

# Distinctive Features of California's Health System: A California Perspective on National Reforms

## A Chart Book

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## **About the author**

Stan Dorn, J.D., has served as Senior Policy Analyst at the Economic and Social Research Institute since January 2002. Before ESRI, Dorn directed the Health Consumer Alliance, a consortium of legal services groups in California that help low-income consumers obtain necessary health care. Previously, he served as director of the Health Division at the Children's Defense Fund, directed the Washington, D.C., office of the National Health Law Program (NHeLP), and served as a staff attorney in NHeLP's Los Angeles headquarters.

## **About the Economic and Social Research Institute**

The Economic and Social Research Institute is a non-partisan, non-profit research organization headquartered in Washington, D.C., and founded in 1987. Specializing in health and social policy research, ESRI conducts research and publishes studies directed at enhancing the effectiveness of social programs, improving the way health care services are organized and delivered, and making quality health care accessible and affordable.

## **Acknowledgements**

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# Introduction

As a new Congress and Presidential term begin, the issue of the uninsured remains pressing. National proposals to address this problem include measures to reduce the cost of health coverage (such as limits on medical malpractice liability, steps to help small businesses purchase coverage collectively, and moves towards high-deductible insurance supported by health savings accounts). Additional proposals would use federal income tax credits to subsidize the purchase of health insurance or expand public programs like Medicaid and SCHIP.

Inevitably, such national proposals have different consequences in different states. This chart book analyzes national reforms from the standpoint of California's health system, sketching out some of the state's distinctive characteristics and identifying the resulting implications for how California policymakers might evaluate national reform proposals.

# Organization and Contents

This chart book compares California and the country as a whole in terms of the following topics:

- A. The prevalence of uninsurance;
- B. Health care costs;
- C. Employer-sponsored insurance (ESI);
- D. Ethnicity, immigration, and residence;
- E. Medicaid, SCHIP, and indigent care; and
- F. Income.

The final page contains full citations to specific sources mentioned in any of these sections.

# Preliminary notes of caution

Many of the numbers in the following charts come from different analyses published by different authors using different surveys taken at different times. For example, one analysis by the Employee Benefits Research Institute (EBRI) found that, from 2001 through 2003, an average of 21 percent of Californians were uninsured, compared to 17 percent of all Americans. This analysis used Current Population Survey data from the Census Bureau. An different analysis by the Urban Institute examined data from the 2002 National Survey of America's Families and concluded that 19 percent of Californians were uninsured in that single year, compared to 15 percent of all Americans.

As this example illustrates, different studies can show a consistent general pattern along with specific numbers that vary somewhat. This is unsurprising, given variations in survey methodology, time frame, and method of analysis.

Combining diverse sources of objective, credible information that examine common topics from different angles can yield important insights. At the same time, specific numbers will inevitably vary from source to source, even as the basic picture remains the same; and the reader is urged to exercise great caution in adding together different estimates from varying sources. Any precise number that results from such calculations may provide nothing more than a ballpark estimate.

In addition, the following charts do not estimate the statistical significance of differences between California and the country as a whole. Rather, they simply present descriptive statistics based on published reports. Testing those descriptive numbers for statistical significance was beyond the scope of this analysis.

Finally, this chart book is not focused, in any way, on the merits of national proposals to expand health coverage. Instead, it seeks merely to identify some of the unusual features of California's health care system that give the state's residents a particular kind of stake in some of the national proposals to help the uninsured.

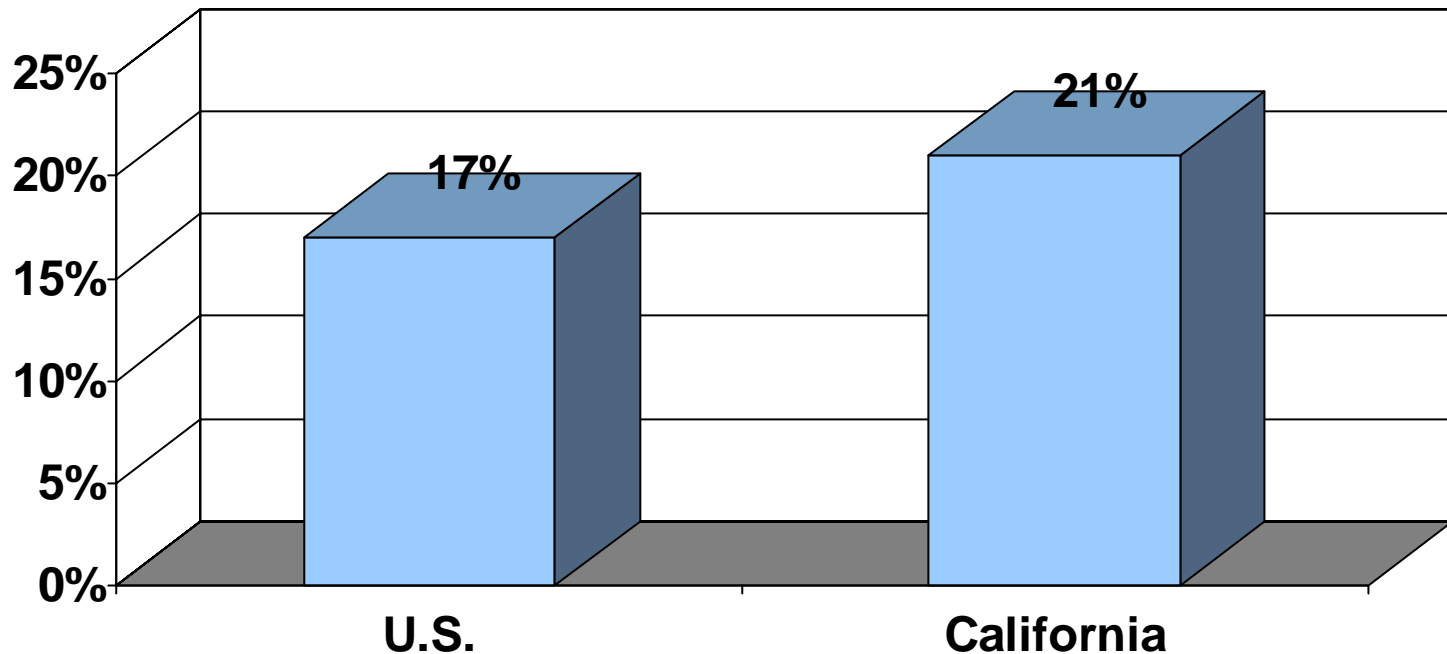
# Part A. The prevalence of uninsurance

Compared to Americans as a whole, Californians are far more likely to be uninsured. From 2001 through 2003, an average of 21 percent of Californians were uninsured, compared to 17 percent of Americans. Only five states had a higher percentage of uninsured residents (Texas, New Mexico, Louisiana, Oklahoma, and Florida). Compared to the rest of the country, adults in California were much more likely to go without physician care because of cost (13 percent vs. 10 percent).

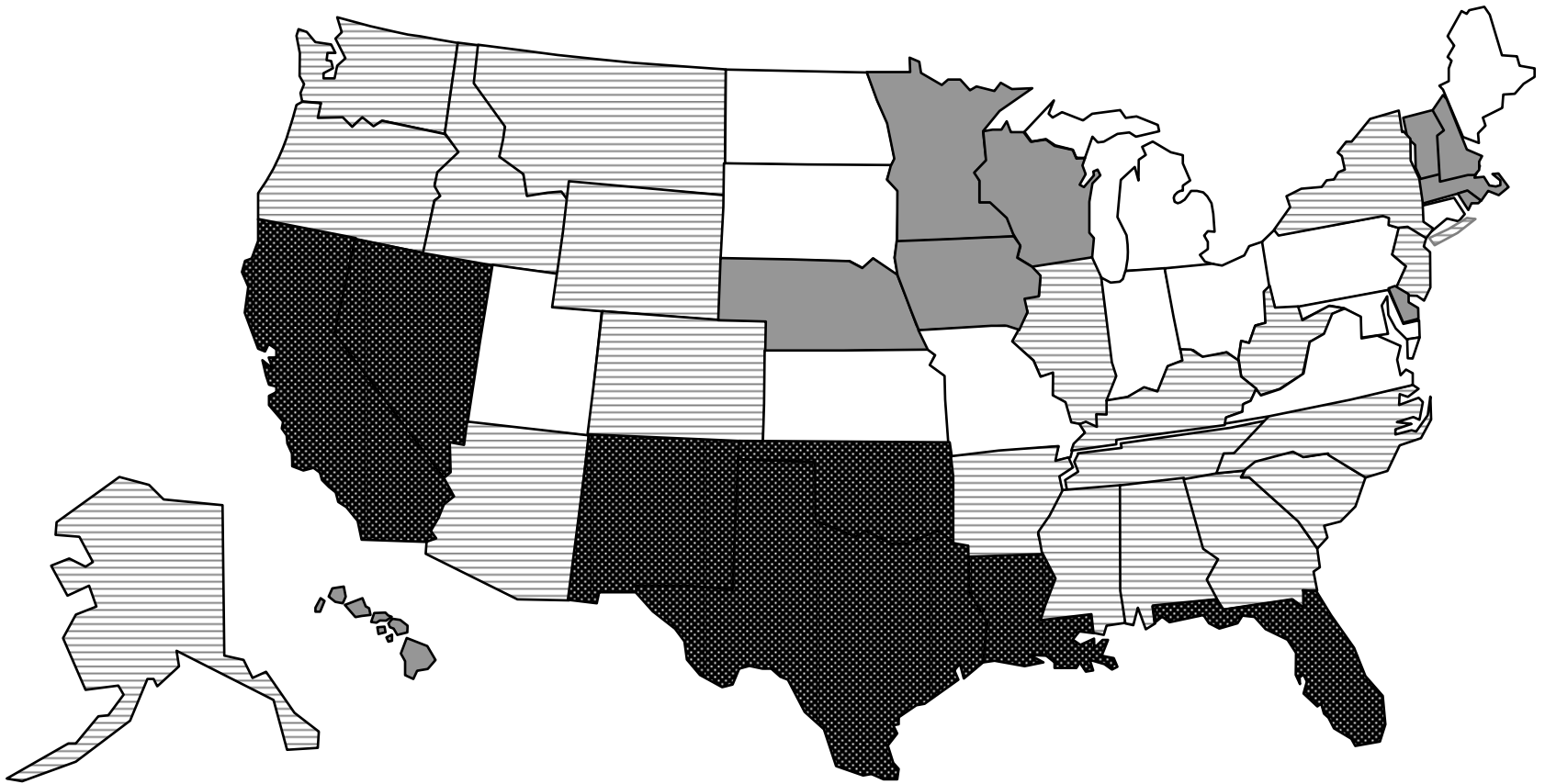
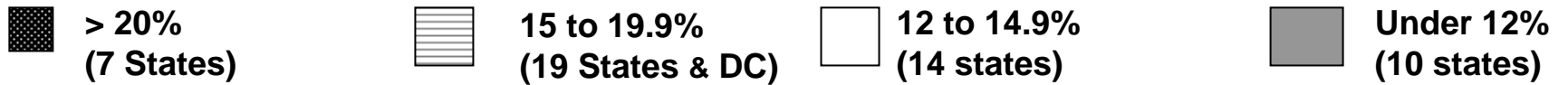
*This suggests that Californians could achieve particularly great gains from national policy changes that reduce the number of uninsured.*

# Chart 1. Compared to Americans in general, Californians are more likely to be uninsured

**Percentage of residents under age 65 without health insurance, U.S. vs. California: 2001-2003**



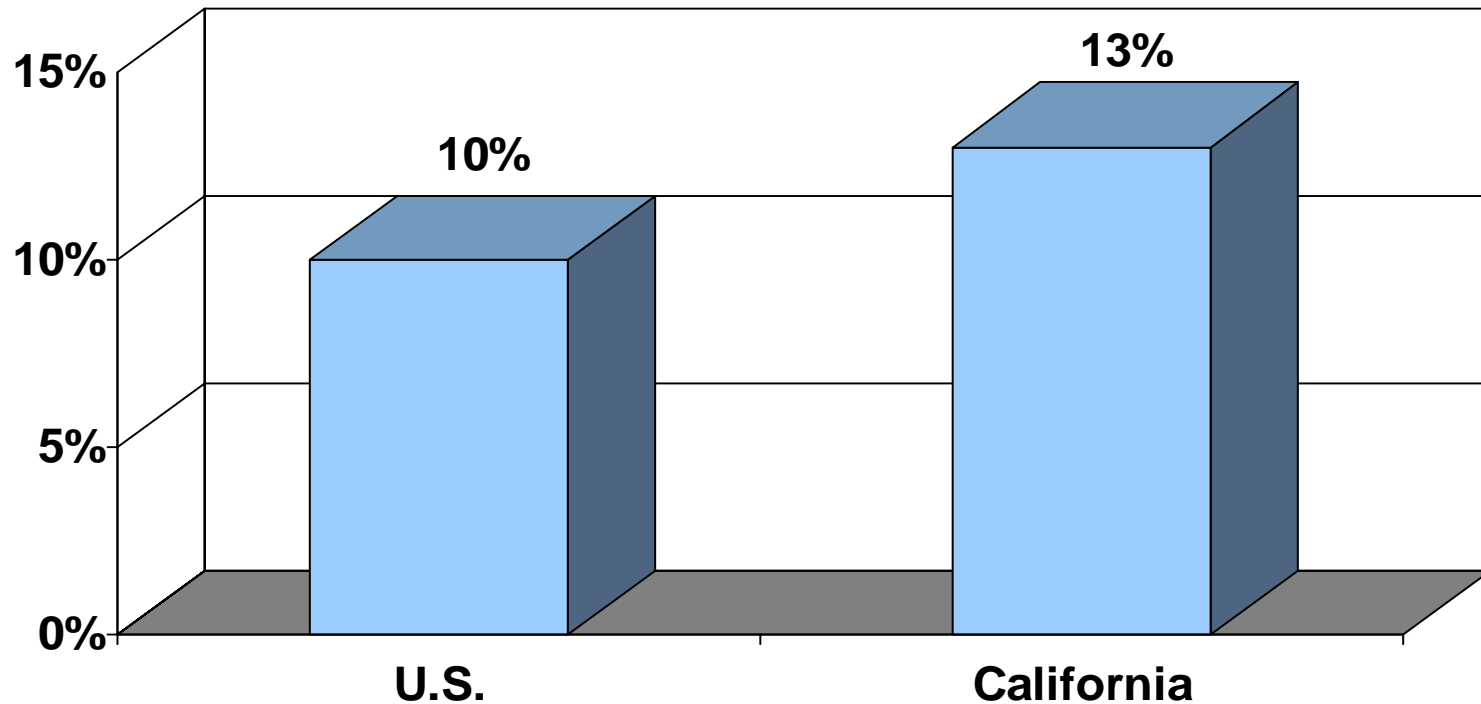
# Chart 2. Proportion of residents under age 65 without health insurance, by state: 2001-2003





# Chart 3. In important ways, Californians have less access to care

Percentage of Adults Who Did Not Visit a Doctor at Least Once in the Past Year Because of Cost, U.S. vs. California: 2000



Source: The Henry J. Kaiser Family Foundation and the Center for Health and Public Policy Studies at U.C. Berkeley California (KFF/CHPPS), August 2004, citing Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System. **Note: Uninsurance is an important but not the only reason an adult may be deterred by cost from visiting a doctor. However, on average, cost-sharing is lower and benefits broader among the insured in California than in the U.S. as a whole.**

# Part B. Health care costs

Although average health insurance premiums in California rose above national levels in 2004, health care costs in California have historically been below those in the country as a whole. In fact, from 1991 to 1998, California's health spending rose at a 3.5 percent average annual rate, the lowest such growth rate in the country and well below the national average of 4.9 percent. This lower spending level has been reflected in less health care employment, along with fewer hospital beds and nurses and lower average physician income. (Lags in state-specific data produced by HHS limit *current* information about comparative health spending to employer premiums.) Half of California's insured are covered through HMOs (double the national percentage), which helps lower costs. (Note: this analysis does not attempt to evaluate the desirability of these cost differences, analyze their causes, or predict their persistence; it merely describes them and possible implications for national reform).

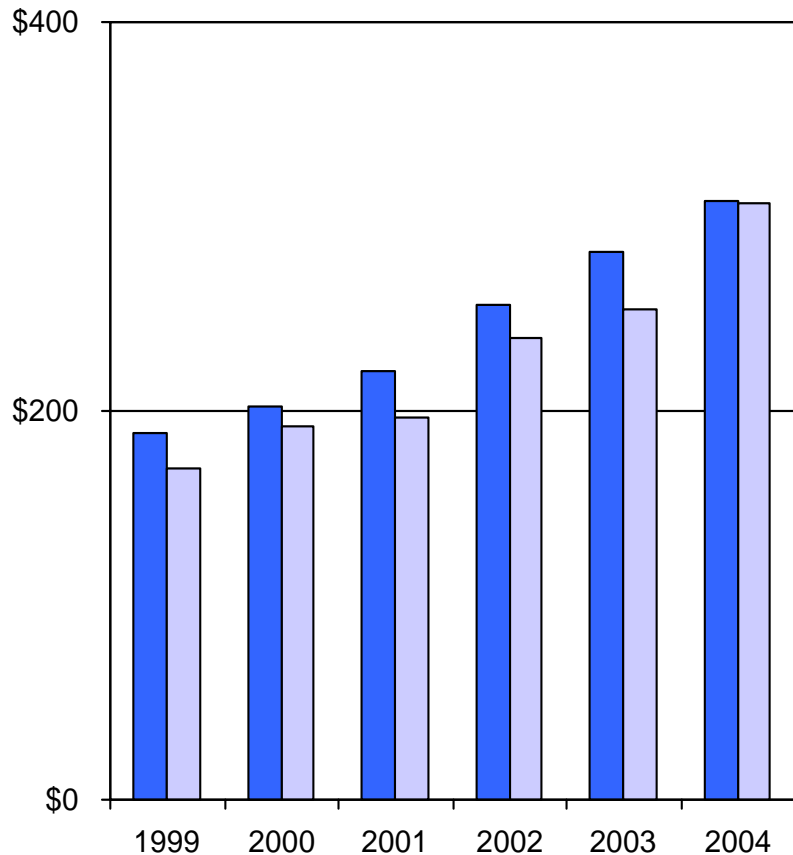
Moreover, without analyzing the merits of national proposals aimed at restraining health care costs, many of the such proposals' targets have already been addressed, at least to some degree, in California. For example:

- With a \$250,000 cap on non-economic damages, California tightly limits medical malpractice awards.
- Small businesses in California have access to two of the country's most successful small business purchasing pools: PAC Advantage and California Choice. These programs offer diverse coverage, including high-deductible plans with Health Savings Accounts.
- The General Accounting Office classifies mandated benefits in California in the middle range among states. To prevent unwarranted new mandates, the state now has a formal process, overseen by the University of California, for estimating the cost and benefits of mandate proposals before enactment.
- On the other hand, state law protections in addition to benefit mandates have an unusually significant impact on consumers, with California's Department of Managed Care resolving under state law more than 135,000 individual problems with HMOs in 2003.

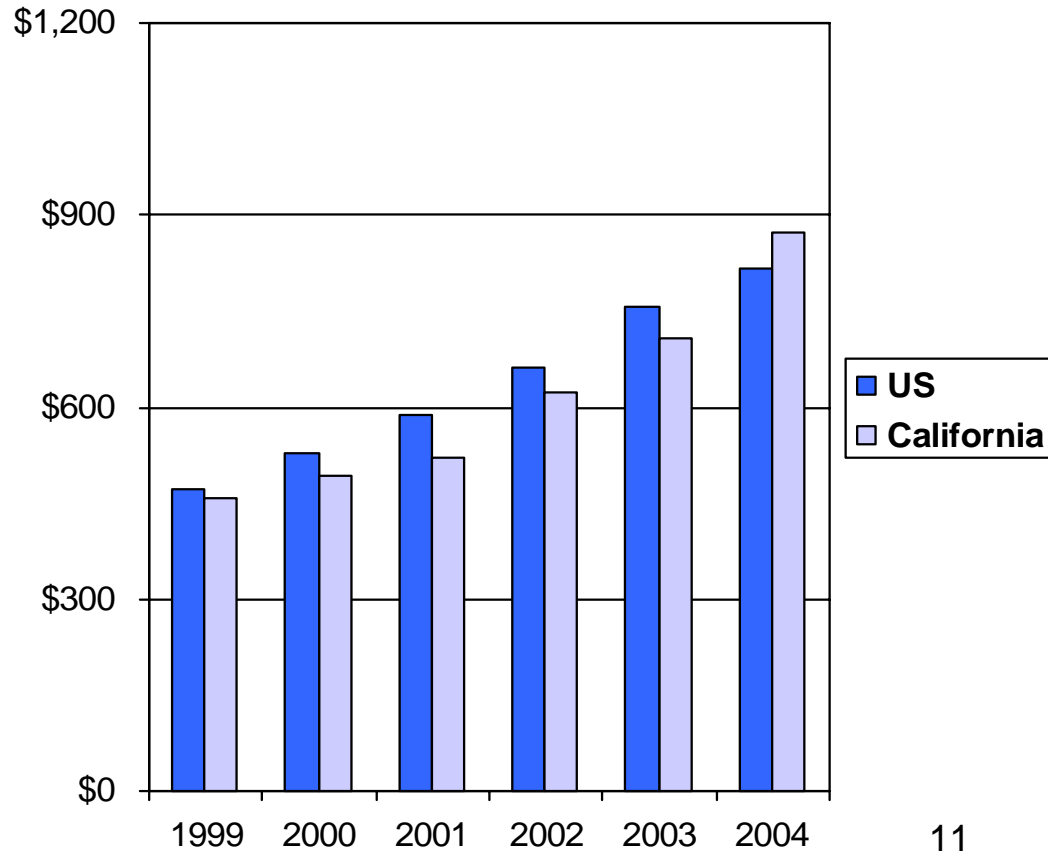
*In California, it is not clear how much (if at all) health care costs would be further reduced or coverage expanded by proposed national reforms such as limits on malpractice recoveries or expansions of Association Health Plans (AHPs). Further, proposals like AHPs that end state insurance agencies' jurisdiction over workers at participating small firms could deprive such California workers of valuable assistance provided by the state's insurance officials. In addition, the state's health care infrastructure may potentially be unusually vulnerable to major national reductions in health care spending.*

# Chart 4. Until 2004, premiums for employer-based plans were lower in California: Average monthly premiums, 1999-2004

## Single coverage

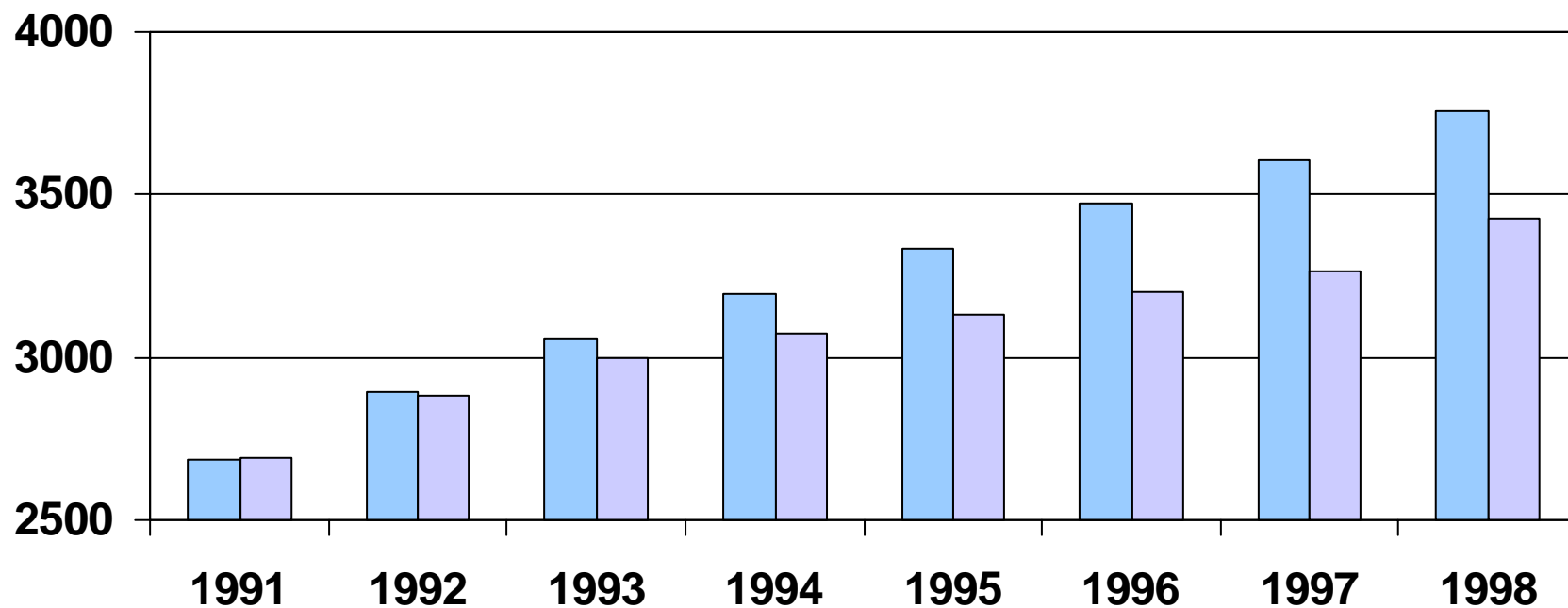


## Family coverage



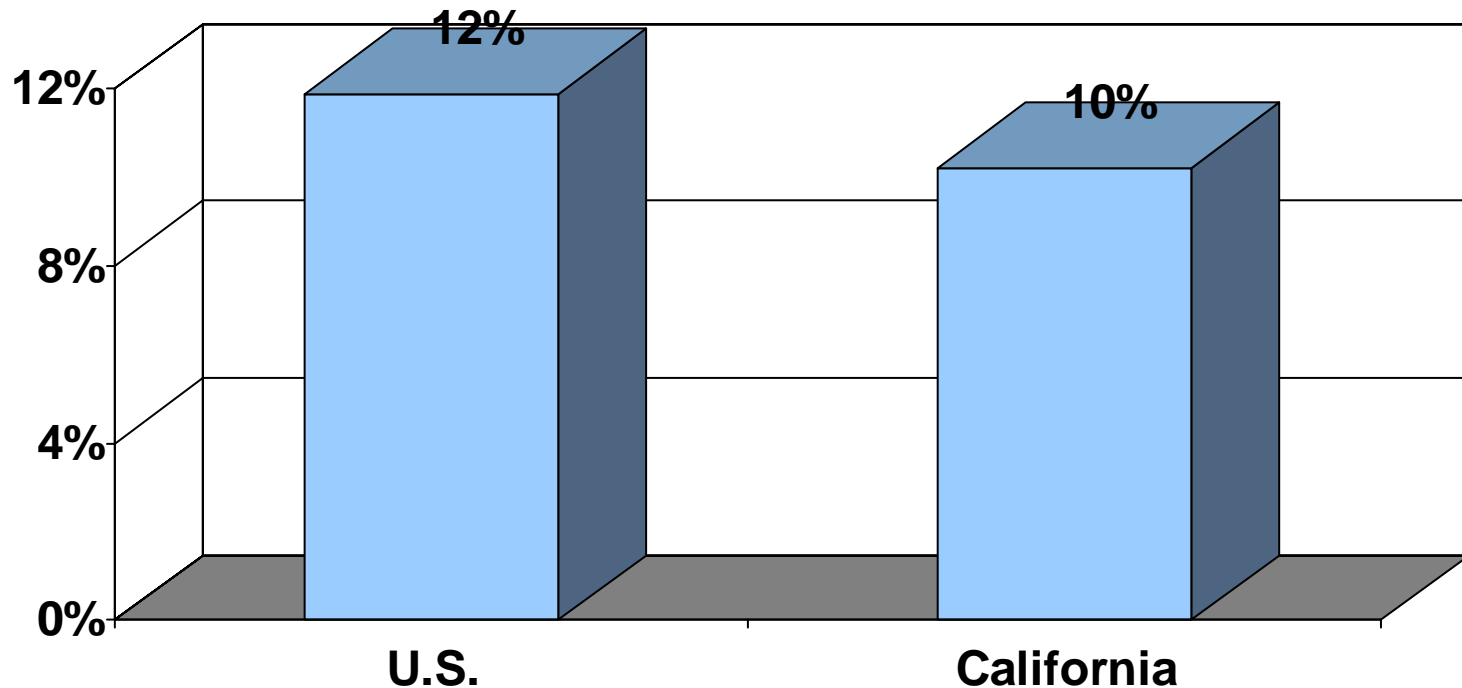
# Chart 5. Californians have historically spent less on health care

**Health care expenditures *per capita*, U.S. vs. California: 1991-1998**



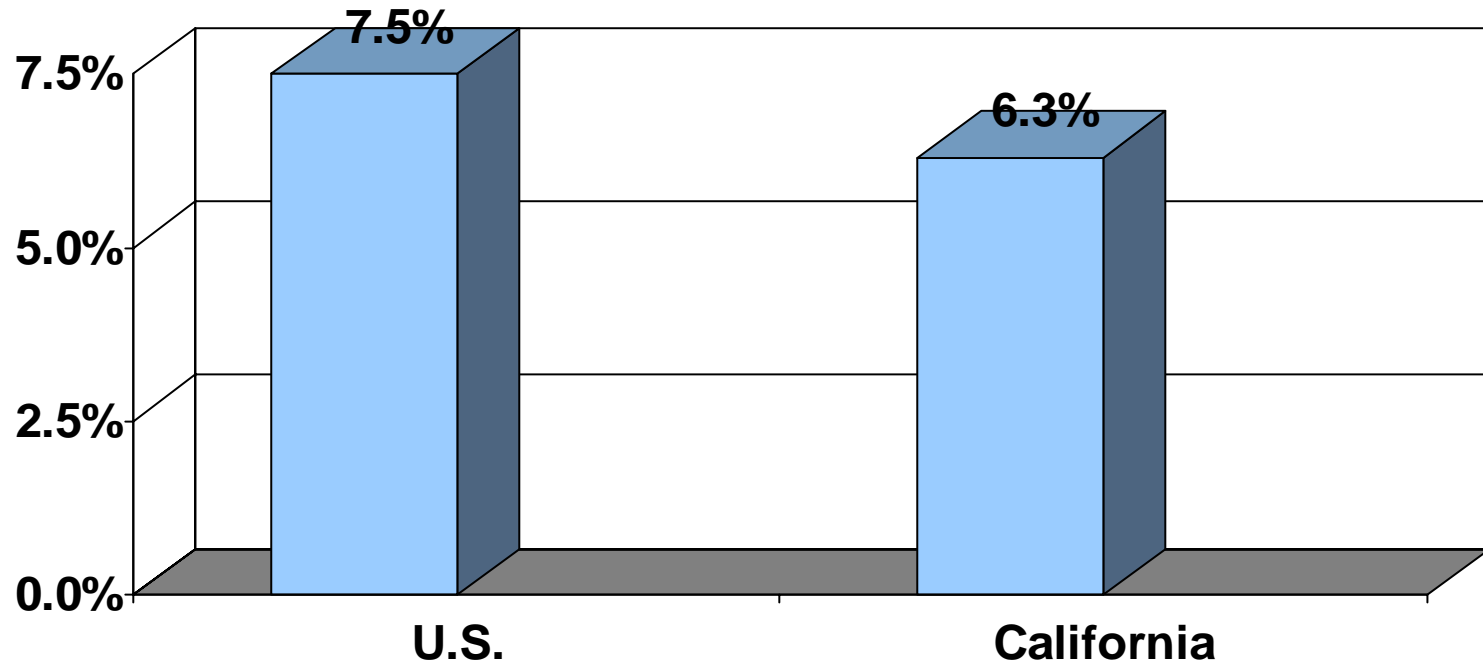
# Chart 6. Health care comprises less of California's economy

**Health care spending as a percentage of Gross State or National Product, U.S. vs California:  
1997**



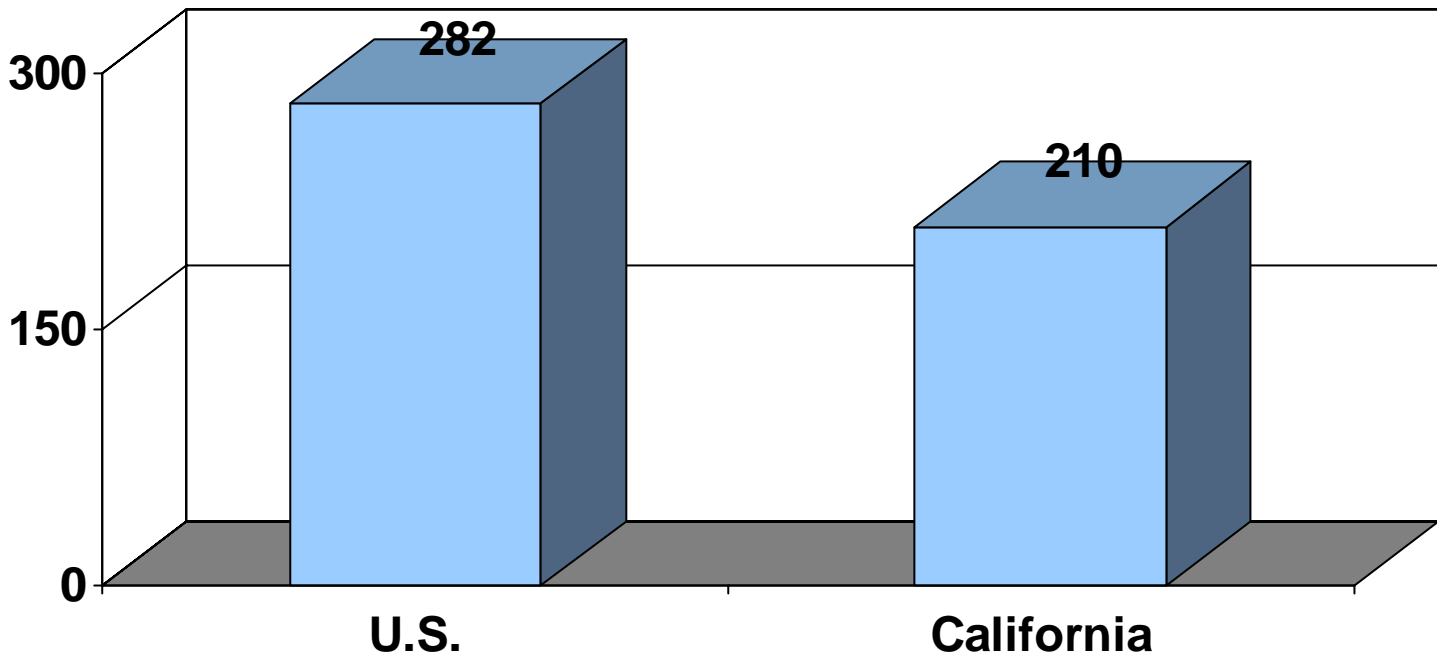
# Chart 7. In California, the health care industry employs a smaller percentage of workers than in the U.S. as a whole

**Health care employment as a percentage of total employment, U.S. vs. California: 2002**



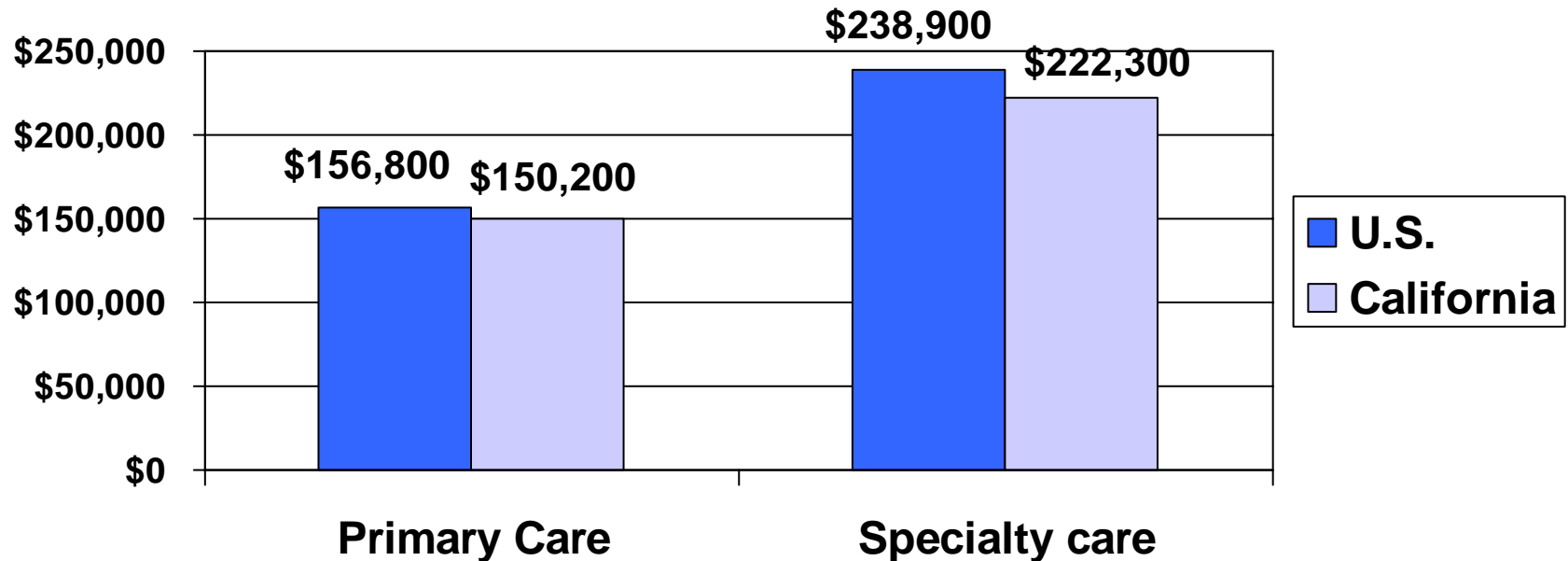
# Chart 8. California has fewer hospital beds

**Community hospital beds per 100,000 population, U.S. vs. California: 2003**



# Chart 9. Doctors tend to earn slightly less in California

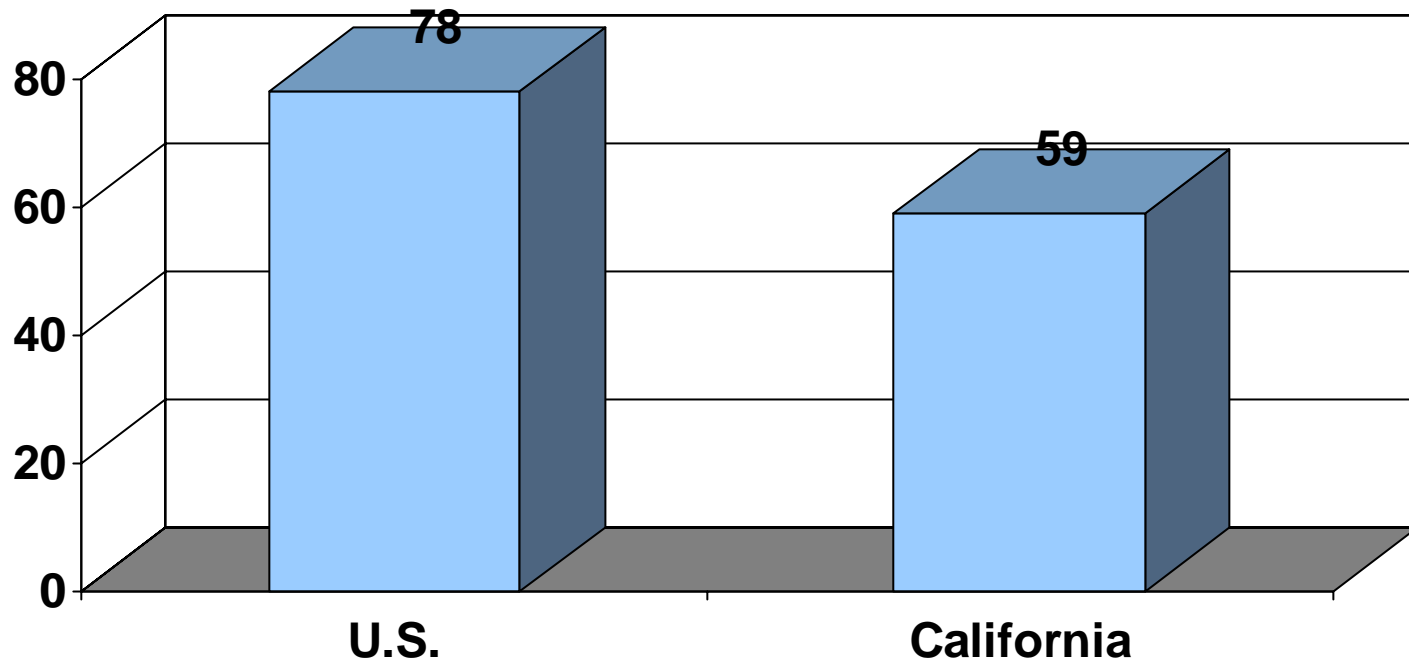
**Mean physician annual income, primary care and specialty care providers, U.S. vs. California: 2000**



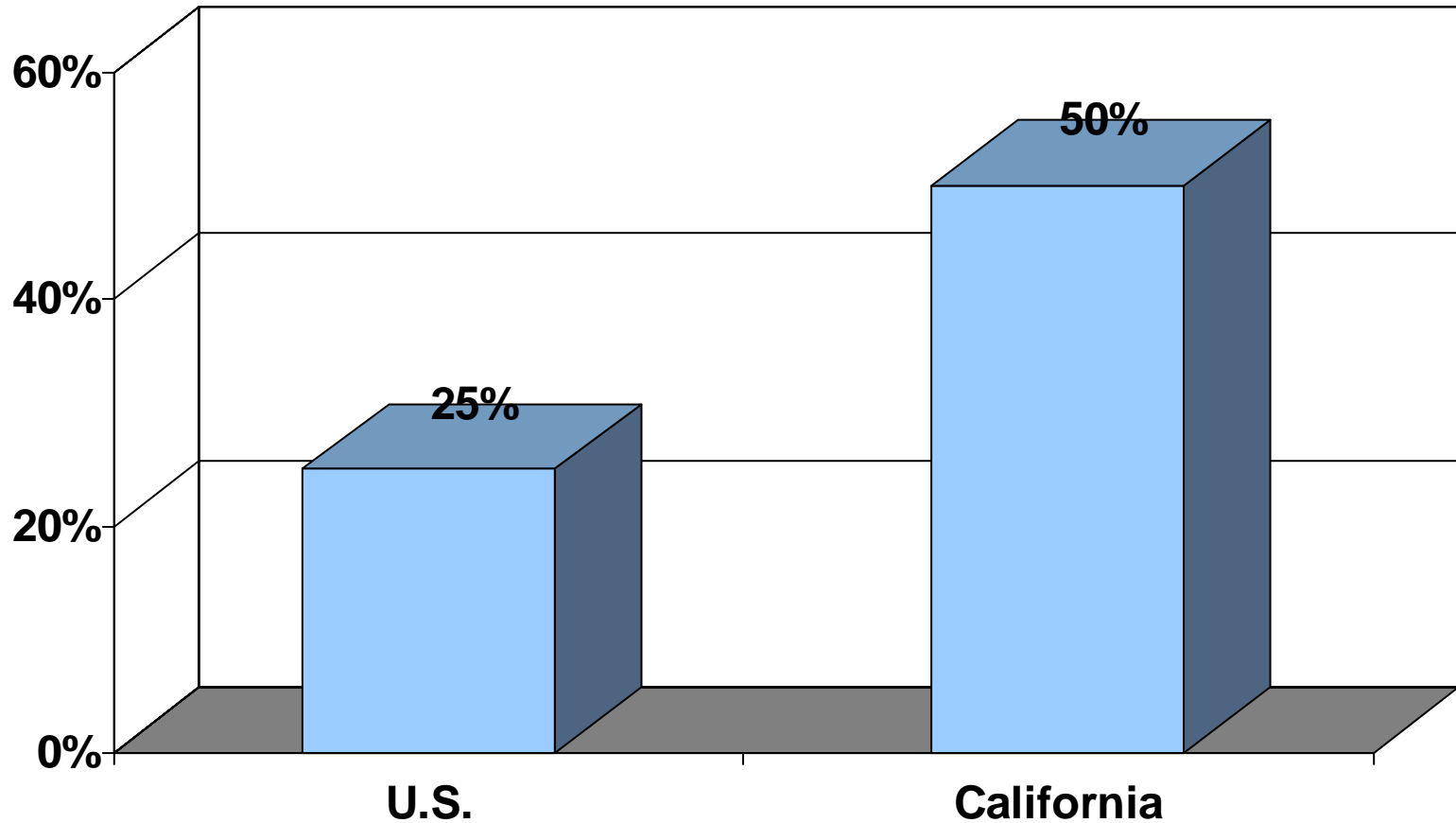


# Chart 10. Californians have fewer registered nurses

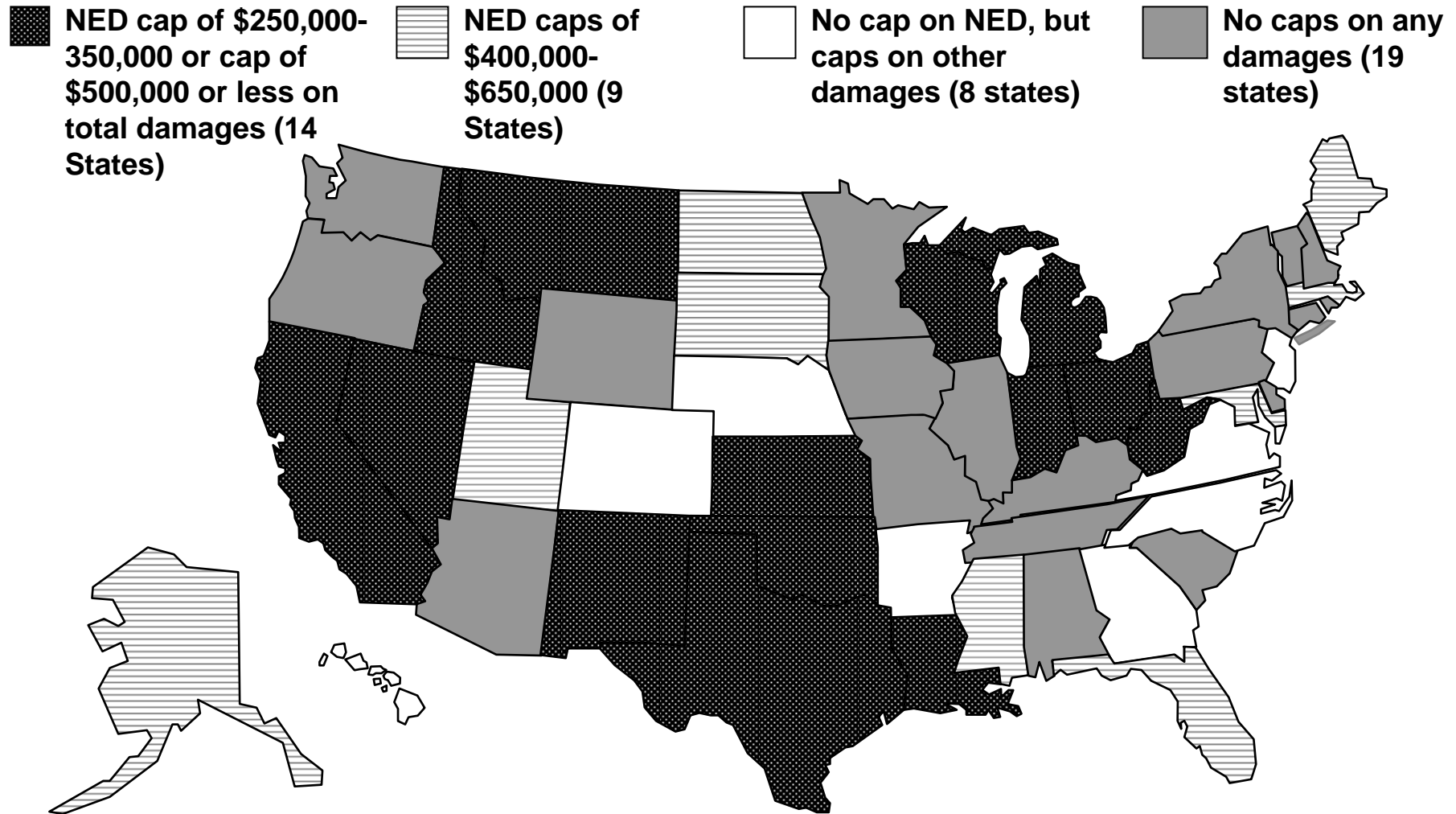
**Registered nurses per 10,000 population, U.S.  
vs. California: 2002**



# Chart 11. Percentage of population enrolled in HMOs, U.S. vs. California: July 2002



# Chart 12. Limits on non-economic damages (NED) and other medical malpractice awards, by state: 2004



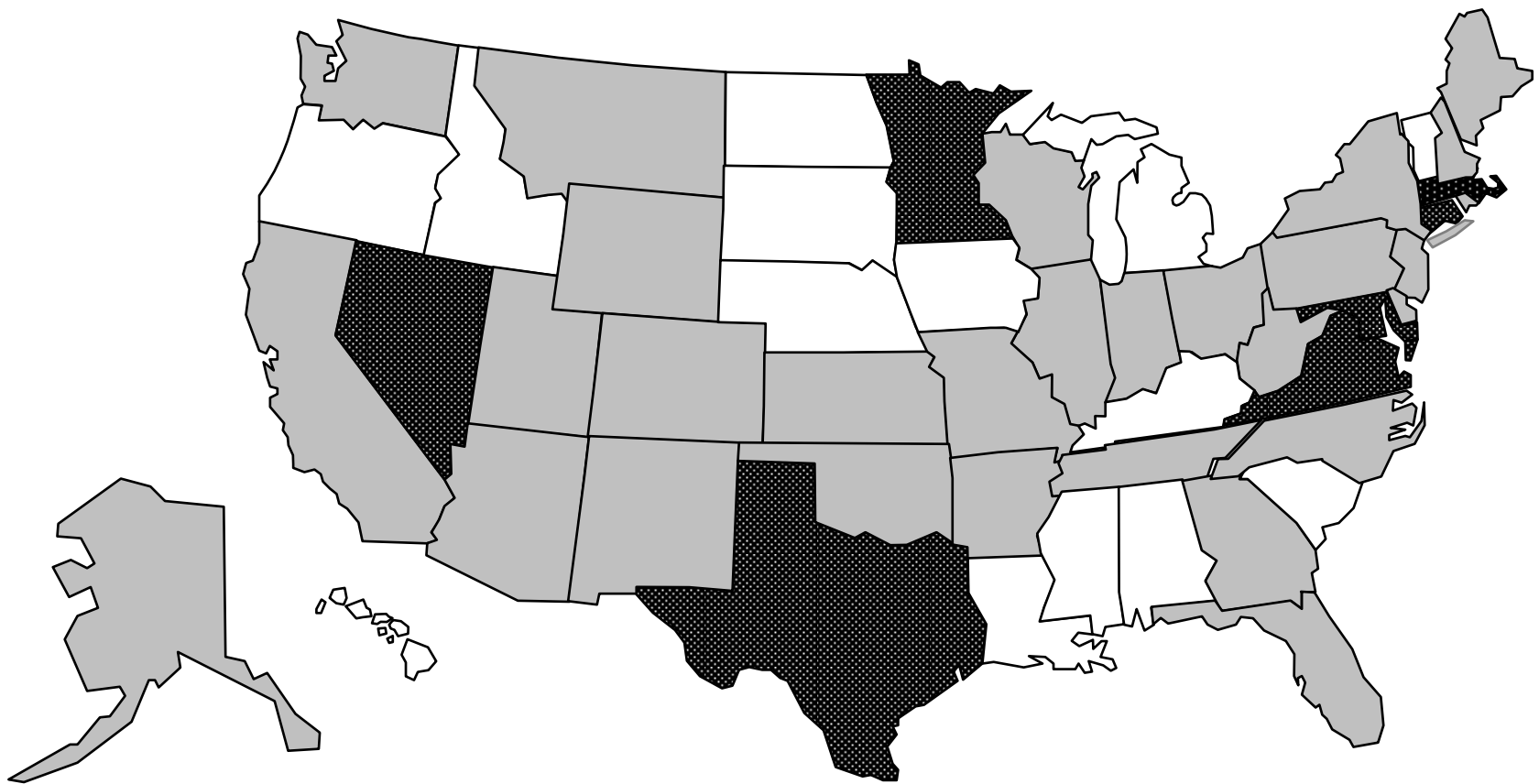
Source: National Conference of State Legislatures, November 5, 2004. Notes: (1) Cap amounts represent usual limits. In some states other than California, higher limits on NED apply in exceptional cases. (2) Some states use strategies other than caps to control malpractice recoveries. 19

# Chart 13. Mandates for benefits and providers in small group, large group, and individual markets, by state: 2002

**30 to 45 mandates  
(7 states)**

**16 to 29 mandates  
(29 states)**

**15 or fewer mandates  
(15 states)**



Source: General Accounting Office, September 2003, citing Blue Cross Blue Shield Association, 2002 Survey of Plans, December 2002

# Part C. Employer-sponsored insurance (ESI)

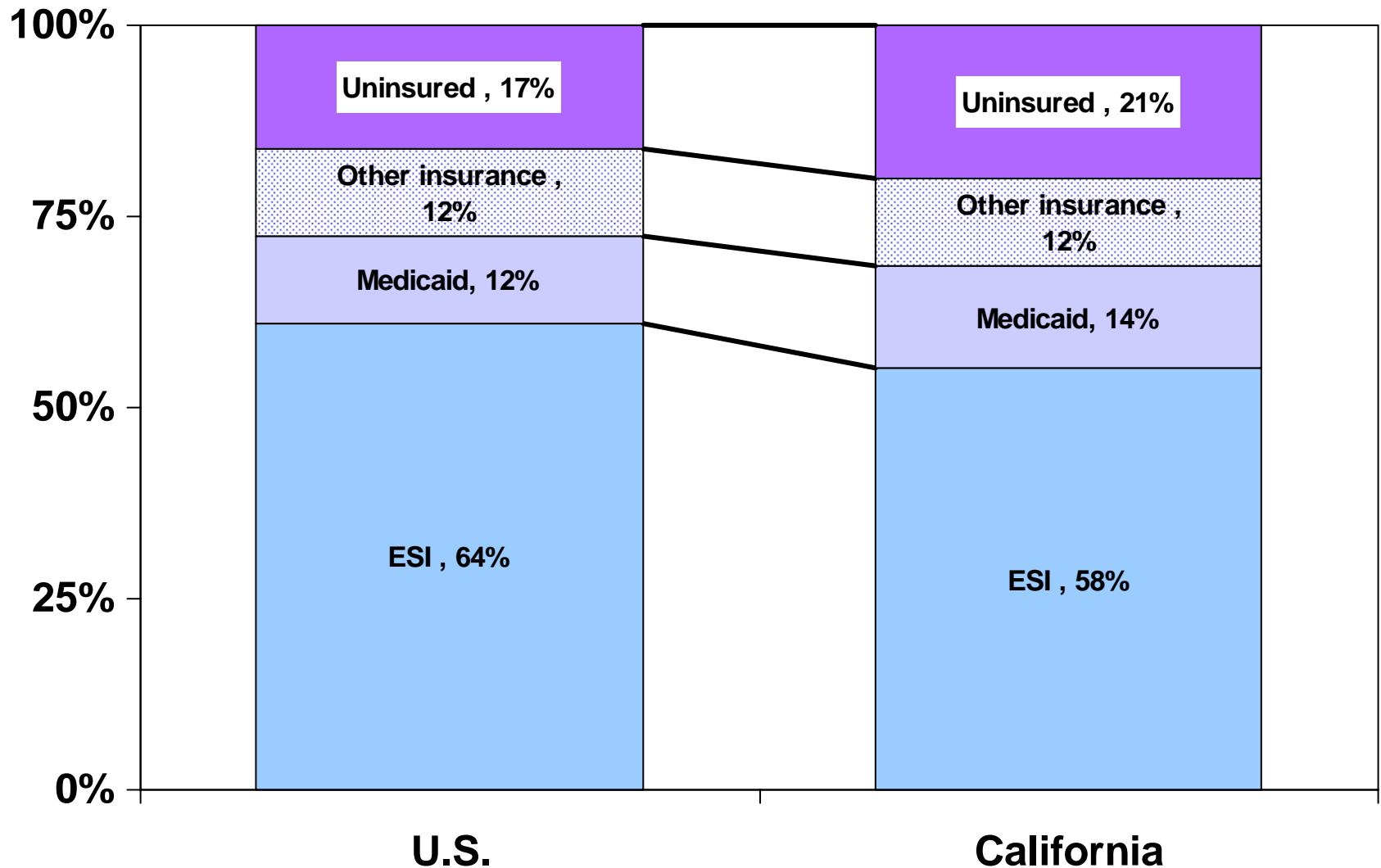
From 2001 through 2003, a much smaller percentage of Californians received ESI than did Americans as a whole (58 percent vs. 64 percent). This made Californians particularly likely to be uninsured. Medicaid provided a slightly larger percentage of coverage in California than in the entire country (14 percent vs. 12 percent), but not enough to overcome lower rates of employer coverage. In 2001-2003, only six states had lower rates of ESI than did California (New Mexico, Montana, Texas, Louisiana, Mississippi, and Arkansas).

Two factors were responsible for low ESI among Californians. First, small firms (which are less likely than are large firms to provide ESI) employed a slightly higher percentage of the workforce in California than in the U.S. as a whole. Second, at firms of every size, workers were less likely to receive ESI and more likely to be uninsured in California. Considering the role played by these two factors, the latter (reduced provision of insurance by firms of all sizes) was responsible for 90 percent of the total difference in workers' health coverage.

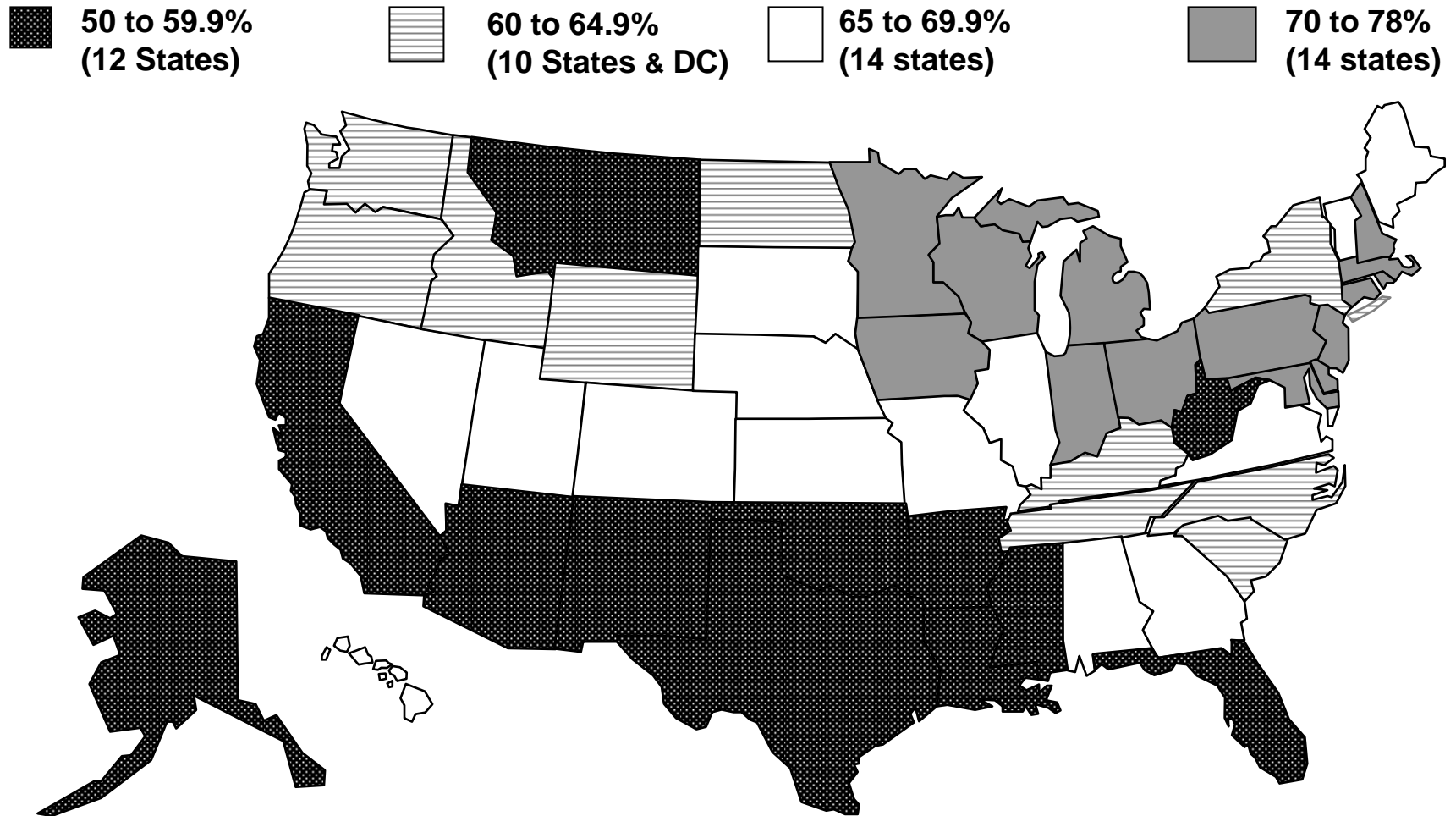
Californians are more likely to lack ESI because they are less likely to be offered it. Among workers who are offered ESI, Californians are more likely to accept it.

*While it still provides the vast bulk of all health insurance to state residents, the employer-based system seems to be weaker in California than in most other places. National health reforms that risk further unraveling of this already besieged system could therefore be of particular concern to Californians. By the same token, national policies that strengthen or supplement the employer-based system may be of particular benefit to Californians.*

# Chart 14. General population, by type of coverage, U.S. vs. California: 2001-2003

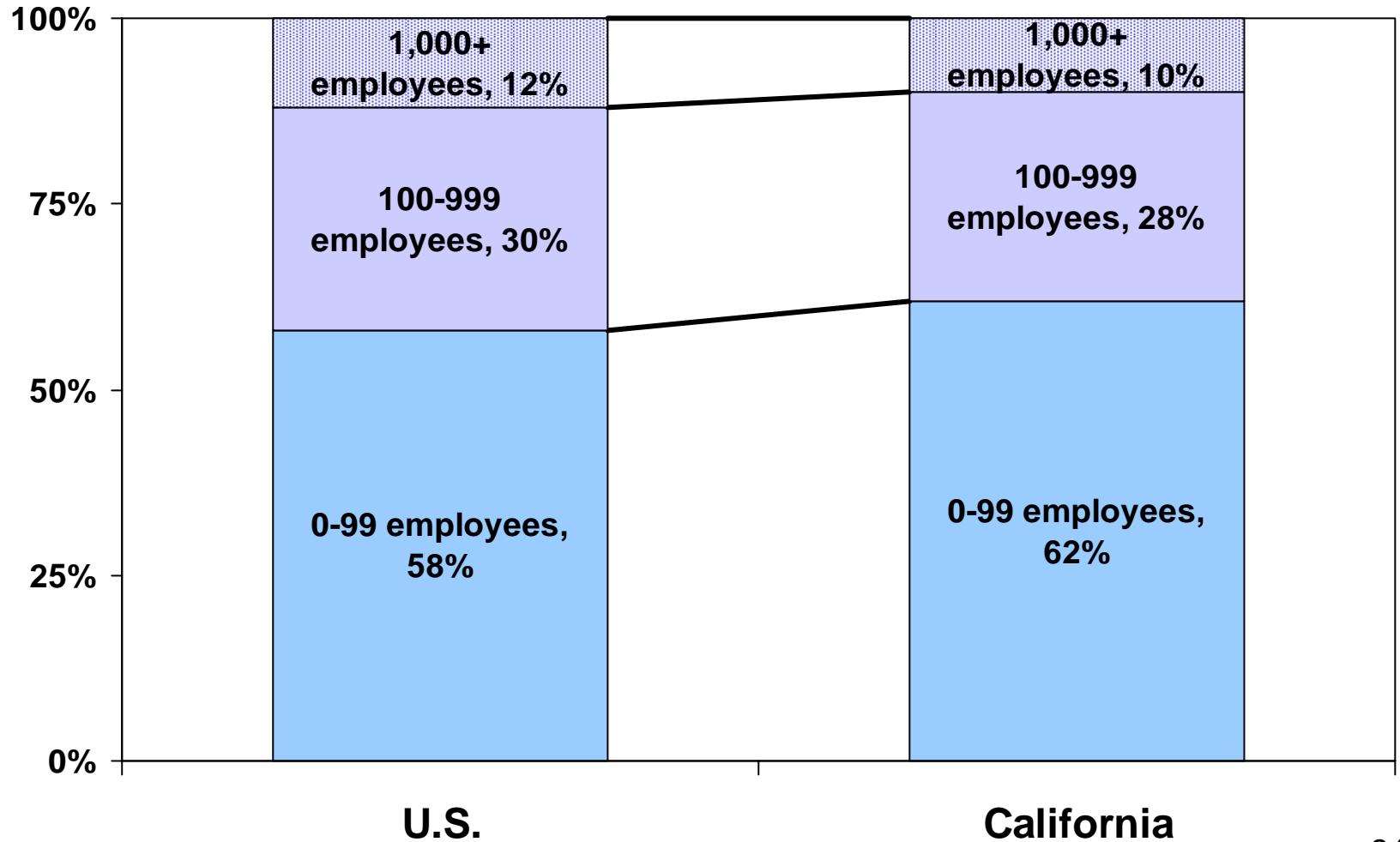


# Chart 15. Proportion of residents with ESI, by state: 2001-2003



# Chart 16. More Californians work at small firms

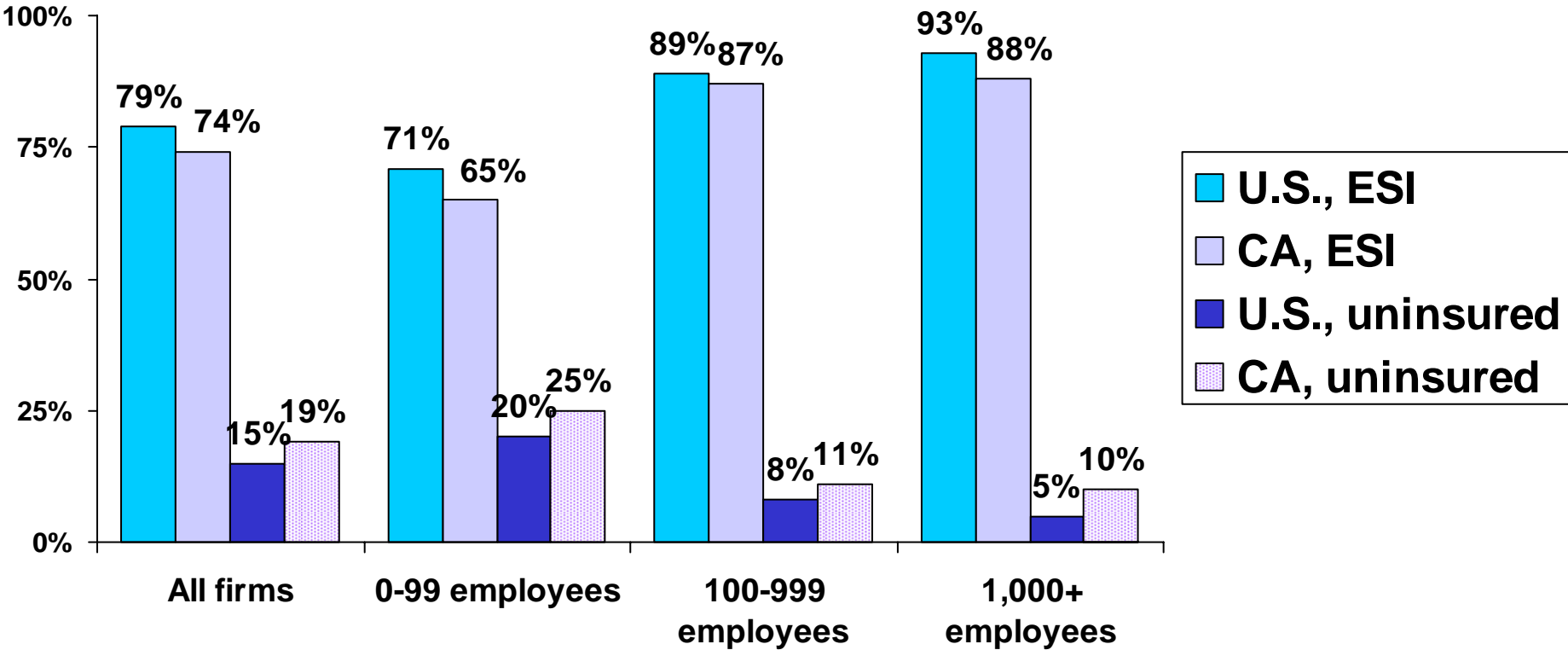
## Distribution of workers by firm size, U.S. vs. California: 2002





# Chart 17. At firms of all sizes, fewer Californians get ESI and more are uninsured

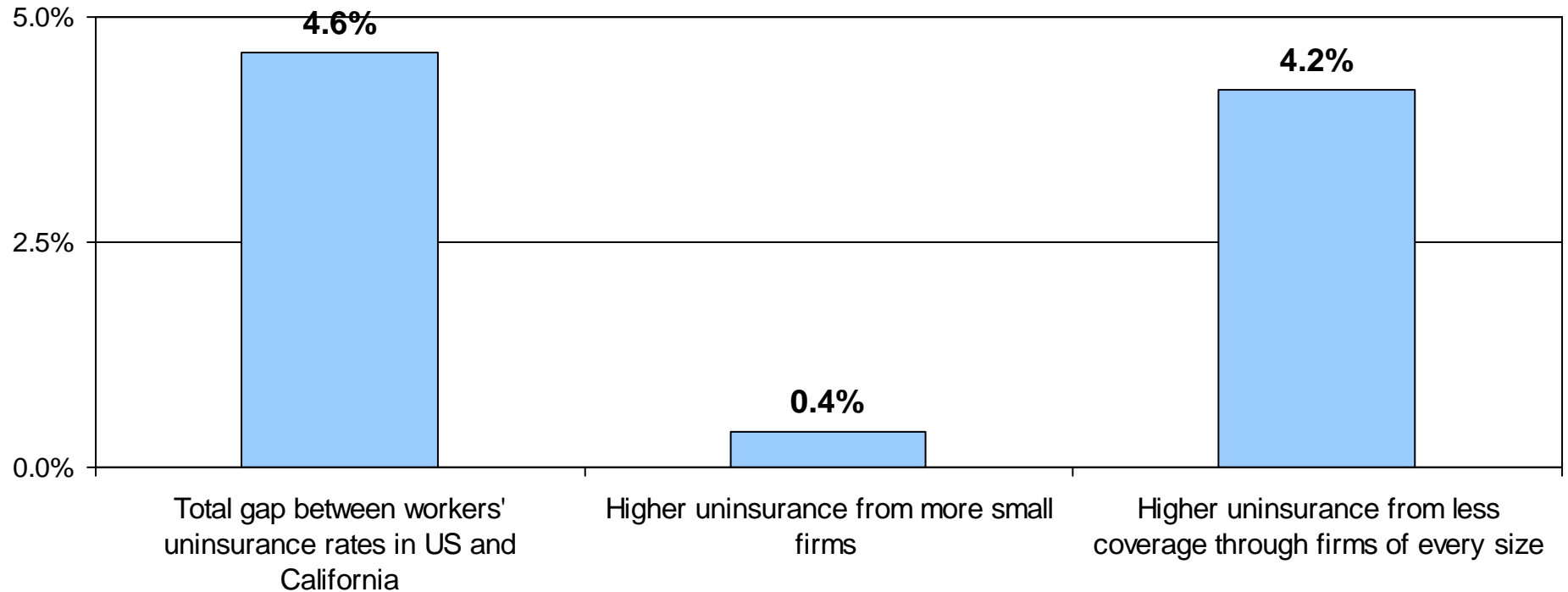
Percentage of workers who have ESI and percentage who are uninsured, by firm size, U.S. vs. California: 2002



Source: Urban, November 2004. Calculations by ESRI, December 2004.

# Chart 18. Why are so many California workers uninsured?

Contribution of various factors to higher uninsurance among workers in California than in U.S.: 2002



# Part D. Ethnicity, immigration, and residence

Compared to the uninsured across the country, a much higher proportion of those in California are Latino or Asian-American/Pacific Islander. However, that is because a much higher proportion of California residents fall within those two ethnic groups. In fact, members of every ethnic group are less likely to be uninsured if they live in California than if they live elsewhere.

Similarly, immigrants comprise a higher proportion of California's uninsured because they represent a higher percentage of Californians generally. Immigrants have comparable rates of uninsurance in California and elsewhere in the country.

*Californians have a particularly large stake in measures that reduce uninsurance among immigrants. Also, for national reforms of any sort to succeed in California, they may need to provide immigrants with linguistically and culturally competent services.*

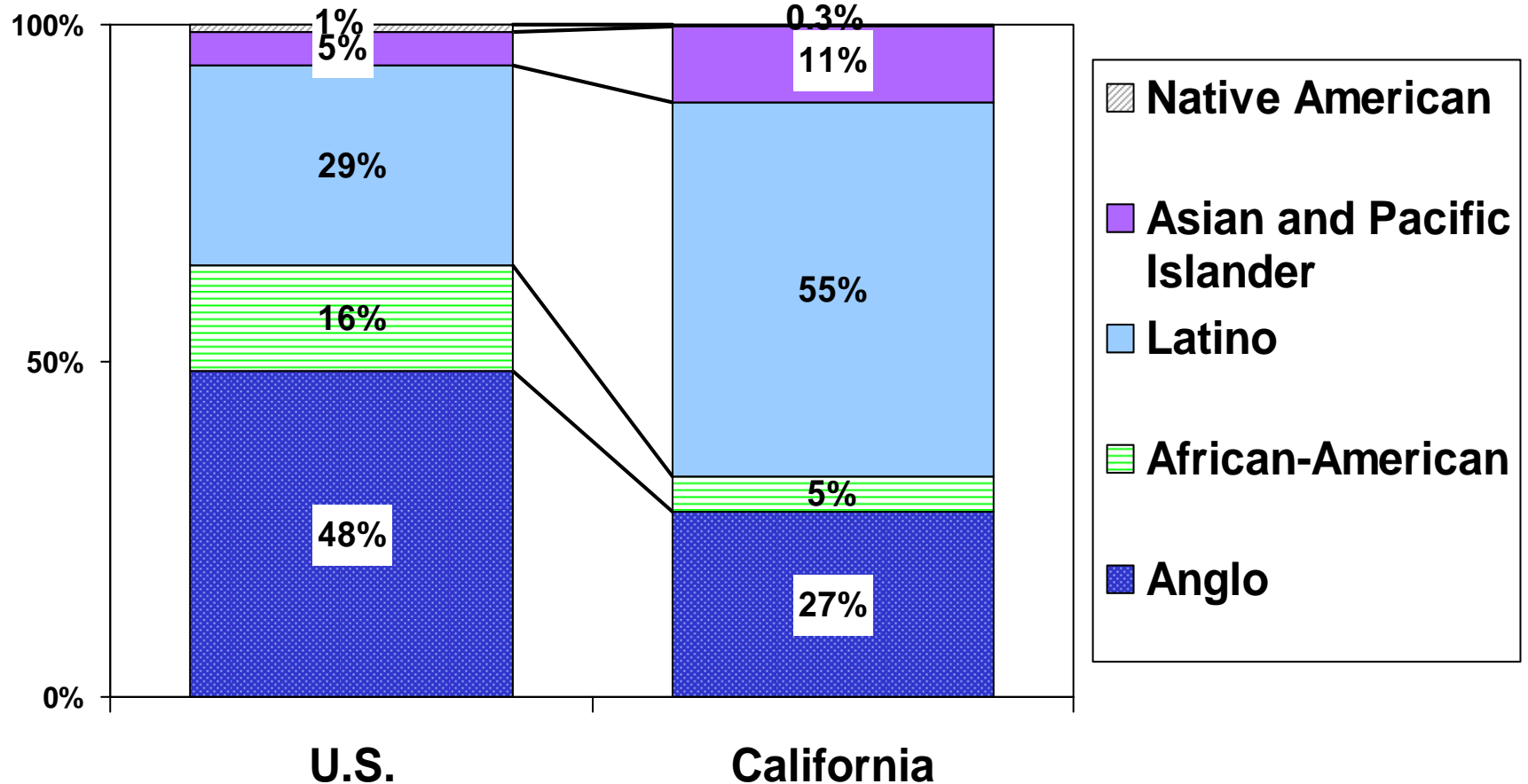
California's uninsured are much less likely to live in rural areas, compared to the uninsured across the country. This is mostly because an unusually high proportion of Californians live inside Metropolitan Statistical Areas (MSAs). Whether in California or in the country as a whole, rural residents have the same likelihood of being uninsured. However, MSA residents are more likely to be uninsured in California than elsewhere.

However, far more migrant and seasonal farm workers work in California than in any other state. According to national data published by the U.S. Department of Labor, less than 5% of such workers receive ESI, and fewer than 20% enroll in Medicaid.

*Except for migrant and seasonal farm workers, Californians appear to have a relatively small stake in national measures that address uninsurance in rural areas. Conversely, Californians have much at stake in reforms that address the absence of insurance and that strengthen health care infrastructure within Metropolitan areas.*

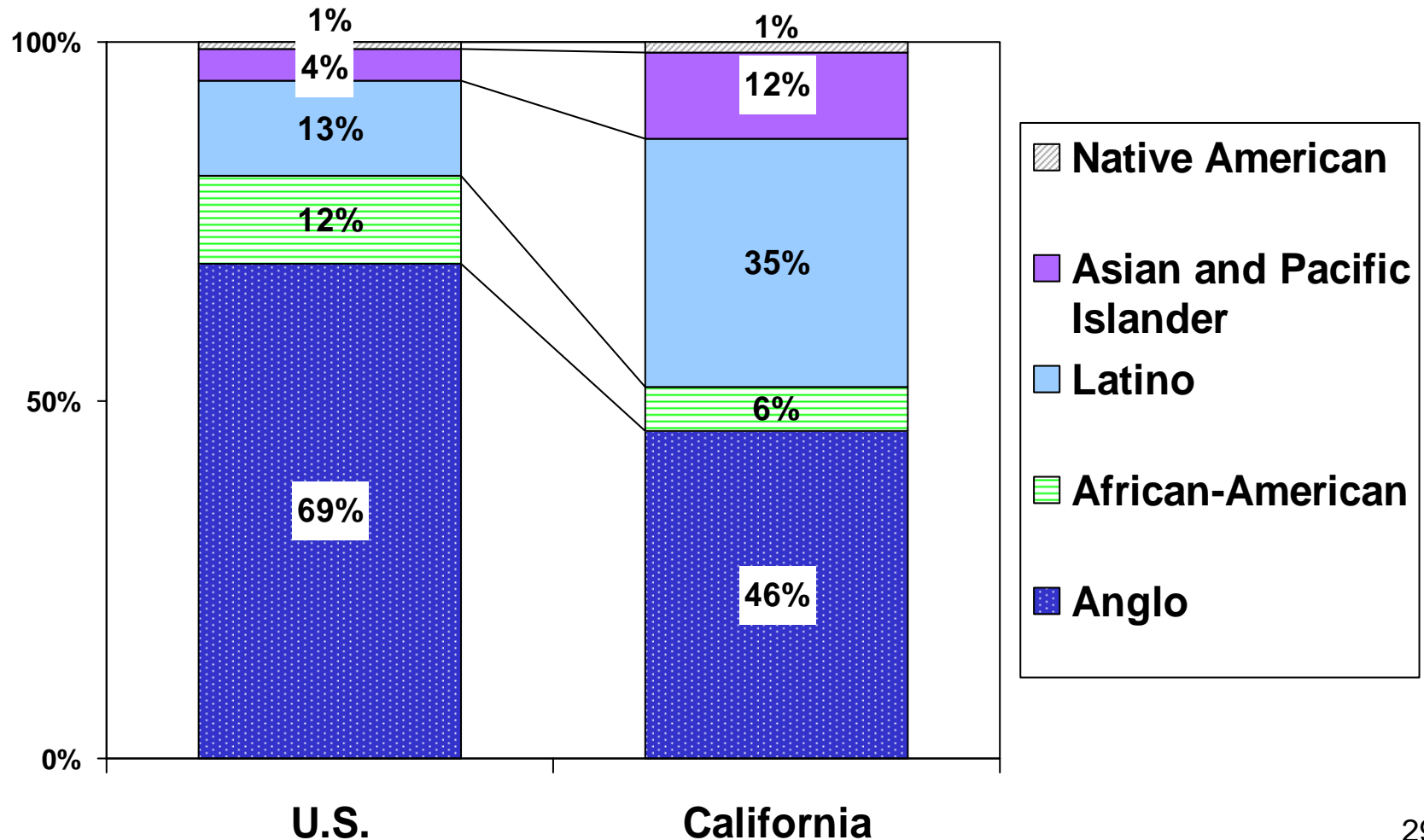
# Chart 19. More California uninsured are Latino or Asian

## Uninsured, by race and ethnicity, U.S. vs. California: 2002



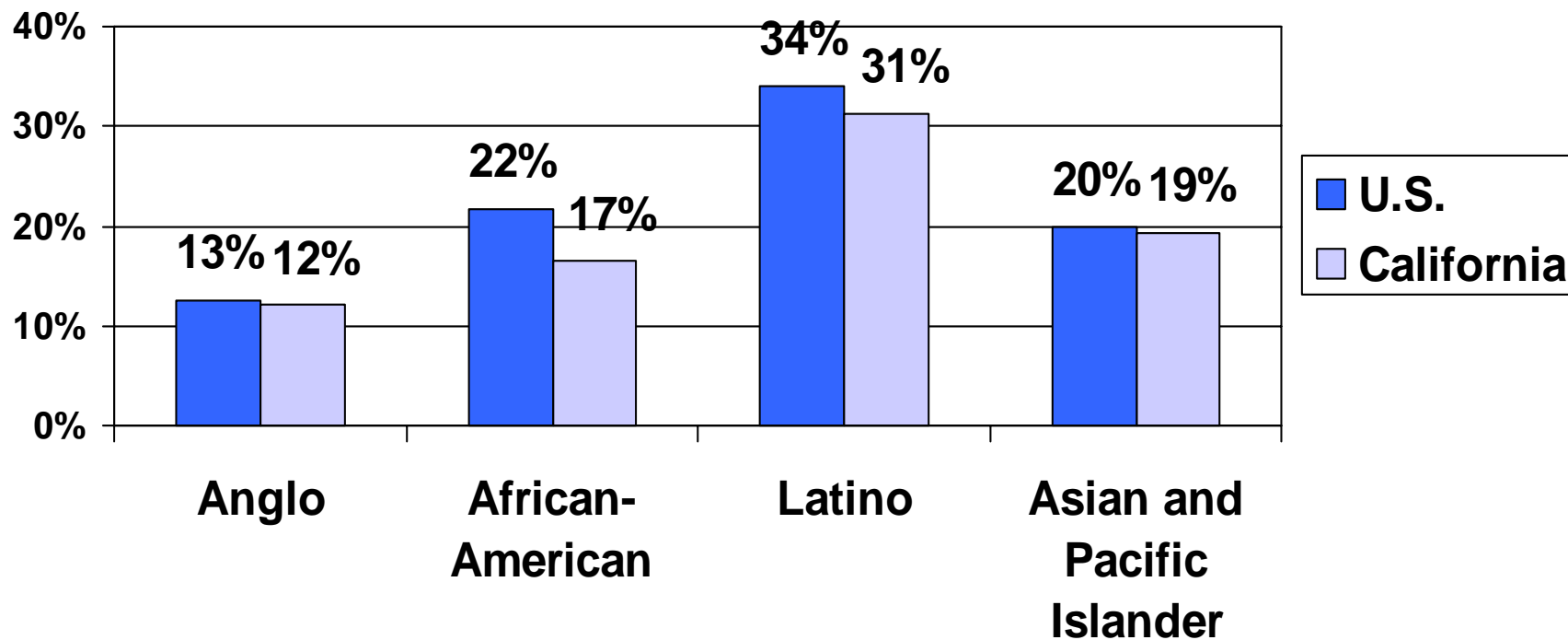
# Chart 20. More Californians are Latino or Asian

## Total population, by race and ethnicity, U.S. vs. California: 2002



# Chart 21. In each ethnic group, Californians are less likely to be insured

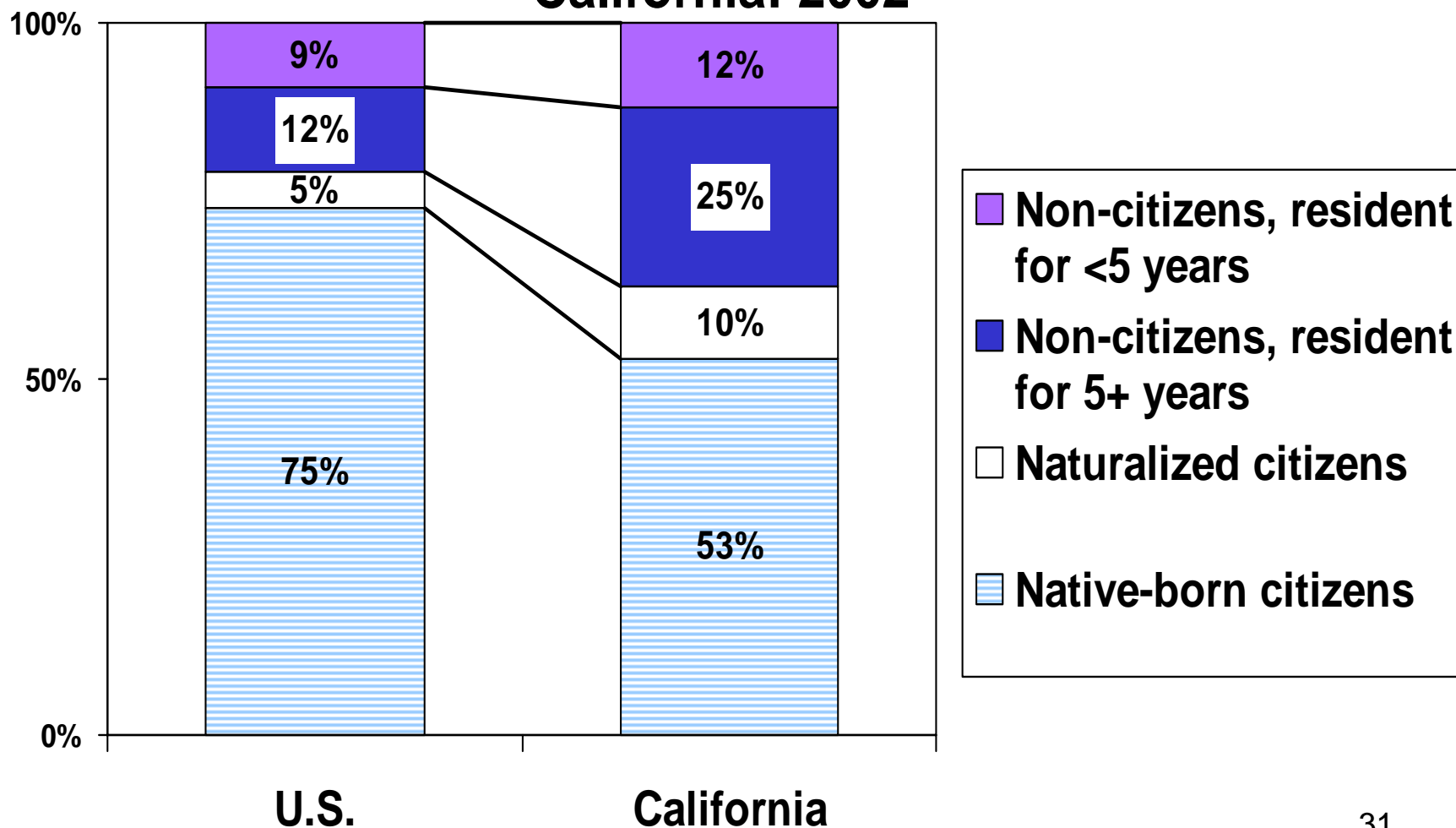
## Percentage without coverage, by ethnicity, U.S. vs. California: 2002



Source: KFF/CHPPS, August 2004, citing March CPS data. Note: this chart does not show uninsurance rates among Native Americans because California has too few Native American residents to yield a valid estimate.

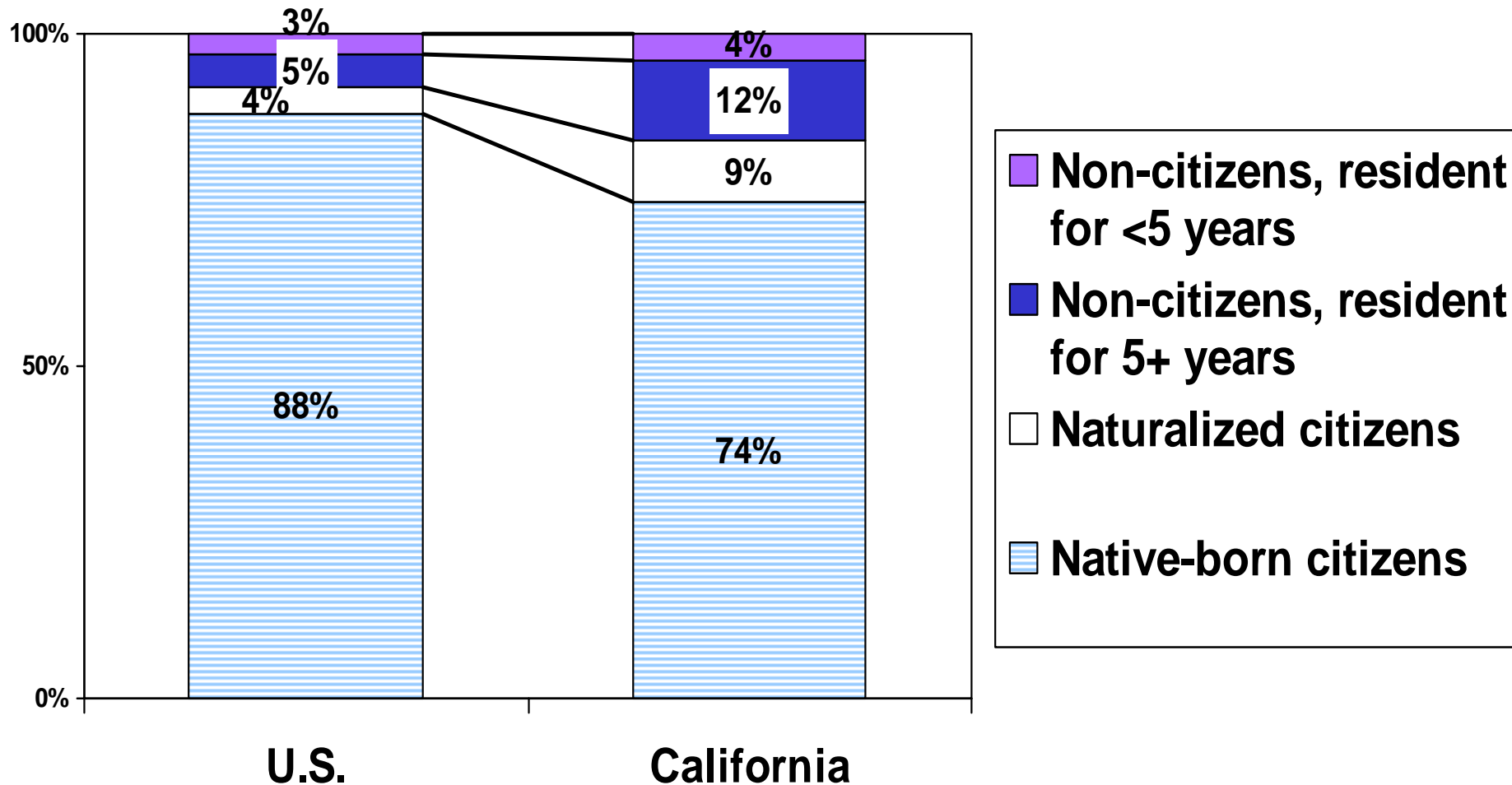
# Chart 22. More California uninsured are immigrants

## Uninsured, by immigration status, U.S. vs. California: 2002



# Chart 23. More Californians are immigrants

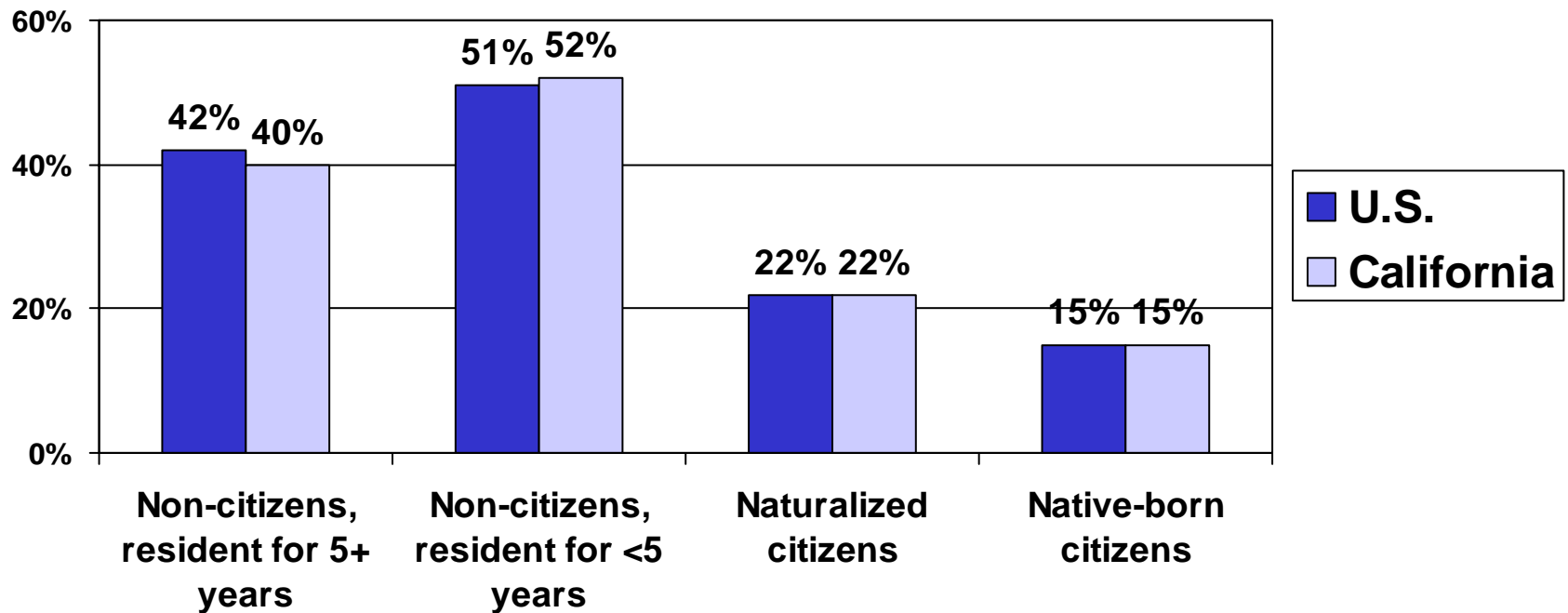
Total population, by immigration status, U.S. vs. California: 2002





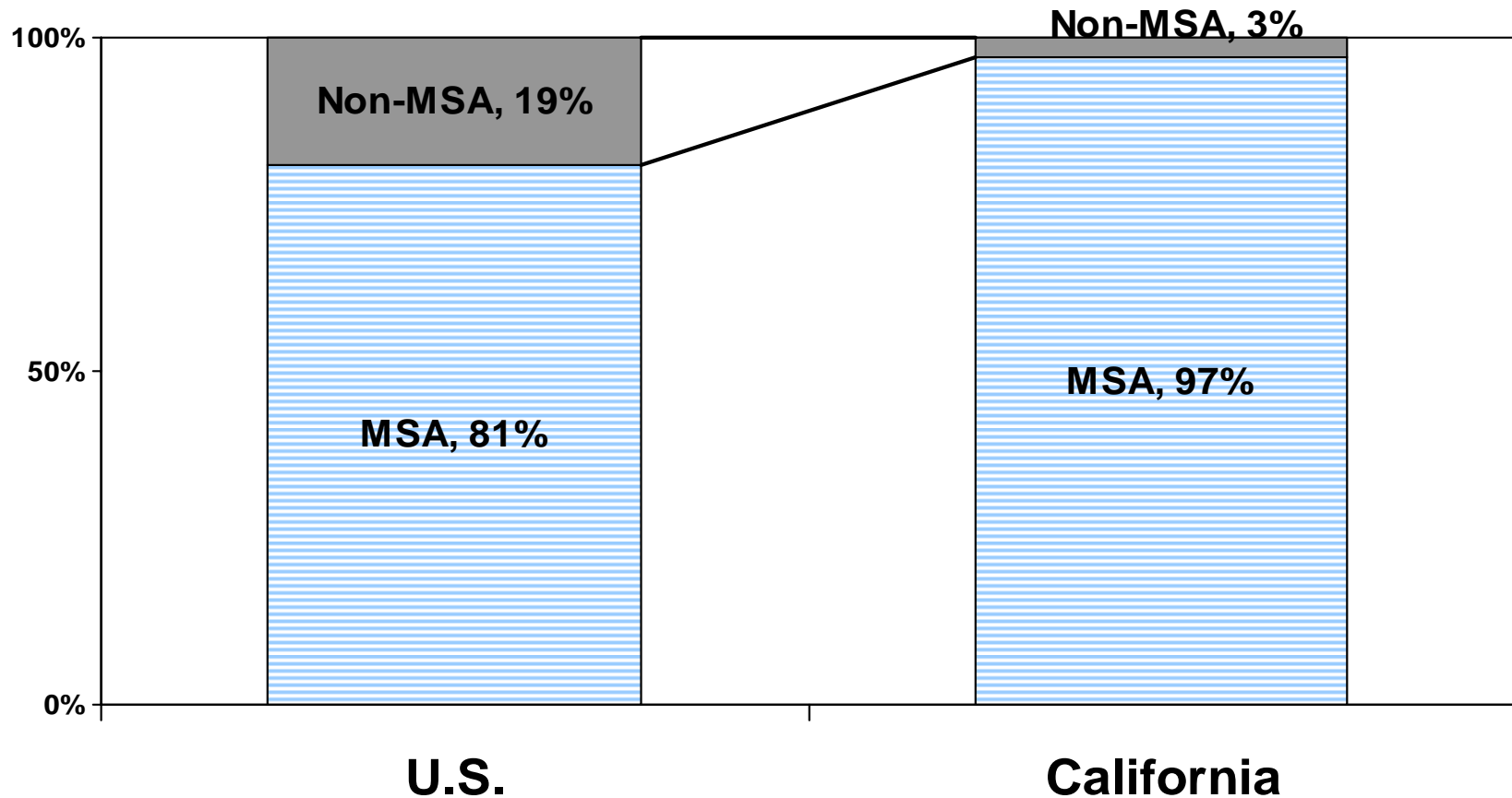
# Chart 24. Within each immigration status group, Californians and other U.S. residents have comparable proportions of uninsured

## Percentage uninsured, by immigration status, U.S. vs. California: 2002



# Chart 25. Most Californians live in Metropolitan areas

**Total population, by residence in a Metropolitan Statistical Area (MSA), U.S. vs. California: 2002**



# Chart 26. Most California uninsured live in Metropolitan areas

**Uninsured, by residence in a Metropolitan Statistical Area (MSA), U.S. vs. California: 2002**

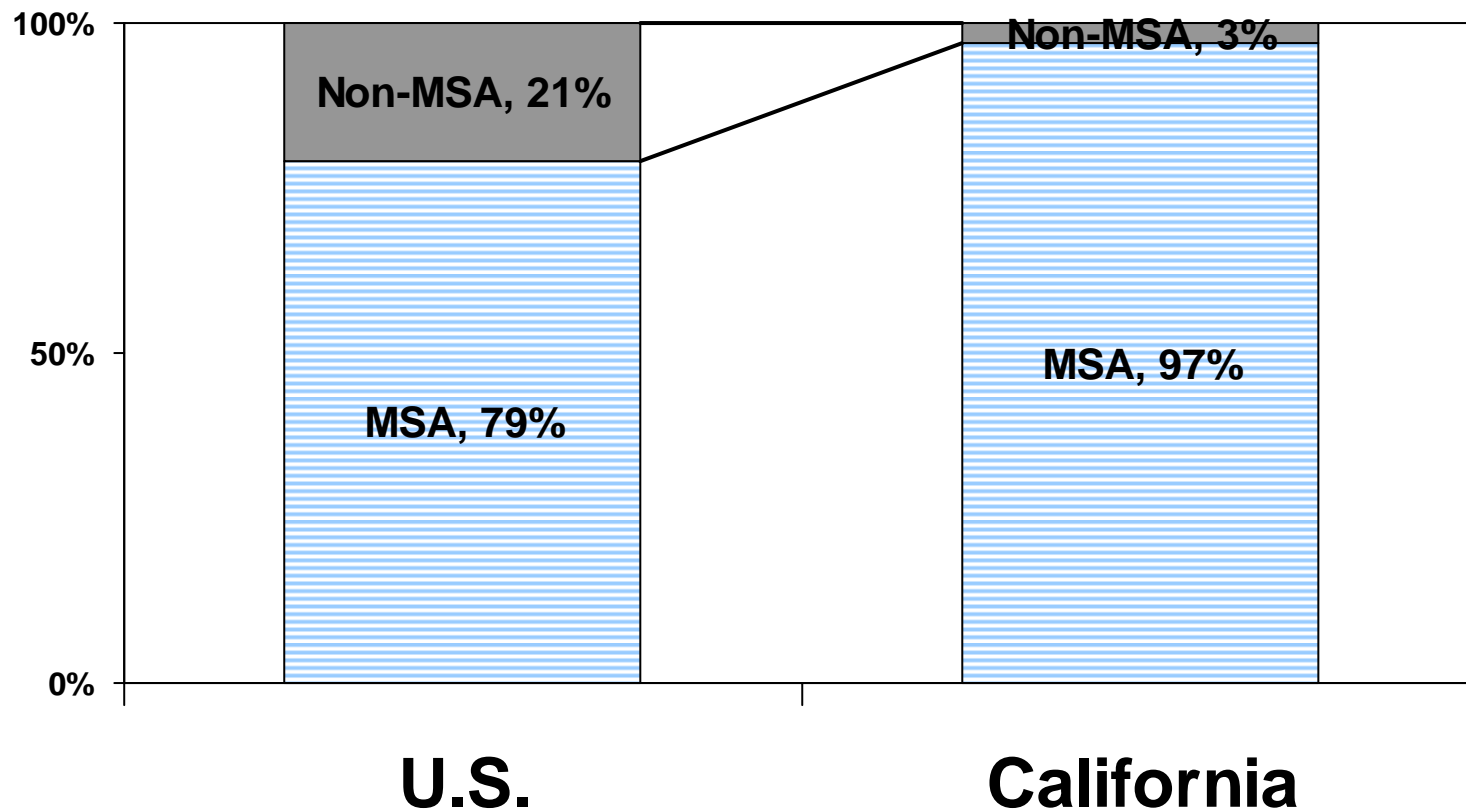
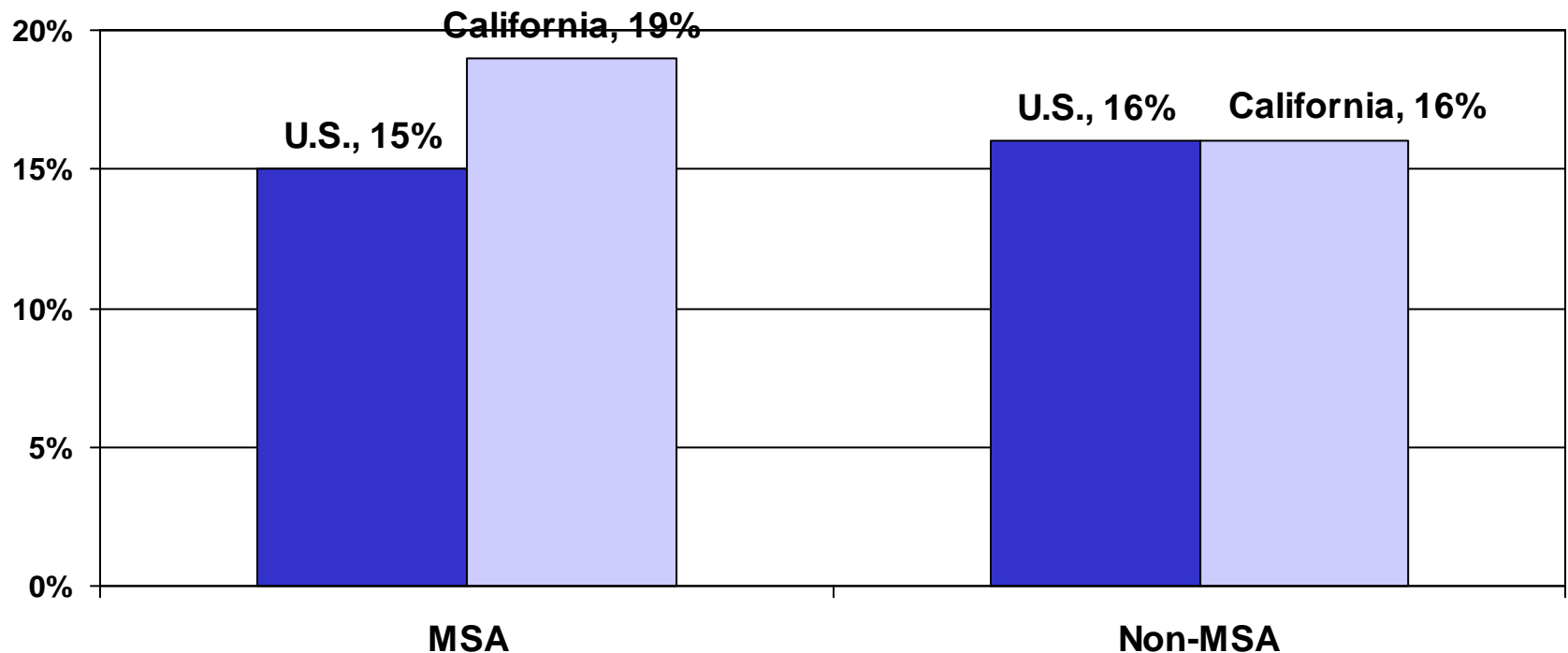


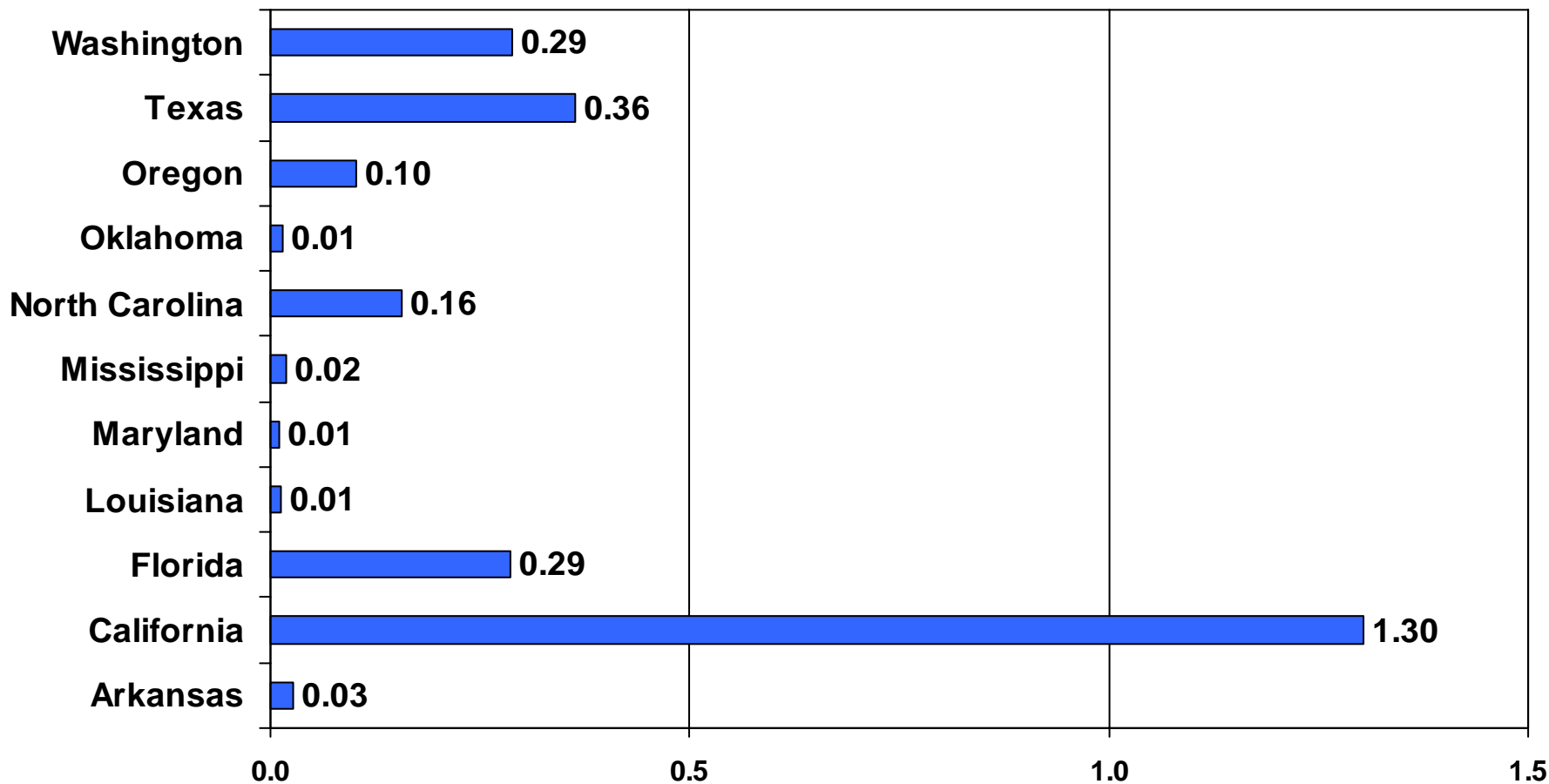
Chart 27. In Metropolitan areas, Californians are more likely to be uninsured. Outside such areas, uninsurance is comparable.

**Percentage uninsured, by residence in a Metropolitan Statistical Area (MSA), U.S. vs. California: 2002**



# Chart 28. California has more farm workers

## Migrant and seasonal farmworkers and dependents, by state: 1996-1997 (millions)



# Part E. Medicaid, SCHIP, and Indigent Care

Medi-Cal, California's Medicaid program, spends the lowest amount per enrollee of any state Medicaid program in the country (\$2,068 vs. a national average of \$3,762). While this discrepancy applies to every service category, it is especially pronounced for nursing home care.

*National proposals that have the effect of freezing current per capita Medicaid spending levels could disadvantage California by preventing it from moving closer to other states. National proposals to expand Medicaid would increase total health spending by a smaller proportionate amount in California than in other states.*

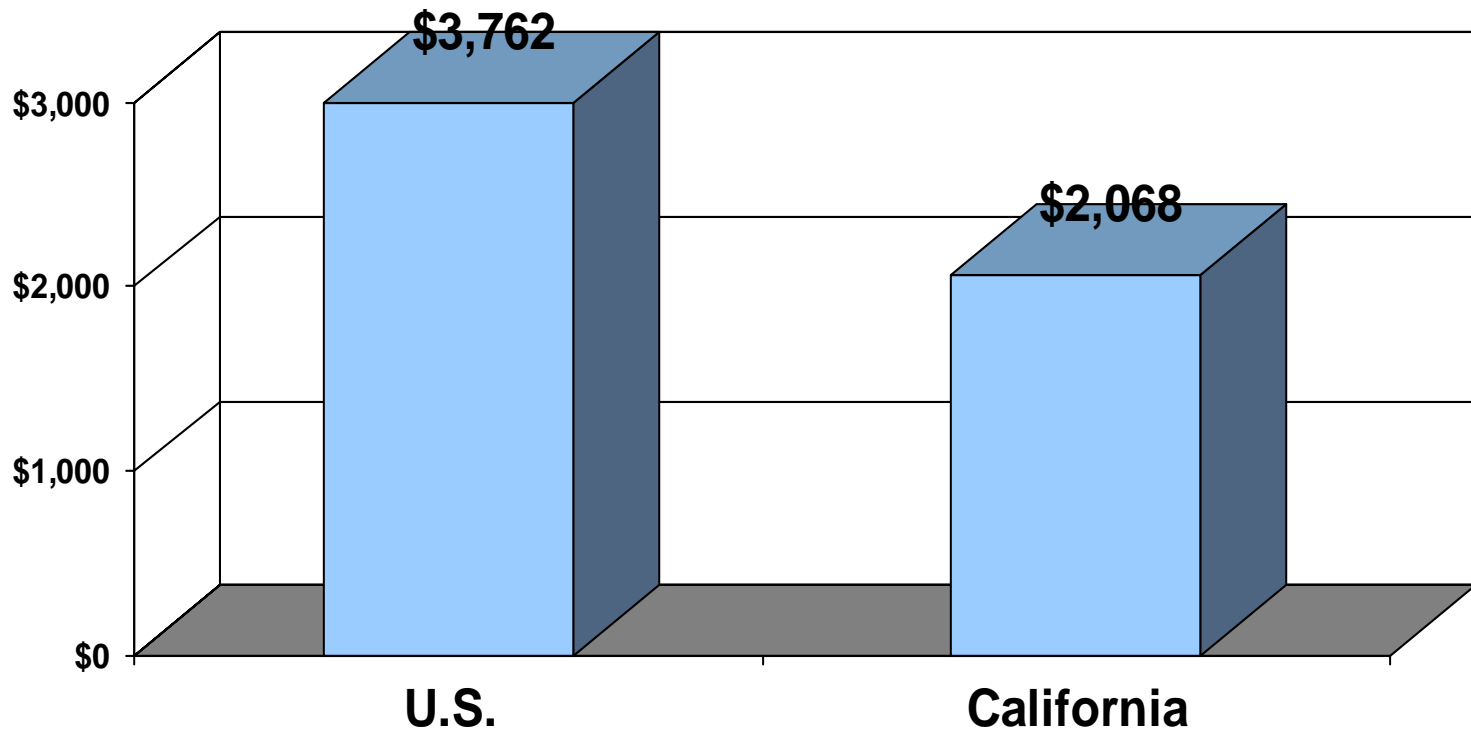
At the same time, Californians are more likely to receive Medicaid and SCHIP (called "Healthy Families" in California) than are residents of other states. This is particularly true for children (27% of California children have Medicaid or SCHIP vs. 23% nationally) and parents (10% vs. 7%). For childless adults, by contrast, Medicaid coverage levels are comparable (6% vs. 5%). By the same token, the differences between California and the nation as a whole in the proportion of uninsured are particularly pronounced for childless adults (22% of California's childless adults are uninsured vs. 17% nationally) and smaller for parents (20% vs. 17%) and children (12% vs. 10%).

In California, both the state and counties spend much more on non-Medicaid indigent health care than is spent on average by states and counties elsewhere. Such greater spending does not equalize access to care, however. Uninsured, low-income Californians (especially adults) are less likely than are comparable residents of other states to receive even one doctor visit per year.

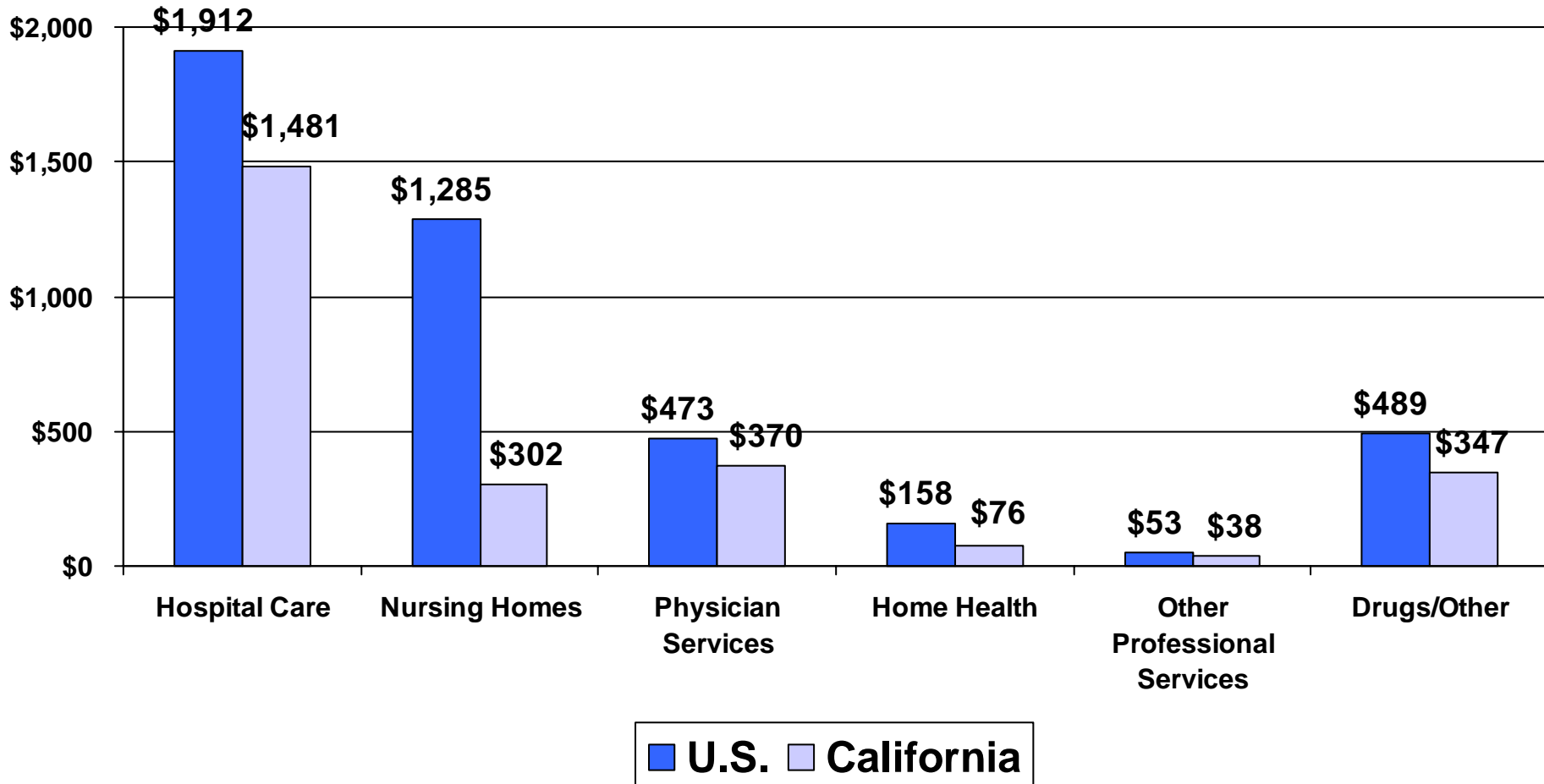
*Californians have a particularly large stake in national proposals that cover low-income, childless adults; these adults are now denied federal Medicaid funding. This group particularly limited access to insurance and care in California. Such proposals could also bring fiscal relief to California's state government and counties, which currently spend unusually large sums providing health benefits to low-income individuals who are ineligible for Medicaid, including childless adults.*

# Chart 29. Medi-Cal (California's Medicaid program) spends much less per enrollee than the U.S. average

**Annual Medicaid spending (state plus federal) per beneficiary, U.S. vs. California: 2000**



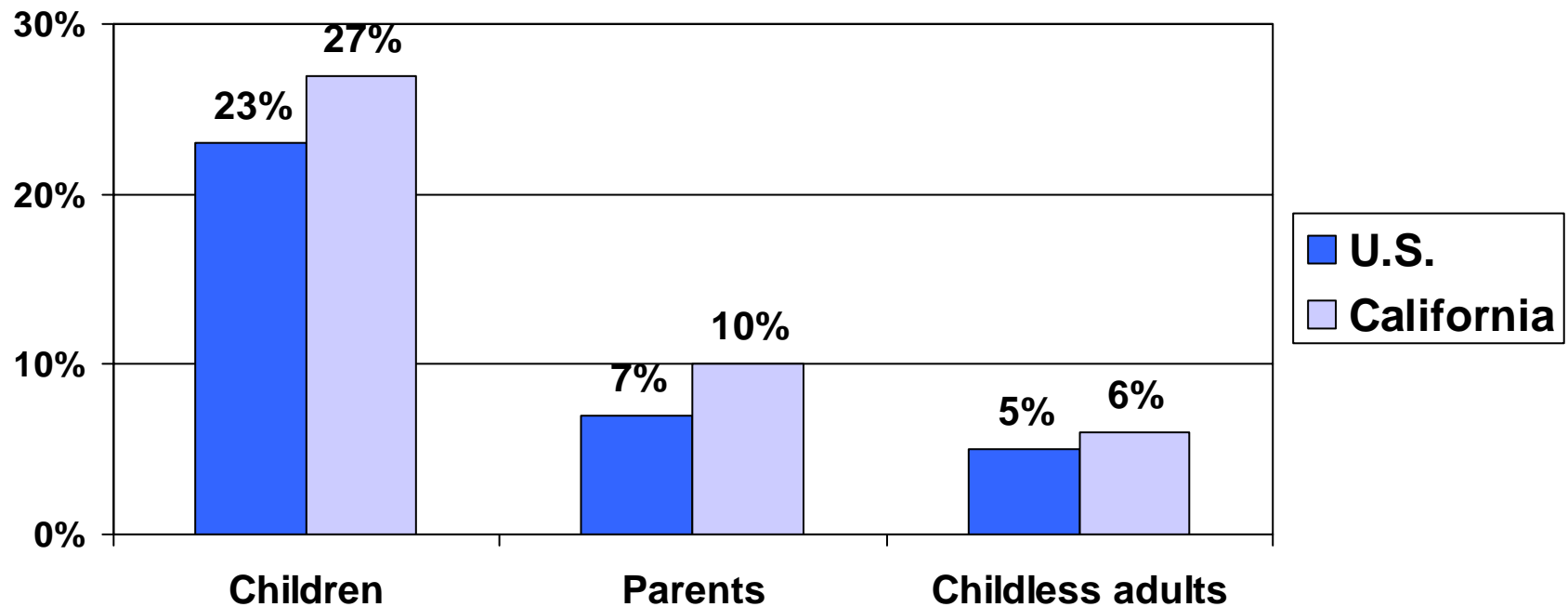
# Chart 30. Annual Medicaid spending per enrollee by service, U.S. vs. California: 1998





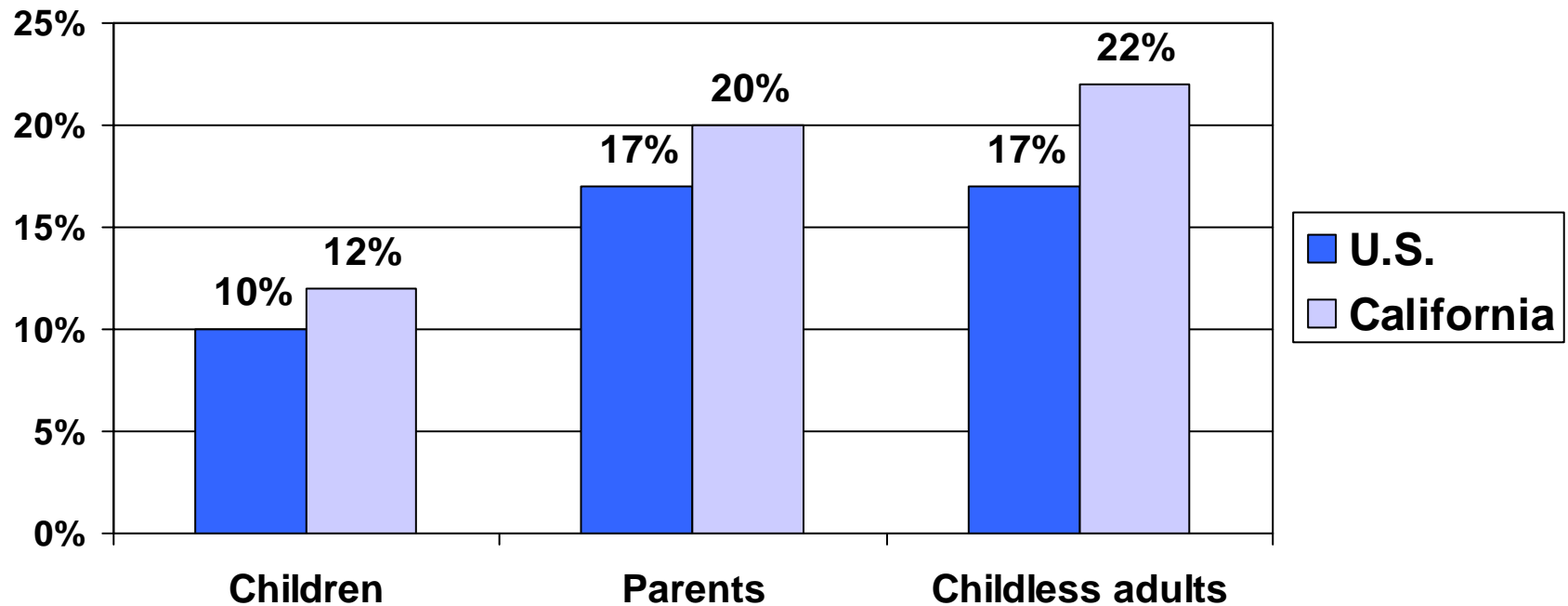
# Chart 31. Californian children and parents are more likely to get Medicaid or SCHIP

**Percentage enrolled in Medicaid/SCHIP, by relationship to children, U.S. vs. California: 2002**



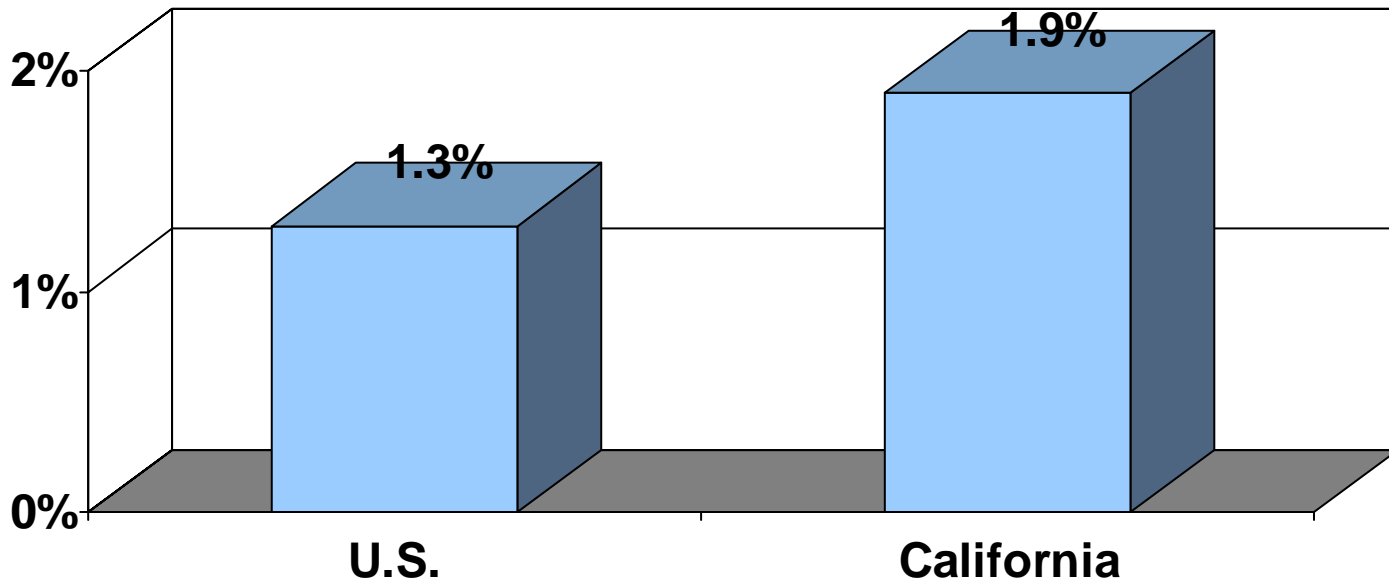
# Chart 32. Californian childless adults are most likely to be uninsured

Percentage without insurance, by relationship to children, U.S. vs. California: 2002



# Chart 33. California's state government spends more on non-Medicaid health care

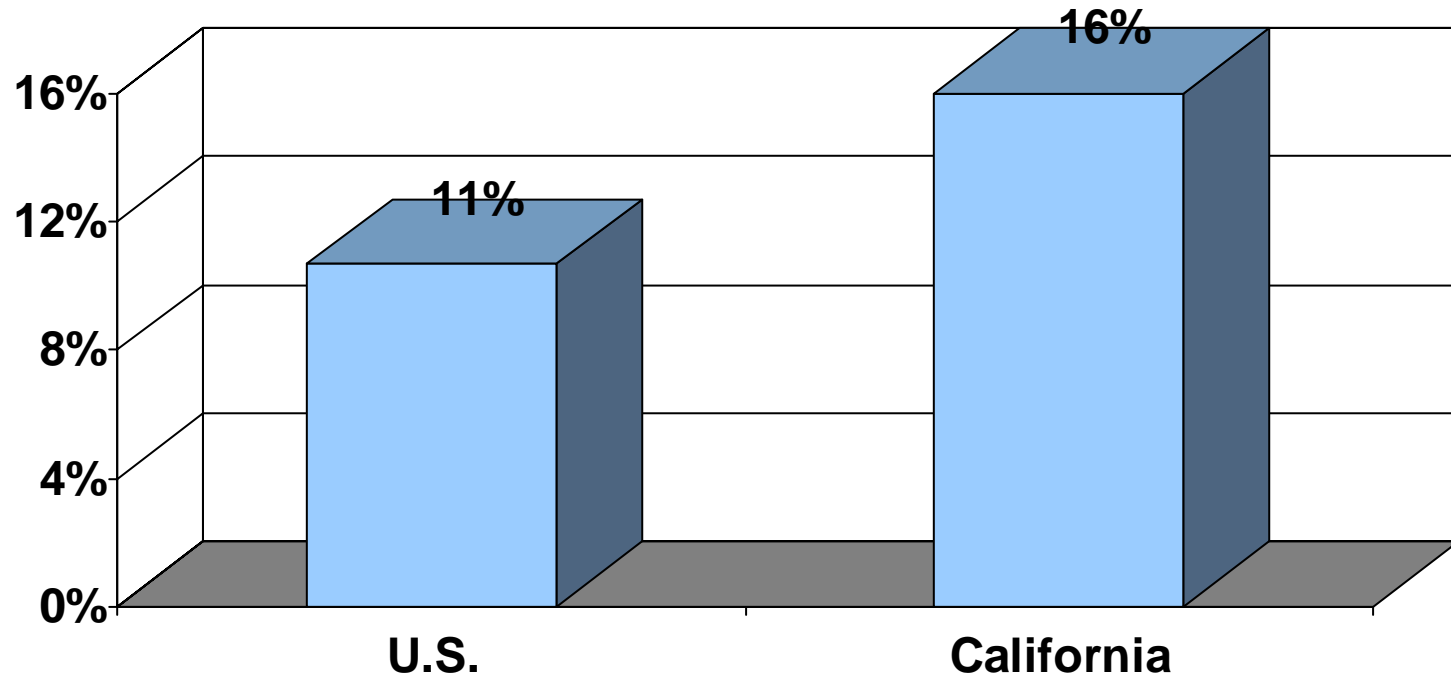
**State spending on community-based health services, as a percentage of total state budget, U.S. vs. California: 2001**



Source: Millbank Memorial Fund, April 2003. Calculations by ESRI, December 2004. Note: This state spending is not Medicaid-reimbursable. It includes rehabilitation services, alcohol and drug abuse treatment, mental health community services, developmental disability community services, vocational rehabilitation services, and similar services.

# Chart 34. California counties spend more on non-Medicaid health care

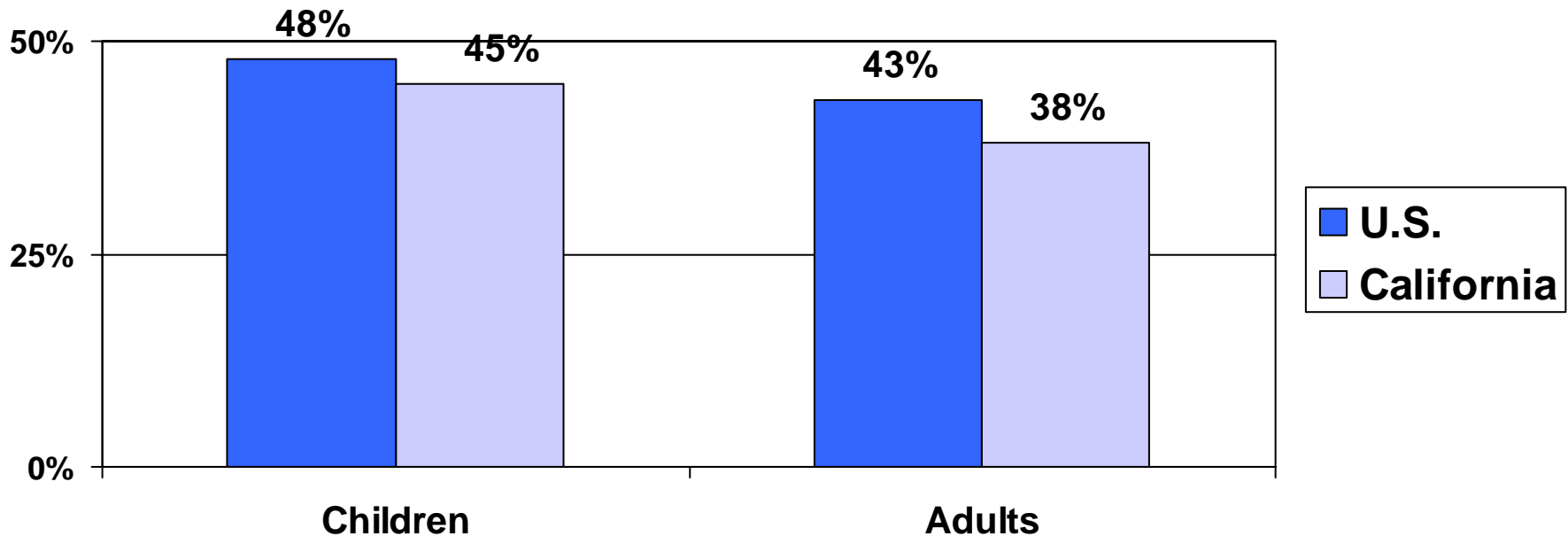
**Health as a percentage of county direct general expenditures, U.S. vs. California: FY 2002**



Source: Census Bureau, October 2004. Calculations by ESRI, December 2004. Note: The chart shows county expenditures on hospitals and health care, less county hospital revenue. It includes some population-based public health spending. It does not include spending on employees or retirees.

# Chart 35. Low-income uninsured in California are less likely to receive care

**Percent of low-income, uninsured children and adults receiving at least one doctor visit per year, U.S. vs. California: 2002**



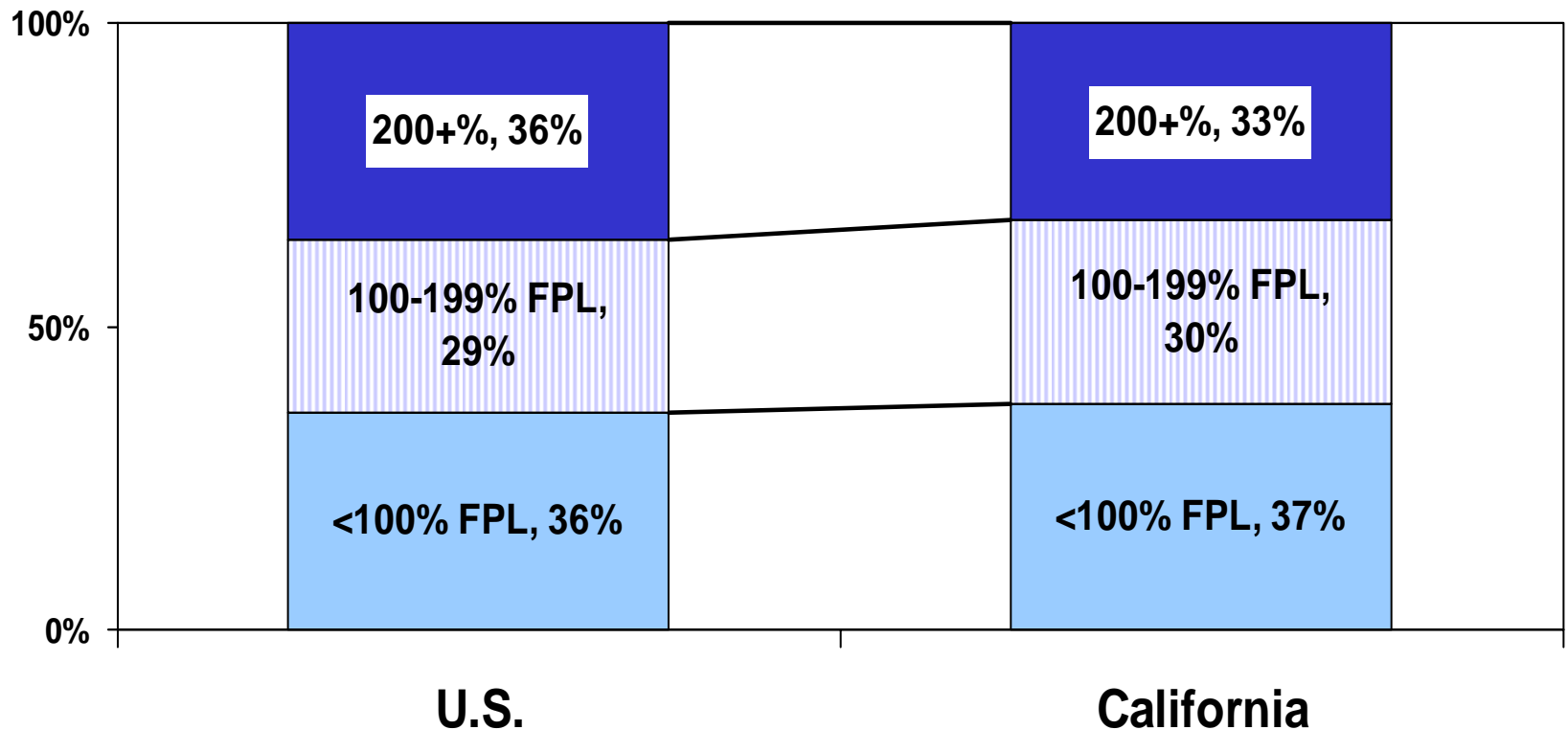
# Part F. Income

The distribution of insured by income is quite similar in California and in the country as a whole. In both cases, approximately two-thirds of the uninsured (65% nationally and 67% in California) have low incomes - that is, income at or below 200 percent of the Federal Poverty Level (FPL). (In 2004, the FPL was \$15,670 for a family of three; \$18,850 for a family of four; etc.) However, at all income levels, Californians (both adults and children) are likely to have health insurance than are residents of other states.

*While Californians (like Americans in other states) could benefit most from national proposals that cover the low-income uninsured, state residents could also benefit from reforms that would cover those with higher incomes.*

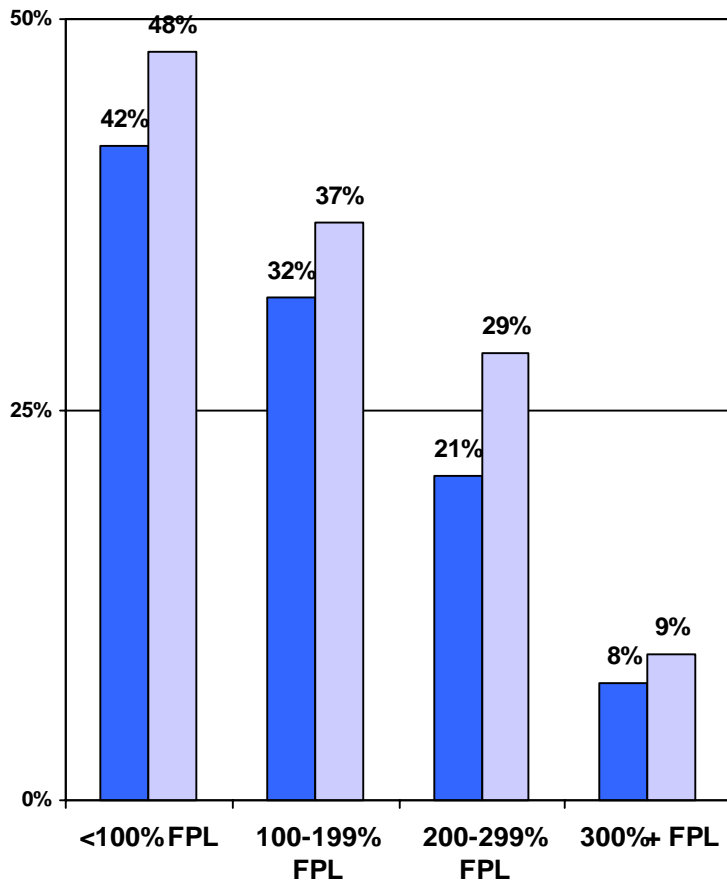
# Chart 36. As in the country as a whole, most uninsured in California have low incomes

## Distribution of the uninsured by income stated as a percentage of the Federal Poverty Level (FPL), U.S. vs. California: 2002

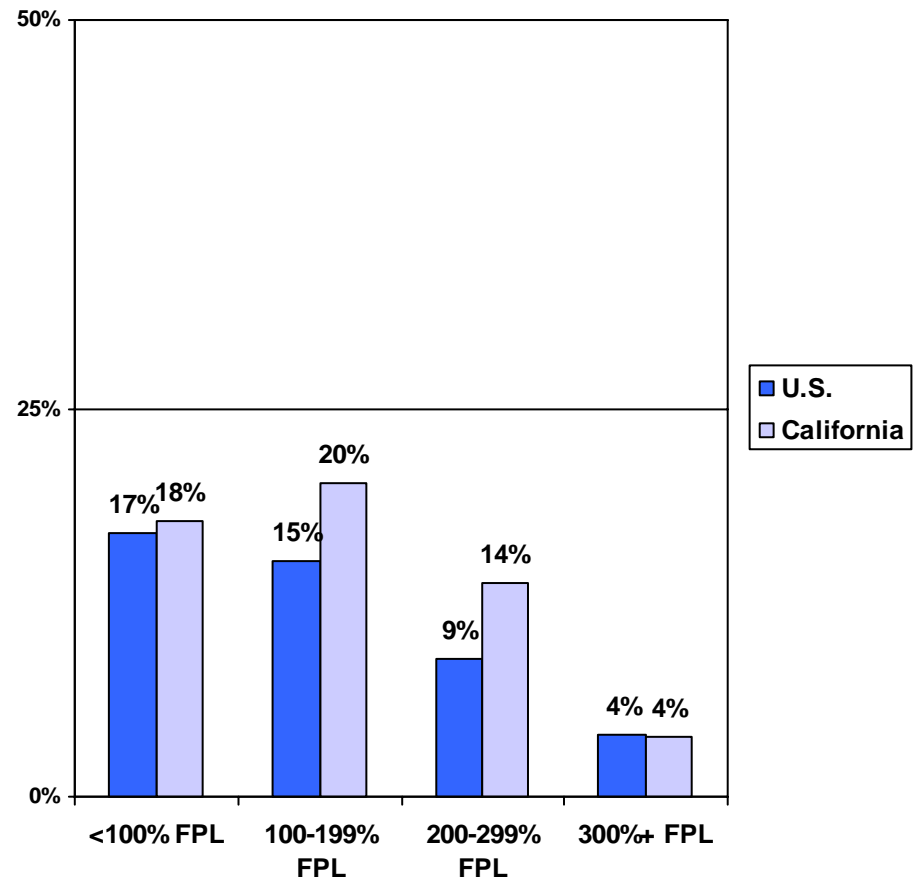


# Chart 37. Percentage uninsured in various income and age groups, U.S. vs. California: 2002

Adults (age 18-64)



Children (under age 18)





# Sources

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*Part D. Sources:* (1) KFF/CHPPS, op cit. (2) Urban, op cit. (3) Alice C. Larson. *Migrant and Seasonal Farmworker Enumeration Profiles Study*. Larson Assistance Services, prepared for the Migrant Health Program, Bureau of Primary Health Care, Health Resources and Services Administration, U.S. Department of Health and Human Services. September 2000. (4) Kala Mehta, Susan M. Gabbard, Vanessa Barrat, Melissa Lewis, Daniel Carroll, and Richard Mines. *Findings from the National Agricultural Workers Survey 1997-1998: A Demographic and Employment Profile of United States Farmworkers*. Prepared by Aguirre International for the U.S. Department of Labor. March 2000.

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