



Blue Shield
of California

An Independent Member
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BLUE SHIELD UNVEILS COST OF UNIVERSAL COVERAGE PROPOSAL

Study Finds 6.6 Million Californians Could be Covered With a \$7.8 Billion Increase in State's Healthcare Spending

SACRAMENTO, Calif. – April 23, 2003 – California's 6.6 million uninsured residents could receive essential healthcare coverage if the state's total private and public healthcare spending were increased by \$7.8 billion, according to a new study released today by Blue Shield of California. The company's chairman and CEO Bruce Bodaken discussed the research, which was conducted by Emory University Professor Kenneth E. Thorpe, PhD, in a speech to the Sacramento Press Club today.

The study was designed to model the cost of a universal healthcare proposal made by Blue Shield in December 2002. The plan, called "universal coverage, universal responsibility," includes the following elements:

Employers would provide health insurance to their employees or pay an equivalent amount. Small employers with low-wage workers would be subsidized.

All eligible persons would be enrolled in Medi-Cal/Healthy Families

Individuals not covered by their employers or state programs must purchase coverage. For those unable to afford it, premiums would be subsidized.

Insurers would be obliged to provide coverage regardless of health status or pre-existing conditions.

An essential benefits package, defined by independent medical professionals, would specify the minimum level of coverage.



“Universal coverage is achievable, but only if responsibility is widely shared and we are mindful of the costs,” said Bodaken. “We must design a fair and affordable system that helps businesses and individuals obtain insurance that covers their essential healthcare needs.” Working with the “universal coverage, universal responsibility” structure, Dr. Thorpe modeled the cost to all parties of providing a fairly typical benefits package to every Californian. The key findings are:

- The incremental cost to state businesses, individuals and government of covering the 6.6 million Californians who are currently uninsured is \$7.8 billion.
- These costs would be shared as follows:
 - State government would pay about \$4.5 billion.
 - Businesses would pay approximately \$3.2 billion.
 - Individuals would pay just \$63 million.

In addition, the state would benefit from receiving \$2.3 billion in federal matching funds for Medi-Cal and Healthy Families -- money that would be lost to California without full state funding of the programs made possible by this proposal.

Private parties that currently bear the cost of health insurance would pay less because those who buy coverage now are paying a “hidden tax” to cover the healthcare costs of people who are uninsured or underinsured.

Employers that currently are providing coverage that equals or exceeds the essential benefit package should save more than \$1.3 billion.

Individuals who pay all or a share of their insurance today should save more than \$800 million.

The additional state contribution could be financed through a 1 percent increase in the state sales tax or a 0.7 percent increase in the state income tax.

“While the cost of universal coverage is significant, it represents a prudent investment by a society that may otherwise see its healthcare system decline to the point where we are all at risk,” said Bodaken. “We have the resources to provide every Californian with essential healthcare coverage if we make it the priority it deserves to be.”

Bodaken added that the study didn’t take into account likely savings that would be achieved through universal coverage. Though definitive research on this issue has not been completed, Bodaken expects that costs will decline from reduced use of emergency rooms for primary care, better access to preventive services and disease management programs, and administrative savings.

Kenneth E. Thorpe, PhD, is Chair of the Department of Health Policy and Management at Rollins School of Public Health, Emory University. Previously, Dr. Thorpe held faculty positions at Harvard University, Columbia University and the University of North Carolina. He was deputy assistant secretary for health policy in the U.S. Department of Health and Human Services, where he coordinated all financial estimates and program impacts of President Clinton's healthcare reform proposals for the White House. Professor Thorpe received his PhD from the Rand Graduate School, an MA from Duke University and his BA from the University of Michigan.

About Blue Shield of California

Founded in 1939, Blue Shield of California is one of the state's leading healthcare companies. Headquartered in San Francisco, the not-for-profit corporation has more than 2.6 million members, 4,200 employees and more than 20 office locations throughout California. For more information on Blue Shield, visit the company's Web site at www.mylifepath.com.

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