

To: ITUP Board members, Workgroup and Conference participants  
From: Lucien Wulsin, Jr.

**Section 1 Title**

**Section 2 Findings**

**Section 3 Purpose and Intent**

**Section 4 Other Constitutional Provisions**

Health trust fund not subject to Gann spending limit and Prop 98

**Section 5 Adequacy of funding and sustainability of programs**

Certain programs and provisions self-destruct if the funding is found by Department of Finance inadequate and the legislature fails to act.

**Section 6 Use for other purposes**

Creates California Health Trust Fund. Precludes raiding the fund for other purposes.

**Section 7 Cigarettes**

Cigarette taxes are increased by \$1.75 a pack.

Hold harmless (fill in their losses due to smoking reductions) for Prop 10, Breast Cancer and cancer research and anti-smoking programs.

**Section 8 Employers**

Employer contributions;

- 1% for Social Security wages up to \$250,000
- 4% for Social Security wages up to 1,000,000
- 6% for Social Security wages up to \$15,000,000
- 6.5% for Social Security wages over \$15 million

Employers' qualifying expenditures:

- Wellness and healthy lifestyles
  - Disease management
  - Pharmacy benefit management
  - Costs of care to the company in company clinics and elsewhere
  - Costs to the employer of purchasing coverage
  - Reimbursements to employees of incurred medical expenses
  - Employer contributions to HSA's
  - Contributions for health expenses under a collective bargaining agreement
1. Employers cannot bypass a collective bargaining agreement and contribute to the pool without agreement from both business and labor

2. Collective bargaining agreements for unionized portions of the workforce must meet the 1-6.5% schedule of contributions set forth above.

What are “loan out corporations”?

### **Sections 9-12 Counties**

Counties pay part of the costs of uninsured up to 150% of FPL moving into certain aspects of state coverage:

1. MIAs up to 100% of FPL moving into Medi-Cal
2. MIAs 100-150% of FPL moving into state purchasing pool
3. Parents and young adults ages 19 and 20 with incomes of 100-150% of FPL moving onto Medi-Cal
4. Counties pay 40% of state costs for their eligible and enrolled county residents
5. Over-all cap of \$1 billion with annual adjustments
6. C-SAC and Department of Finance propose county by county funding formula cap
7. County financial protections if state cuts back program expansion of MIAs

Mechanisms for state and counties to resolve their disputes

Annual hardship modifications for distressed counties

### **Section 12 Hospitals**

Hospitals pay 4% of net patient revenues into special fund

Fund pays for:

1. Hospital rate increases to Medicare levels
2. Medi-Cal managed care hospital rates increases to Medicare levels
3. Public hospitals share of Medi-Cal rates
4. Hospital component of Medi-Cal and MRMIB coverage expansions
5. Medi-Cal managed care rate increases to be passed through to hospitals

State MOE (maintenance of effort) for hospital care services

Mechanisms for funding dispute resolutions between state and hospitals

### **Section 13 CHIs**

\$25 million loan to sustain local CHIs and eliminate enrollment caps or waiting list between 1/1/09 and 7/1/09 to be repaid from tobacco tax.

### **Section 14 Continuous Appropriation**

**Section 15** Amendments with 2/3rds legislative vote of sections 5 and 12. Amendments of Sections 7-11 and 14 consistent with the voting provisions of Article 4 and 13A of the state Constitution as applicable.

### **Section 16** Linked to AB 1 of the 2007-08 Special Session

### **Section 17 Severability**

**Section 18** Reconciliation with conflicting measures

**Section 19** Venue for court challenges in Sacramento County