care, or a "medical home," is an important indicator of access to primary care. Adults and children who were uninsured all year had the least access to care in doctors' offices or HMOs, and were most likely to have no usual source of care (Exhibits 49 and 50). Those uninsured part of the year reported higher likelihood of having a usual source of care than those uninsured all year. Those covered by Medi-Cal or Healthy Families and employment-based coverage reported the most access to doctors' offices, and were least likely to lack a usual source of care.

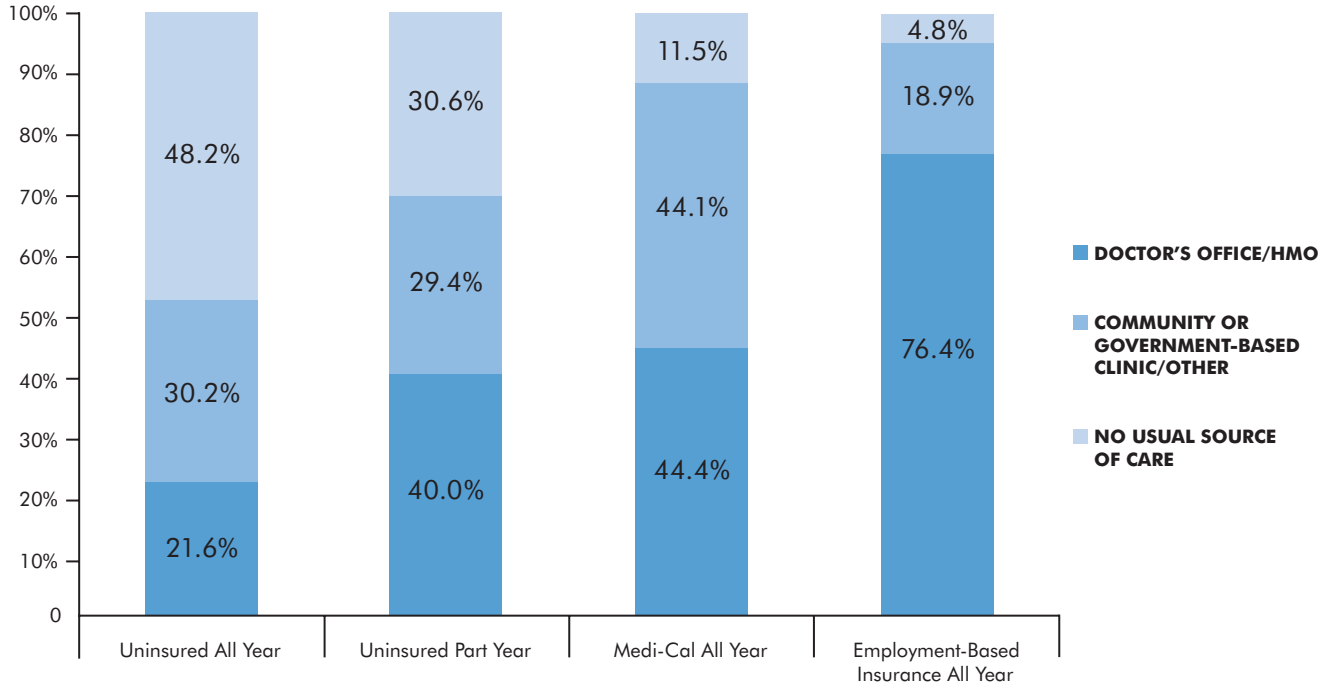
Medi-Cal and Healthy Families enrollees are most likely to receive their care from community-based or government clinics. Because community-based primary care clinics often target traditionally underserved areas, they are generally located in areas where low-income patients live. In addition, program payments are not high enough to induce many private doctors to treat these patients in their offices. Between 2001 and 2005, an increasing percentage of adults with Medi-Cal listed community-based or government clinics as their primary source of care, while fewer listed a doctor's office or HMO. Thus, community-based primary care clinics became even more important in ensuring access to care among poor and uninsured Californians during this time period.

EXHIBIT 49. USUAL SOURCE OF CARE BY INSURANCE TYPE, CHILDREN AGES 0-18, CALIFORNIA, 2005



Source: 2005 California Health Interview Survey

EXHIBIT 50. USUAL SOURCE OF CARE BY INSURANCE TYPE, ADULTS AGES 19-64, CALIFORNIA, 2005



Source: 2005 California Health Interview Survey

A further indicator of access to primary care is the length of time since seeing a doctor, (see Exhibits 51 and 52). Those uninsured throughout the year are much less likely to have seen a doctor in the past year, and much more likely to have not seen one in the past two years. Children and adults with Medi-Cal or Healthy Families reported rates of physician visits in the last year that are similar to those who have job-based coverage.

EXHIBIT 51. LENGTH OF TIME SINCE LAST DOCTOR VISIT BY INSURANCE TYPE, CHILDREN AGES 0-18, CALIFORNIA 2005

	TIME SINCE LAST DOCTOR VISIT			
	Children Ages 0-18			
Insurance Status	**Less Than 1 Year Ago**	**1 to 2 Years Ago**	**More than 2 Years Ago**	**Total**
Uninsured All Year	69.1	17.4	13.5	100%
Uninsured Part Year	84.9	9.7	5.4	100%
Medi-Cal/Healthy Families All Year	89.5	7.4	3.1	100%
Employment-Based Insurance All Year	89.7	7.2	3.1	100%

Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

EXHIBIT 52. LENGTH OF TIME SINCE LAST DOCTOR VISIT BY INSURANCE TYPE, ADULTS AGES 19-64, CALIFORNIA, 2005

	TIME SINCE LAST DOCTOR VISIT			
	Adults, Ages 19-64			
Insurance Status	**Less Than 1 Year**	**1 to 2 Years**	**More than 2 Years**	**Total**
Uninsured All Year	58.5	12.8	28.8	100%
Uninsured Part Year	79.3	10.5	10.2	100%
Medi-Cal All Year	86.2	7.2	6.6	100%
Employment-Based Insurance All Year	87.4	7.6	5.1	100%

Note: Numbers may not add to 100% due to rounding.
Source: 2005 California Health Interview Survey

Access Barriers Among Children

Lack of insurance was associated with reporting delays in obtaining needed medicine. Children up to age 11 who were uninsured part of the year were most likely to have delayed or not received medicine prescribed by a doctor (7.6%), followed by those who were uninsured all year (5.5%; Exhibit 53). Among children of all ages, those who were uninsured for part of the year were most likely to have delayed or not received medical care (14.1%), again followed by those who were uninsured for the entire year (9.6%).

It is interesting to note that those who were uninsured all year were less likely to have delayed or not received medicine or medical care than those who were uninsured for only part of the year. Children who were uninsured part of the year may have had more health problems than those uninsured all year, and their health problems may have led their parents to make greater efforts and greater sacrifices in order to get their children covered—despite the fact that their children also experienced periods of uninsurance.

EXHIBIT 53. ACCESS BARRIERS BY INSURANCE TYPE, CHILDREN AGES 0-17, CALIFORNIA, 2005

	ACCESS BARRIERS IN PAST 12 MONTHS	
	Children, Ages 0-17	
Insurance Status	**Delayed/Didn't Get Prescription Medication Ages 0-11***	**Delayed/Didn't Get Medical Care Ages 0-17***
Uninsured All Year	5.5%	9.6%
Uninsured Part Year	7.6%	14.1%
Medi-Cal/Healthy Families All Year	5.0%	6.1%
Employment-Based Insurance All Year	3.2%	4.5%

Notes: Numbers are individual rates and will not add to 100%.
*Age range differs because of how the CHIS 2005 survey was administered. Only the child survey (ages 0-11) included questions regarding delays in prescription drugs. The age range for "delays in care" is ages 0-17 because the adult interview (i.e. 18-year-olds) did not include questions regarding any delays in care.

Source: 2005 California Health Interview Survey

Preventive Care

Select measures of preventive care are compared across insurance categories among children and adults in Exhibits 54 and 55, respectively. Turning first to children, insurance coverage seems to make a substantial difference for well-child visits, but does not seem to matter as much for receiving flu shots (Exhibit 54). Children who were uninsured all year were nearly one-third less likely to have a well-child visit relative to the other insurance groups.

Uninsured adults also experienced barriers to preventive care for five different types of preventive care: flu shot in the past year, mammogram within the past two years, pap test within the past three years, PSA within the past year, and colonoscopy within the past five years (Exhibit 55). For example, relative to those uninsured all year, Medi-Cal enrollees were more than two times as likely to have received a flu shot and a colonoscopy (or sigmoidoscopy/ FOBT). Moreover, those with employment-based health insurance were nearly two times as likely as the uninsured all year to have received a flu shot and nearly three times as likely to have received a colonoscopy (or sigmoidoscopy/ FOBT) within the specified timeframe.

EXHIBIT 54. PREVENTIVE CARE BY INSURANCE TYPE, CHILDREN AGES 0-18, CALIFORNIA, 2005

	PREVENTIVE CARE IN PAST 12 MONTHS	
Insurance Status	**Had Flu Shot Ages 0-18**	**Had Well-Child Visit Ages 0-11**
Uninsured All Year	24.5%	53.3%
Uninsured Part Year	20.5%	78.1%
Medi-Cal/Healthy Families All Year	28.8%	77.1%
Employment-Based Insurance All Year	26.0%	78.0%

Note: Numbers are individual rates and will not add to 100%.
Source: 2005 California Health Interview Survey

EXHIBIT 55. PREVENTIVE CARE BY INSURANCE STATUS, ADULTS AGES 19-64, CALIFORNIA, 2005

	RECEIPT OF PREVENTIVE CARE				
	Adults Ages 19-64				
Insurance Status	**Flu Shot in Past Year**	**Mammogram Within the Past 2 Years***	**Pap Test Within the Past 3 Years***	**PSA Within the Past Year***	**Colonoscopy or Sigmoidoscopy and/or FOBT Within the Past 5 Years***
Uninsured All Year	11.7%	54.3%	71.8%	13.1%	20.1%
Uninsured Part Year	13.5%	64.0%	82.8%	20.9%	36.3%
Medi-Cal All Year	23.2%	68.6%	82.3%	22.4%	46.4%
Employment-Based Insurance All Year	21.7%	83.2%	91.6%	42.0%	54.6%

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

*As per clinical guidelines, we examine Mammogram rates for women for ages 40-64; Pap Test rates for women, ages 19-64; PSA Test rates for men, ages 50-64; and Colonoscopy/Sigmoidoscopy/FOBT rates for adults, ages 50-64.

Source: 2005 California Health Interview Survey

Asthma Care and Consequences

When examining asthma prevalence, children and adults with Medi-Cal/Healthy Families were much more likely to report having asthma than those who were uninsured for the whole year (Exhibit 56). Among those with asthma, insurance status affects access to care. It is important to keep in mind, however, that diagnosis of a chronic condition is closely linked to doctor visits, and that the uninsured have fewer visits, which could explain the lower prevalence. In relation to care for a diagnosed disease, however, children and adults enrolled in Medi-Cal/Healthy Families for the duration of the year were more likely to take medication for their asthma than those with employment-based insurance and the uninsured (Exhibit 56). Children who were uninsured part of the year were most likely to have received asthma management plans as compared to the other insurance groups. When looking at the adult population, those with employment-based insurance were most likely to have received a plan. While the results for the adults with employment-based insurance are not surprising, it is unclear as to why children who were uninsured part of the year were most likely to have received an asthma management plan.

Insurance also has an impact on consequences of asthma for children (Exhibit 57). Those who were uninsured (all or part year combined) were most likely to have had an ER visit for asthma (41%), followed by those with Medi-Cal/Healthy Families (29%), and those with employment-based insurance (17%). A higher proportion of asthma-related ER visits among uninsured children may have occurred because uninsured children are less likely to have a usual source of care for their medical needs (Exhibit 57). When examining the number of school days missed due to asthma among children, those who were uninsured part of the year missed more than twice as many days, on average, as children who were uninsured all year and children with employment-based insurance.

For adults with asthma, those who were enrolled in Medi-Cal/Healthy Families were most likely to report an asthma-related ER visit (Exhibit 57). There are at least two possible reasons for this finding. First, adults with asthma who are enrolled in Medi-Cal/Healthy Families may have worse asthma, on average, relative to those who have employment-based insurance or who are uninsured. Another possibility is that those enrolled in Medi-Cal/Healthy Families may have a higher propensity to use the ER for services because they may not have sufficient timely access to primary care providers.

EXHIBIT 56. PERCENT OF RESPONDENTS WITH ASTHMA AND ASTHMA CARE BY INSURANCE TYPE, AGES 0-64, CALIFORNIA, 2005

	CHILDREN AGES 0-18			ADULTS AGES 19-64		
Insurance Status	**Asthma Prevalence**	**Taking Medication for Asthma***	**Ever Given Asthma Management Plan***	**Asthma Prevalence**	**Taking Medication for Asthma***	**Ever Given Asthma Management Plan***
Uninsured All Year	4.2%	35.7%	44.9%	4.0%	38.4%	22.1%
Uninsured Part Year	8.5%	29.9%	52.0%	7.3%	34.5%	35.4%
Medi-Cal/Healthy Families All Year	10.0%	49.8%	40.6%	11.8%	63.0%	32.3%
Employment-Based Insurance All Year	10.6%	35.2%	40.5%	8.0%	39.7%	41.9%

Note: Numbers are individual rates and will not add to 100%.
*Rate among those with asthma.
Source: 2005 California Health Interview Survey

EXHIBIT 57. CONSEQUENCES OF ASTHMA BY INSURANCE TYPE, AGES 0-64, CALIFORNIA, 2005

	CONSEQUENCES OF ASTHMA			
	Children Ages 0-18		Adults Ages 19-64	
Insurance Status	**Had ER Visit for Asthma**	**School Days Missed Due to Asthma (Ages 0-17)**	**Had ER Visit for Asthma**	**Work Days Missed Due to Asthma**
Uninsured All Year	40.8%*	1.7	15.8%	1.7
Uninsured Part Year		3.7	9.7%	0.6
Medi-Cal/Healthy Families All Year	29.3%	2.1	31.1%	0.7
Employment-Based Insurance All Year	16.6%	1.2	10.0%	0.9

Note: Numbers are individual rates or counts and will not add to 100%.
*Uninsured all or part year combined.
Source: 2005 California Health Interview Survey

Other Chronic Diseases and Access Indicators Among Adults

Adults enrolled in Medi-Cal were more likely to report having diabetes (11%) and high blood pressure (26%) than other insurance groups (Exhibit 58). Importantly, the access indicators for these two chronic diseases appear to highlight successes of this program. Relative to the uninsured (all or part year), adults with diabetes who were enrolled in Medi-Cal were more likely to take insulin or pills for their diabetes. Moreover, the difference between Medi-Cal enrollees and the uninsured is particularly striking when examining access to blood pressure medication. Adults who reported having high blood pressure were much more likely to report taking medication for this condition if they were enrolled in Medi-Cal (60%) than if they were uninsured either part of the year (37%) or all year (33%).

EXHIBIT 58. SELECTED CHRONIC DISEASES OF ADULTS BY ACCESS INDICATOR AND INSURANCE TYPE, AGES 19-64, CALIFORNIA, 2005

	SELECTED CHRONIC DISEASE[i]	ACCESS INDICATOR[ii]
Insurance Status	**Diabetes Prevalence**	**Taking Insulin or Pills for Diabetes**
Uninsured All Year	5.0%	63.9%
Uninsured Part Year	3.9%	75.2%
Medi-Cal All Year	11.0%	81.9%
Employment-Based Insurance All Year	4.7%	87.7%
	High Blood Pressure Prevalence	**Taking Medication for High Blood Pressure**
Uninsured All Year	14.0%	32.5%
Uninsured Part Year	14.4%	36.7%
Medi-Cal All Year	26.1%	60.1%
Employment-Based Insurance All Year	20.3%	62.0%

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

[i] Rate among whole population.

[ii] Rate among those with the chronic disease.

Source: 2005 California Health Interview Survey

Mental Health Utilization Among Adults

Relative to the other three insurance categories, those enrolled in Medi-Cal for the duration of the year were the most likely to have reported needing mental health care (31%), the most likely to have reported seeing a psychiatrist in the past year (40%), and the most likely to have reported difficulty or delay in receiving needed mental health care (12.5%; Exhibit 59). Although this pattern may seem paradoxical at first, it could be explained by a selection of individuals with the most severe mental illnesses into Medi-Cal/Healthy Families that creates a heavy demand on the mental health care system, which may not be sufficiently met by the Medi-Cal/Healthy Families program(s). Because Medi-Cal/Healthy Families payments are generally not high enough to induce many private psychiatrists to treat individuals in these programs, these clients must often rely on an overburdened public mental health care system for their treatment.

EXHIBIT 59. MENTAL HEALTH UTILIZATION OF ADULTS BY INSURANCE TYPE, AGES 19-64, CALIFORNIA, 2005

	MENTAL HEALTH UTILIZATION		
	Adults Ages 19-64		
Insurance Status	Needed Mental Health Care in Past Year	Saw Psychiatrist in Past Year*	Difficulty or Delayed Getting Mental Health Care*
Uninsured All Year	22.5%	13.3%	8.4%
Uninsured Part Year	24.8%	25.5%	8.7%
Medi-Cal All Year	31.2%	40.3%	12.5%
Employment-Based Insurance All Year	17.1%	37.6%	4.8%

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

*Rate is among those who reported needing mental health care.

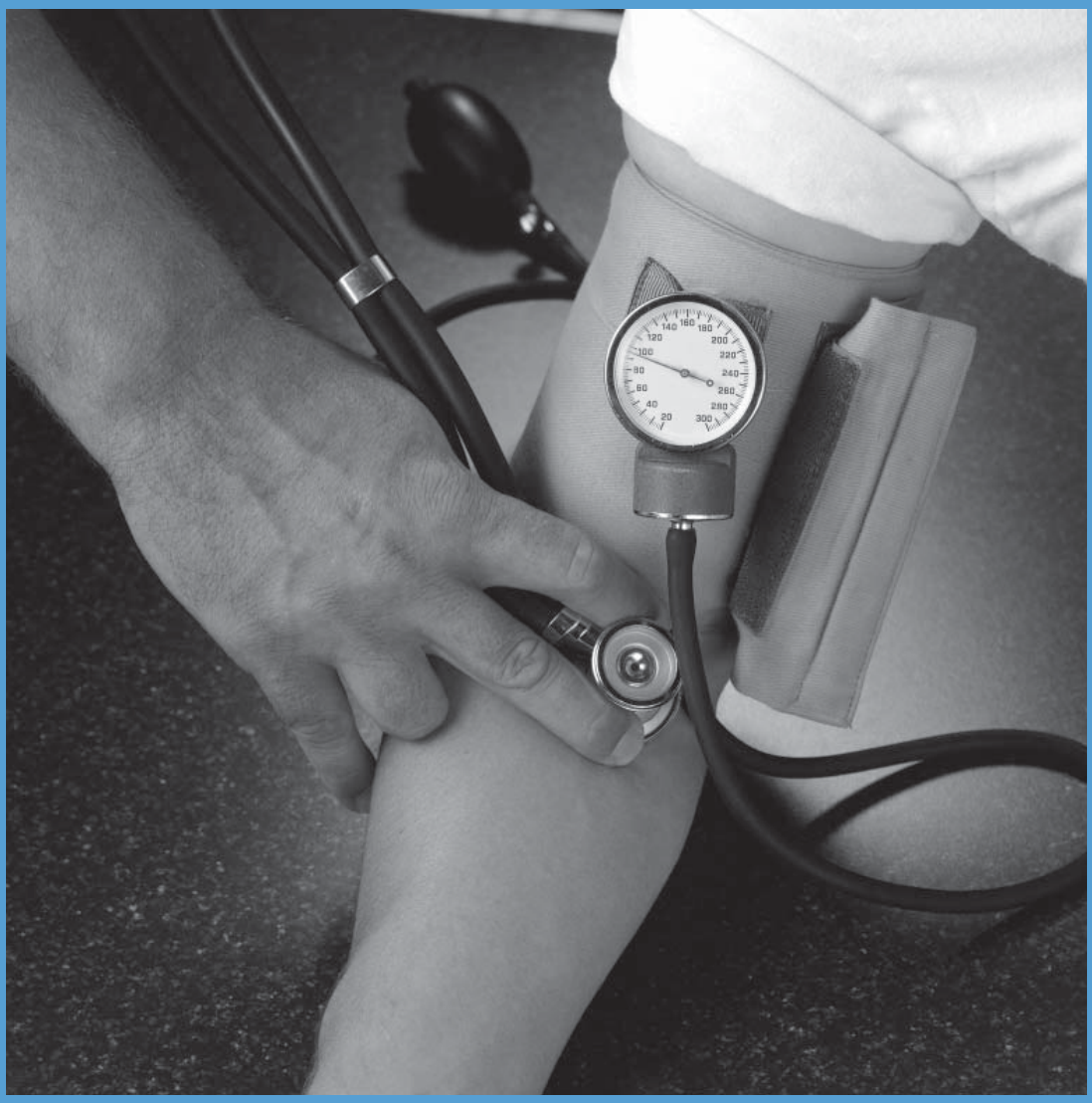
Source: 2005 California Health Interview Survey

Summary and Conclusions

Two major patterns emerge from the results. First, Californians who are uninsured all year suffer from severe access problems, in spite of having relatively poor health status. Second, and in stark contrast, those with Medi-Cal or Healthy Families coverage have achieved access that is often comparable to those with job-based coverage, in spite of their poorer health status relative to people with job-based coverage. The results in this section highlight many successes of these public insurance programs.

To illustrate, those uninsured the entire year are much more likely than other groups to: 1) have no usual source of care; 2) not see a doctor regularly or have a well-child visit; 3) not take medications for asthma, diabetes, and high blood pressure; or 4) receive any of a number of preventive care services. Individuals who are uninsured part of the year also tend to face access barriers for most of the measures reported in this section, although generally, these barriers are not as severe as those facing individuals who are uninsured the entire year. Those with Medi-Cal and Healthy Families do not suffer from most of these access problems. The main disadvantage, relative to those with job-based coverage, is their lack of access to care in a doctor's office.

These findings highlight the importance of Medi-Cal and Healthy families in ensuring health care access for populations that would otherwise be uninsured. From the previous sections, we saw that while employment-based coverage has eroded among the low-income population (<200%FPL), Medi-Cal and Healthy Families have buffered these declines in coverage. Importantly, these public programs have played a crucial role in ensuring health care access for children, as program expansions helped reduce the uninsured rate among this population between 2001 and 2005 (10.7% and 14.8%, respectively), in spite of a decline in dependent employer-based insurance coverage during this timeframe.



5

Conclusion

Expanding health insurance coverage to California's 6.5 million residents who lack it is a top priority of the state's policymakers. Governor Schwarzenegger and the leaders of the Legislature all agree on the importance of reforming our broken health insurance arrangements and assuring that California's children and adults have the coverage and the financial protection they need.

As policymakers grapple with these issues and develop health care reform legislation, and as Californians and the nation review the fruits of the policymaking effort in Sacramento, they would do well to keep in mind several key findings in this report:

First, employment-based insurance, especially family coverage, is in frail health and its condition may be irreversible. Adults' and children's coverage through employment-sponsored insurance fell between 2001 and 2005, despite a robust economy. It fell for children at all income levels, and it fell for adults below 300% of the federal poverty level.

Second, public coverage programs provide a patchwork safety net for children, one that could be expanded and strengthened. Just one in six children with family incomes below 200% of the poverty level (16%) were covered by their parent's employment-based insurance in 2005, down from one in four in 2001. That left 18% without any coverage for all or some of the year. Even among moderate-income children between 200 and 300% of the poverty level, just three in five were covered by a parent's job-based insurance in 2005, compared to four in five above that income level. That disparity in employment-based coverage resulted in an uninsured rate among these moderate-income children that is twice that of children with family incomes 300% of poverty and above. Children's uninsured rate would have been even higher if it had not been for their increased enrollment in Medi-Cal, Healthy Families, and the newer public-private local Healthy Kids programs. It took extensive efforts by State agencies, local health departments, county-sponsored health plans, and activist local coalitions of children's advocacy and philanthropic organizations to enroll—and keep enrolled—eligible children who otherwise would have been uninsured. Together, these efforts actually shrank children's uninsured rate, despite their declining employment-based coverage.

About three in five of currently uninsured children are eligible for Medi-Cal or Healthy Families, but getting all eligible children enrolled and keeping them covered will require more streamlining of these programs to remove bureaucratic barriers. **However, coverage is likely to remain an uncertain factor for children unless California takes the final steps needed to extend affordable health insurance coverage to all its children, regardless of immigration status—a policy option that appears to have widespread agreement and political support.**

Third, the erosion of job-based insurance is most severe for low- and moderate-income adults, but they lack the safety net that helps many children. Just one in five adults with family incomes below 200% of the poverty level had employment-based insurance throughout 2005, as low-wage working adults saw coverage through their own job and coverage through a spouse's employment both fall since 2001. Job-based insurance also declined among moderate-income adults (i.e., those between 200 and 300% of the poverty level), pushing up their uninsured rate.

For California's 2.4 million uninsured adult employees, lack of access to job-based insurance was the fundamental barrier that kept 80% of them from being insured. Over half of uninsured employees work for an employer that does not offer health benefits at all, and another 25% are not eligible for their employer's plan. But interestingly, neither the proportion of employees who work for an employer that offers health benefits nor the proportion that are eligible for health benefits changed much between 2001 and 2005.

However, the proportion who accepted health benefits when they were eligible declined between 2001 and 2005. That decline is not surprising in the face of dramatic increases in the costs of job-based insurance. Between 2001 and 2005, the costs of both individual worker coverage and family coverage rose at multiples of the rate of increase in workers' wages, and employers shifted more of their health benefit costs onto their workers even as they cut the value of those benefits by increasing cost sharing. Job-based insurance appears to be on its way to becoming a luxury item, available only to more affluent workers.

All of these dynamics have left nearly half of low-income adults uninsured for all or some of the year. Clearly, employment-based health insurance arrangements are failing these Californians. Although adults' enrollment in Medi-Cal grew slightly between 2001 and 2005, the program currently excludes most of the working uninsured—those who are not disabled and do not have dependent children, those who are not citizens and do not have green cards, and those whose incomes or assets exceed the very low levels allowed for adults.

Fourth, the lack of coverage has real consequences for access to important health care services and for the health of Californians, as well as shifting additional costs to taxpayers and those who pay for private health insurance. Data in this report demonstrate that the uninsured—both those uninsured all year and those uninsured part of the year—have more health problems than the insured, but get less care than children and adults with private health insurance. They have more limited connections to health care providers, get less preventive care, get less care for chronic illnesses, and are more likely to seek care for their chronic conditions from hospital emergency departments. Taxpayers pick up much of the bill when the uninsured get such care from public hospitals and clinics; and employers, employees, and the self-employed with private insurance pay a surcharge for uncompensated care provided to the uninsured in private hospitals.

Policy Options on the Agenda

If California adopts proposals to cover all children up to 300% of the poverty level through its existing public programs, it will not yet have tackled the issue of assuring coverage for 83% of its uninsured population—the 5.4 million adults who lack coverage all or some of the year. Given the almost negligible effects of attempts to induce employers to voluntarily offer coverage through tax credits and subsidies,[33] it appears that there are a limited number of effective ways to assure affordable coverage for low- and moderate-income adults, several of which are being considered in California. These include:

Pay-or-Play Mandate. Governor Arnold Schwarzenegger, Assembly Speaker Fabian Núñez and Senate President pro Tem Don Perata all have proposed variations of pay-or-play mandates. This option would require employers either to offer and help pay for health benefits, or to pay into a public purchasing pool that would provide coverage to the employer's workers. These policies provide effective ways to cover the state's employees, although they would not cover the 762,000 self-employed adults who were uninsured in 2005, nor employees in any small firms that might be exempted. The affordability to workers who would be required to accept their employer's offered coverage (the play approach) would depend on what share of the premium cost the employer is required to pay, and what level of subsidy is available through the public purchasing pool.

[33] See: Kronick R and Olson LC (2006), A needle in a haystack? Uninsured workers in small businesses that do not offer coverage, *Health Services Research*, 41(1): 40-57; and Reschovsky JD and Hadley J (2004), The effect of tax credits for nongroup insurance on health spending by the uninsured, *Health Affairs*, Jan-Jun; Supplement Web Exclusives:W4-113-27.

Individual Mandate. Another option would require all individuals to buy health insurance, a strategy undertaken last year by Massachusetts and proposed by Governor Schwarzenegger. The individual mandate could be effective in forcing coverage of all Californians, including the self-employed and those who work for an employer. However, it would require substantial revenues to fund subsidies for low-and moderate-income workers and their families, extending subsidies to everyone up to at least 300% of the federal poverty level. This option would be effective if all individuals could obtain their coverage through a public purchasing pool and with subsidies available to those who need them.

Single-Payer. A fourth option is to have the State or federal government replace private health insurance with a single-payer program for the entire population. A single-payer approach, such as the one proposed by Senator Sheila Kuehl, would effectively extend affordable coverage to all Californians, but single-payer proposals have long been advocated by passionate supporters and effectively opposed by numerous health insurance and medical care interest groups and business groups.

All of these options should pay special attention to assuring the affordability and continuity of coverage for children and adults. **Lack of access to affordable health insurance is the main obstacle to coverage for working families and individuals.** And the lack of continuous coverage, both in terms of long-term uninsurance and of disruptions in coverage, has been shown to adversely affect access to necessary medical care with associated negative consequences for the health of Californians.

APPENDIX:

Estimating Uninsurance Using Population-Based Survey Data

This report is based on data from the California Health Interview Survey (CHIS), conducted by the UCLA Center for Health Policy Research in collaboration with the California Department of Public Health and the Public Health Institute. In this Appendix, we describe the survey and discuss the relationship of its estimates to another widely-cited source of data on health insurance coverage, the Current Population Survey (CPS).

The California Health Interview Survey

CHIS is a biennial telephone survey of the California population living in households. CHIS 2005 interviewed 45,649 households, including information on 43,020 adults, 4,029 adolescents and 11,358 children. Adults age 18 and over and adolescents ages 12-17 were interviewed directly; information on children was obtained by interviewing the most knowledgeable parent. Information about adolescents' health insurance coverage was also obtained from the most knowledgeable parent. Interviews were conducted between July 11, 2005 and April 3, 2006. CHIS 2001 included information on 56,270 adults, 5,858 adolescents and 12,802 children. CHIS 2003 included 42,044 adults, 4,010 adolescents and 8,526 children. For more information about CHIS survey methods, please visit: **www.chis.ucla.edu.**

Funding for CHIS 2005 was provided by the California Department of Health Services; 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 Marin County Department of Health and Human Services; First 5 Marin Children and Families Commission; the Center for Public Policy Research at the University of California, Davis; the U.S. Centers for Disease Control and Prevention; the Solano County Health and Social Services Department; and the Humboldt County Department of Health and Human Services.

How CHIS Estimates of the Uninsured Compare to the CPS

Conducted by the U.S. Census Bureau, the CPS is the most widely used data source to measure health insurance coverage, both nationally and in individual states. However, there is growing recognition of limitations in the CPS estimates of uninsurance.[34] The federal government conducts at least six surveys that measure health insurance coverage, and they all yield different estimates of uninsurance. Most of these differences are due to methodological differences across the surveys. However, because the CPS sample is designed to provide reasonably stable estimates of coverage for all states, it remains the most commonly cited data source for these estimates.

More than 40 states conduct their own surveys which they use to develop their own health insurance estimates. Call and her colleagues[35] have recently compared results of a number of these state surveys, including CHIS, with data from the CPS (2007). They find that nearly all state surveys estimate a smaller number of uninsured than CPS does for that state, and they attribute the differences in estimates of uninsurance to methodologic differences between the surveys. In their analysis, they attribute differences to four main factors: 1) wording of questions in the surveys; 2) sample design; 3) differences in response rates; and 4) data processing methods. CHIS, specifically, differs from CPS significantly on three of these four measures, contributing to a CHIS estimate of all-year uninsurance that is one-third lower than the CPS estimate (18.4% CPS[36] compared to 11.1% CHIS for 2005). In terms of nonresponse bias, CHIS suffers the same declining response rate for a telephone survey as others do.

While some research has shown that the nonresponse bias in these surveys likely has no effect on the data estimates, the true effect is still unclear.[37]

CHIS FOCUSES ON HEALTH, CPS FOCUSES ON EMPLOYMENT AND INCOME

The CHIS interview asks respondents numerous questions about their health insurance, and it is part of an extensive set of health topics on which the survey focuses. Questions on health insurance coverage follow questions on the use of health care services, which follow questions on health status and conditions. Asking about health insurance coverage after a series of questions on health status, health conditions and use of health services has the effect of improving respondent recall about health care coverage. In contrast, the CPS questions on health insurance are part of the Annual Social and Economic Supplement (ASEC), administered in February to April, which focuses primarily on labor force issues and income; it includes a short series of questions about health insurance toward the end of the interview.

In addition, CHIS asks respondents questions about their health insurance coverage and lack of coverage at the time of the interview, and an additional set of questions that focuses on health insurance coverage and uninsurance during the preceding 12 months. These two timeframes yield three separate measures of uninsurance: a point-in-time estimate (uninsured at the time of the survey), an estimate of those who were uninsured all of the last 12 months, and an estimate of those who were uninsured at any time during the last 12 months. In contrast, the CPS yields a single estimate of uninsurance derived from a few questions asking respondents about coverage at *any time* during the preceding calendar year.

[34] Call KT, Davern M and Blewett LA, "Estimates of Health Insurance Coverage: Comparing State Surveys with the Current Population Survey," *Health Affairs* 2007; 26: 269-278.

[35] Call KT, et al., "Estimates of Health Insurance Coverage: Comparing State Surveys with the Current Population Survey."

[36] Estimates using the revised 2006 and 2005 Current Population Surveys, http://www.census.gov/hhes/www/hlthins/hlthins.html, accessed 4/06/07.

[37] Davern M, et al., "Are low response rates hazardous to your health?" Presentation at AMSTAT's Telephone Survey Methods II Conference: Miami, FL, January 2006.

The resulting estimate of uninsurance ostensibly reflects lack of coverage throughout the entire year. Health services researchers disagree about whether the CPS estimate truly reflects a lack of insurance from January to December of the previous year, or more closely reflects a point in time estimate,[38] but the *prima facie* interpretation of CPS-based estimates of health insurance coverage and uninsurance should be for the calendar year before the survey year (that is, estimates for 2005 would be made from the 2005 CPS).

The CHIS 2005 estimate for the rate of nonelderly Californians who were uninsured all year is 11.1%; the estimate drawn from an average of the 2005 and 2006 CPS surveys is 18.4%.[39] Most state surveys also include more questions on health insurance than does CPS, although few approach the thoroughness of the CHIS questions on this issue. Virtually all state surveys of health insurance coverage result in estimates of uninsurance that are lower than estimates for the same duration of time based on CPS data.

Compared to CPS, however, CHIS questions achieve a higher estimate for Medi-Cal coverage, a separate estimate for the Healthy Families Program, a higher total estimate for coverage through public programs, and a higher estimate of employment-based health insurance coverage. The extensive set of health insurance questions in CHIS was designed, in part, to reduce underreporting of health insurance coverage, especially in Medi-Cal (California's Medicaid program). Underreporting of Medicaid or other health insurance coverage can inflate estimates of uninsurance, and is of concern among policy experts. All population-based surveys across the country, including CPS, underestimate coverage by Medicaid when those estimates are compared to enrollment numbers from Medicaid administrative data. This undercount is due in part to the limited questions asked about Medicaid and other health insurance coverage, but it is also due to some Medi-Cal beneficiaries not realizing they have coverage for a variety of reasons. The UCLA Center for Health Policy Research is doing research on this issue, including a special CHIS survey of a sample of adult Medi-Cal beneficiaries drawn from administrative rolls, which was conducted in collaboration with researchers at the University of Minnesota. That survey suggests that some beneficiaries do misreport their coverage, but the difference is small and most of it attributable to beneficiaries who do not have the full scope of Medi-Cal benefits.[40]

CHIS AND CPS DIFFER IN SAMPLE DESIGN

One difference is that CPS is based on an "area probability sample" while state surveys, including CHIS, are based on "random-digit-dial telephone samples." CPS thus includes households without any telephone, contacting them through an in-person interview. CHIS surveys only households with landline telephones because the entire survey is administered by telephone, but we collect information on interruptions in telephone coverage. We use that information in weighting the CHIS sample to compensate, in part, for the very small percentage of households that do not have telephones. This adjustment may not compensate fully for households that never have a telephone, and persons in such households have a higher uninsured rate than those with access to telephones.

CHIS 2007 will address these problems. It will include an area probability sample, which will reach people without telephones as well as those with phones. The area probability sample will enable us to test differences between those who are reached through the main telephone survey and those who are reached through the area

[38] Lewis K, Ellwood M and Czajaka J. *Counting the Uninsured: A Review of the Literature,* Occasional Paper Number 8. Washington, DC: The Urban Institute, July 1998.

[39] Estimates using the revised 2006 and 2005 Current Population Surveys, http://www.census.gov/hhes/www/hlthins/hlthins.html, accessed 4/06/07.

[40] Kincheloe JR, Brown ER, Frates J, Call TH, Yen W and Watkins J, "Can We Trust Population Surveys to Count Medicaid Enrollees and the Uninsured?" *Health Affairs* 2006; 25:1163-11637.

probability sample. In addition, CHIS 2007 will include a sample of persons who have only a cell phone (i.e., no landline), a group that has a higher uninsured rate than persons with access to landlines.[41]

CPS HAS A HIGHER RESPONSE RATE

The CPS has a higher response rate than any of the state surveys. The CPS response rate was 85% in 2003, while in the CHIS 2003 household the screener completion rate was 55.9%, and the adult interview completion rate was 60%; the overall response rate is the product of those two rates, or 33.5%. Response rates have been declining for all surveys, including the CPS, and are lower in California than in other parts of the nation. In CHIS 2005, the screener completion rate was 49.8%, the adult interview completion rate was 55.9%, and the overall response rate was 29.6%. It is possible that low response rates can result in a bias in the sample, if people who respond to the survey are systematically different from those who do not respond in ways that affect responses to survey questions. However, there is no evidence that low response rates actually do result in biased samples, although the possibility cannot be ruled out.[42] Nevertheless, based on benchmarking of CHIS against U.S. Census data and the Behavioral Risk Factor Surveillance Survey for California (which has a response rate that is similar to CHIS), the CHIS sample appears to be very representative of the state's population living in households.

DATA PROCESSING DIFFERENCES ARE SMALL

The differences in data processing methods between CHIS and CPS are small, and the points on which they differ may make CHIS more representative of California than is CPS. Both CHIS and CPS use similar methods to impute missing values (or responses to questions) at the individual level (called "hot decking"), suggesting that the differences due to imputation are not due to variations between techniques. The "hot deck" method requires randomly matching respondents that have missing data with complete files that have similar multivariate characteristics. Imputation therefore relies on the sample pool from which the respondents are matched. For CPS, imputation occurs at a national level and does not include a state identifier in the regression model, as pointed out by Call et al.[43] This means that the differences between states will be overlooked in imputation, and any intra-state variation will be ignored by the model. Because CHIS utilizes its California sample, the resulting imputations may better represent the state's population. CHIS and CPS similarly edit respondents' answers to questions that indirectly relate to health insurance coverage, which would therefore not account for the difference in overall estimates from the two surveys.

Conclusions

Survey estimates paint with a broad brush, providing us with a picture of the social landscape. Population-based surveys, such as CHIS, continue to be the only source of estimates for both the number of Californians who lack insurance, and the number who are eligible for public insurance programs, yet remain uninsured. Additionally, a large population-based survey such as CHIS remains an invaluable tool for understanding the relationship between self-reported insurance status and overall health, access to care, health-related behaviors and quality of life. Although CPS can provide comparisons between California and other states or the nation as a whole, CHIS data gives a more detailed picture of the health of Californians, both statewide and at the county level.

[41] Blumberg SJ, Luke JV and Cynamon ML, "Telephone Coverage and Health Survey Estimates: Evaluating the Need for Concern About Wireless Substitution," *American Journal of Public Health*. 2006; 96:926–931.

[42] Call KT, et al., "Estimates of Health Insurance Coverage: Comparing State Surveys with the Current Population Survey," 2007.

[43] Ibid.

notes

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