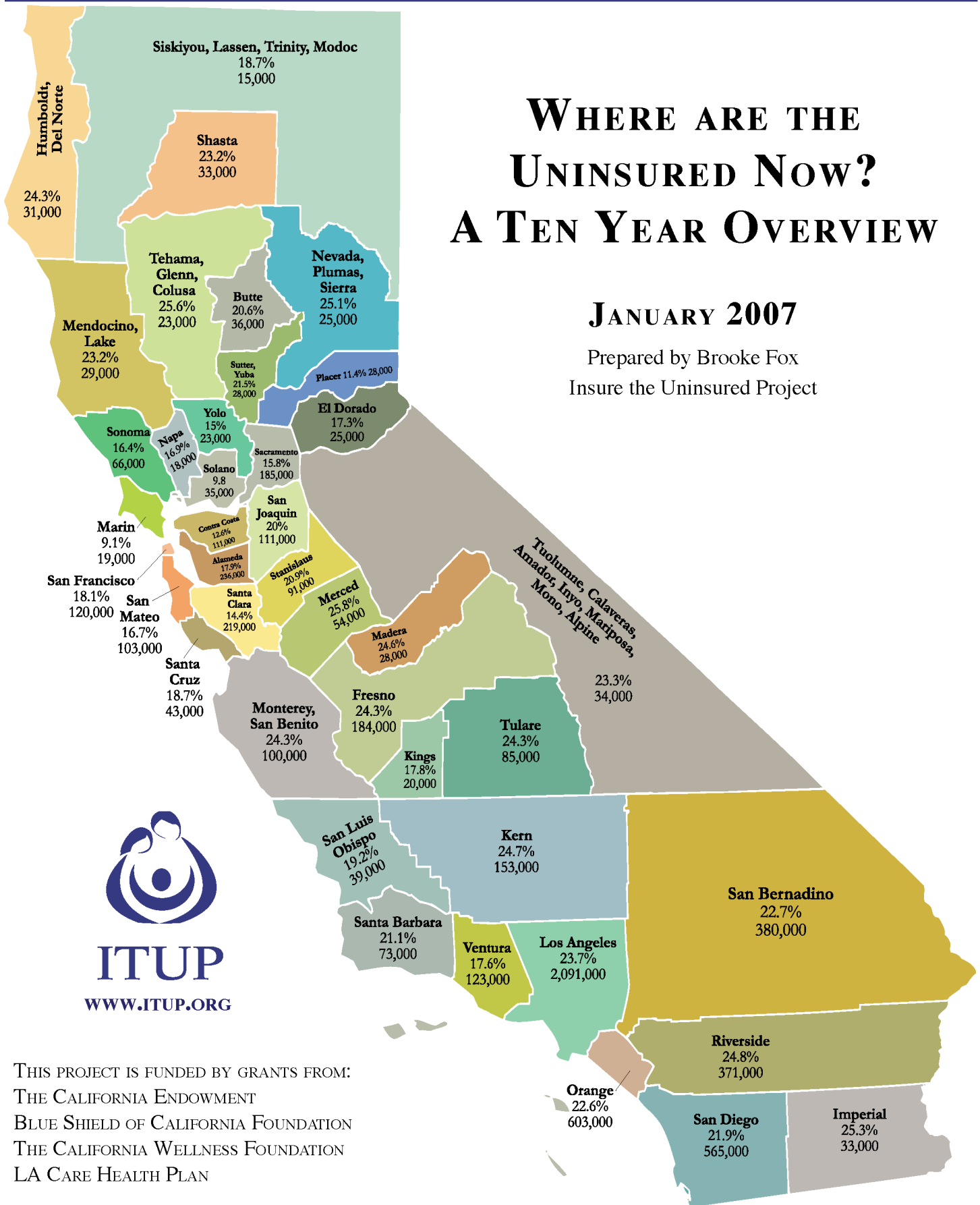


INSURE THE UNINSURED PROJECT

WHERE ARE THE UNINSURED NOW? A TEN YEAR OVERVIEW

JANUARY 2007

Prepared by Brooke Fox
Insure the Uninsured Project



ITUP

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THIS PROJECT IS FUNDED BY GRANTS FROM:
THE CALIFORNIA ENDOWMENT
BLUE SHIELD OF CALIFORNIA FOUNDATION
THE CALIFORNIA WELLNESS FOUNDATION
LA CARE HEALTH PLAN

Source: 2003 CA Health Interview Survey

INSURE THE UNINSURED PROJECT

Insure the Uninsured Project's (ITUP) fundamental goal is to increase health coverage of California's 6.6 million uninsured. ITUP regional workgroups seek to develop consensus on local efforts to cover the uninsured. Our goal is to support local decision makers in their efforts to simplify and expand coverage for the uninsured. Each year, ITUP releases reports on 48 counties, six California regions, and a statewide overview reflecting comparative data and trend analysis. These reports aim to inform local decision makers on critical matters. The reports form the foundation for ITUP's regional workgroups and annual conference. ITUP was founded in 1996 and is a project of the Center for Governmental Studies. ITUP has been supported through a series of grants from the California Wellness Foundation, Blue Shield of California, The California Endowment, LA Care Health Plan, and project-specific grants from the California HealthCare Foundation.

Insure the Uninsured Project
2444 Wilshire Blvd., Suite 415
Santa Monica, CA 90403
Phone: 310-828-0338
Fax: 310-828-0911
Email: info@itup.org
www.itup.org



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**INSURE THE UNINSURED
PROJECT**

INTRODUCTION

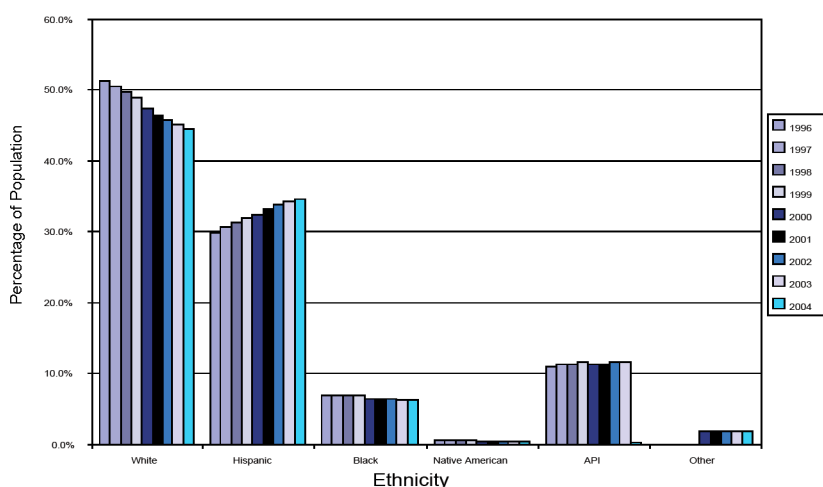
The regional and statewide ten-year trend analyses completed by ITUP in 2006 present a unique format to examine the trends, strengths and opportunities of each region and the entire state of California in addressing the issue of the uninsured. These analyses reflect the changing demographics, utilization and funding of community clinics and hospitals, and county health services for the uninsured between 1996 and 2004 in the following nine regions and counties: Bay Area, Central Coast, Central Valley, Inland Empire, Los Angeles County, North Central, North Rural, Orange County, and San Diego County. This report serves as a companion to the graphical presentation based on this trend data, with the goal of recognizing the unique characteristics and similarities among the regions. As California stands on the brink of significant health care reform, we hope that by looking at how we care for the uninsured of our state and how pay for this care will help inform policymakers, providers and advocates alike in their efforts to find solutions for covering California's uninsured.

DEMOGRAPHIC CHANGES

Over the last ten years, California's population has grown at an annual rate of 0.1%. The population has become increasingly Hispanic, while the proportion of non-Hispanic whites has continued to decrease even more. Although whites make up the largest proportion of the population at 45%, their proportion of the population has decreased by 6.7%. Hispanics, who make up 35% of the population statewide, surpass whites as the largest ethnic group in Los Angeles County and the Central Valley (46.5% and 43.1% respectively). In contrast, the population of the North Rural and North Central regions are predominantly white (77% and 60%, respectively). The Asian/Pacific Islander population has also experienced growth, especially in the Bay Area where they now represent 25% of the population. Blacks represent a smaller proportion of the population statewide and in every region examined than in 1996.

The proportion of California residents with incomes under 200% of the federal poverty level (FPL) increased 3.0% between 1990 and 2000, accounting for

Table 1: California Population Change by Ethnicity, 1996-2004



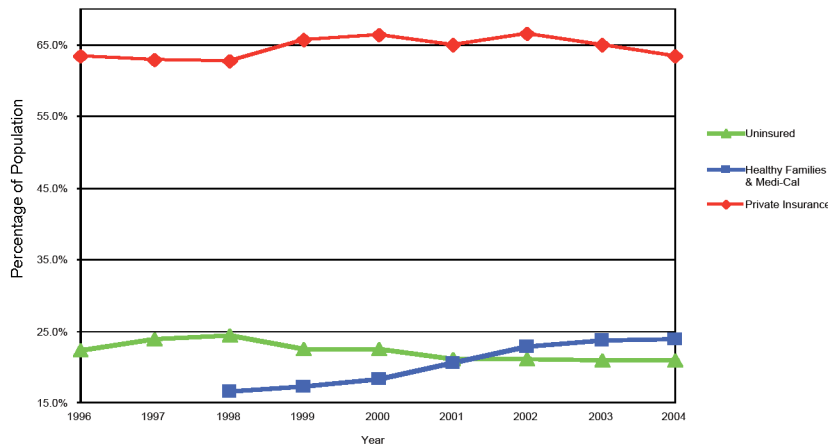
33.1% of the state's population. Among this group, the proportion of residents with income below 100% of FPL increased most (1.7%). The Central Valley is the poorest region, with 44.8% of residents living below 200% of FPL, and 20.5% living below 100% of FPL. The Bay Area has the lowest proportion of residents living below 200% of FPL at 20.3%.

The statewide unemployment rate has decreased by 1.9% overall since 1996. The trends in unemployment have been pronounced statewide and regionally over the past ten years. Unemployment rates dropped between 1996 and 2000 to 5.0%, rose from 2001 to 2003 and dropped slightly in 2004 to 6.2%. The regional unemployment rates followed similar trends in all regions studied. In 2004, the Central Valley had the highest unemployment rate at 10% and San Diego and Orange Counties both experienced the lowest rates of unemployment at 4.3%. Statewide, the trade transportation and utilities industry employs the greatest proportion of Californians. The proportion of jobs held in manufacturing decreased since 1996, while the proportion of employment in construction and education and health services increased during this period.

CHANGES IN INSURANCE STATUS

The rate of uninsurance in California began to decline in 1998 following two years of rising rates. Since 2001, the proportion of uninsured has remained fairly stable around 21%, decreasing 1.3% overall since 1996. In 2004, there were 6.7 million uninsured Californians. Among the insured, 52.9% were covered through employment-based insurance in 2004, which is the lowest rate of employment-based coverage in the period since 1996. The rate of employment-based coverage has fluctuated somewhat, increasing between 1996 and 2000, and dropping in subsequent years. Despite the reduction in employment-based coverage, coverage in the individual market has increased overall to a high point of 10% in 2004 after much variation.

Table 2: California Changes in Insurance Status, 1996-2004



Enrollment in public programs has grown by 7.2% over the ten-year period. Both Medi-Cal and Healthy Families enrollment increased, to 21.5% and 2.3%, respectively. With the exception of San Diego

County, whose rate of enrollment for Medi-Cal declined, this trend is consistent across the counties and regions examined. The combined rate of enrollment for these two programs is highest in the Central Valley, nearly 30% of the population.

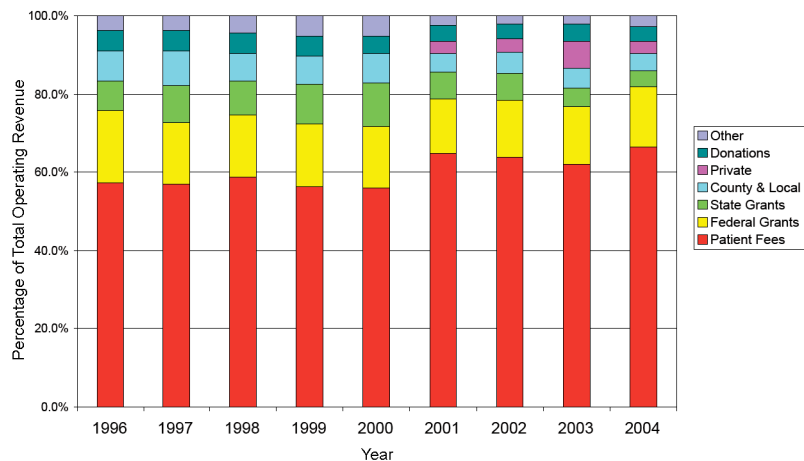
CARING FOR THE UNINSURED: FREE AND COMMUNITY CLINICS

A range of safety net providers makes up the system that predominantly cares for the uninsured. This includes free and community clinics, hospitals and other private providers. Among those clinics serving the uninsured are Federally Qualified Health Centers (FQHC), FQHC Look-alike, Community, Free and Rural Health Clinics, the number of which all increased between 1996 and 2002. Federal funding has followed a similar trend, increasing overall since 1996. Overall, visits to free and community clinics grew to 11.1 million in 2004, a change of 19.4% since 1996. Among the patient visits in free and community clinics, the proportion of visits by Medi-Cal patients increased 44% and uninsured patient visits increased by 20% from 1996 to 2004.

Statewide, clinics have experienced a growing budget surplus (with the exception of 1996 and 2003) as total operating revenue increased. Clinics statewide have mostly been in the black in recent years. Patient fees are the greatest source of revenue for clinics, followed by federal, state and county grants and contracts; however, state and county grants and contracts have declined as a proportion of overall clinic revenue. Federal funding comprised a relatively stable proportion of clinic revenue, about 14-16%.

In the Bay Area, Central Valley, and Inland Empire regions, as well as in Los Angeles, Orange, and San Diego Counties clinics, patient fees represent a growing proportion of clinic revenue. The increasing numbers of uninsured visits at free and community clinics are financed through a variety of funding streams. Clinics increasingly depend on federal grants, Family PACT, county programs and EAPC to pay for care to the uninsured. The share of clinic revenue from self-paying patients and CHDP decreased significantly from 1996 to 2004. Bay Area, Central Coast, and North Central clinics have experienced a growing funding deficit for their uninsured visits. Clinics in the

Table 3: California Community Clinic Total Operating Revenue, 1996-2004



Central Valley, Los Angeles, Orange and the North Rural region narrowed their funding deficit for uninsured visits.

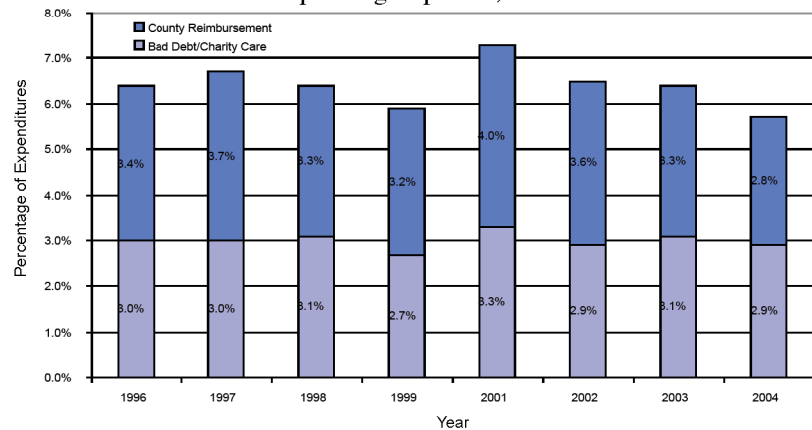
HOSPITAL CARE AND FINANCING

In California, comparable hospitals provide the greatest proportions of care to Medicare, Medi-Cal and privately insured patients.¹ Among inpatient utilization, Medicare patients represent an increasing share of days (6.4% increase), while the proportion of days among privately insured patients decreased (3.4% decrease). This trend was consistent in all regions studied. The share of inpatient days among Medi-Cal patients increased in hospitals in the Central Valley, Inland Empire, Los Angeles, North Central, North Rural and Orange regions.

Similarly, the Medi-Cal share of emergency department (ED) utilization increased by 5.8% statewide between 1998 and 2004 and decreased among privately insured patients. These two payers make up the largest proportions of ED visits. Hospitals in the Bay Area, Central Valley, Inland Empire, North Central and San Diego regions followed these trends in payer mix for ED utilization. The share of ED utilization among the privately insured increased in hospitals in the Central Coast and North Rural regions. The proportion of ED visits among Medicare and county indigent patients remained relatively stable.

The cost of caring for the uninsured is a combination of the amounts reported as county reimbursement for hospital care to the county indigent and the amount of bad debt and charity care for each hospital. Statewide there was minimal change in the proportion of hospital care devoted to the uninsured and minor changes in the proportion of county reimbursed patients in

Table 3: California Hospital Care to the Uninsured as a Percentage of Total Operating Expenses, 1996-2004

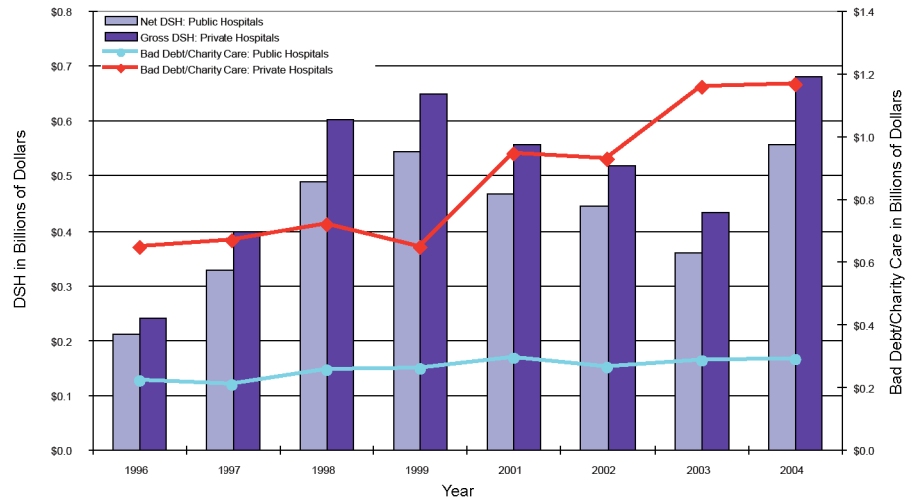


1 According to the Office of Statewide Health Planning and Development, comparable hospitals includes those whose data and operating characteristics are comparable with other hospitals; excludes Kaiser, psychiatric facilities, long-term care facilities and state hospitals.

hospital inpatient and emergency room settings. Hospital care to the uninsured (as a percentage of total hospital expenditures) ranged from a high of 7.3% in 2000 to a low of 5.7% in 2004. County reimbursement (as a percentage of total hospital revenues) decreased overall following many fluctuations to 2.8% in 2004. Similar fluctuations in hospital care to the uninsured are found regionally as well. North Rural hospitals provided an increasing proportion of care to the uninsured (over 6% of total hospital expenditures); hospital care to the uninsured as a proportion of hospital expenditures declined in Orange County.

Hospitals in California depended on Disproportionate Share Hospital (DSH) and SB 1255 funding in addition to county funding to pay for care to uninsured patients. DSH funding for both public and private hospitals increased during 1996 to 1999, then fell for three subsequent years before growing again in 2004 to a high of \$1.2 billion. The SB 1255 program, which was discontinued in 2006 as part of the §1115 waiver, grew over the time period, keeping pace with the growth in bad debt and charity care. DSH disbursements to public hospitals surpassed the relatively stable amount of bad debt and charity care provided by those hospitals. However, DSH did not keep pace with the growth in bad debt and charity care among private hospitals. Statewide, DSH for private hospitals has fallen short and DSH for public hospitals has kept pace with their respective growth in bad debt and charity care.

Table 4: Cost of Bad Debt/Charity Care vs. DSH Disbursements for California Hospitals, 1996-2004



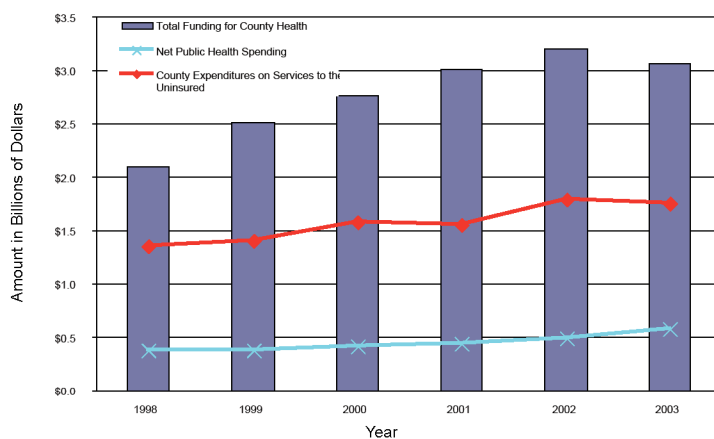
California hospitals operated with a positive margin in all years between 1996-2004. Following a steep increase in 1998, the operating margin for all comparable hospitals has remained relatively stable around \$2 billion; however operating margin represents a declining percentage of total operating expenses--from a high of 9.6% in 1998 to a low of 3.5% in 2004. Hospitals in the Central Coast, Central Valley, Inland Empire and Orange regions experienced increased operating margins, whereas hospitals in the Los Angeles, North Rural and San Diego

experienced sharp drops in their operating margins. In 2004, North Rural hospitals operated in the red (-\$20 million) following three years of declining margins.

COUNTY HEALTH SERVICES FOR THE UNINSURED

State law requires that counties care for their medically indigent adult population under W&I §17000. Eligibility and benefits vary by county, with some counties expanding program eligibility and benefits. County health is funded by a mix of State realignment and Prop 99, federal net county DSH and SB 1255, county mandatory and discretionary match and Tobacco Litigation Settlement Funds. Allotments are highly variable among the counties and highly inequitably distributed in proportion to a county's numbers and percentages uninsured.

Table 5: County Revenues vs. County Spending on Services for the Uninsured and Public Health, 1996-2004



Statewide, increased funding is available for county health services to the uninsured; however the funding equity varies considerably by region. Per capita funding for the uninsured grew from \$323.74 in 1998 to \$474.38 in 2004. In the Bay Area, Los Angeles and North Rural region, funding equity improved. However, in the Central Coast, Inland Empire, San Diego, and North Central regions, funding equity declined; equity for Orange and Central Valley is deteriorating.

Overall there has been a declining use of county health services by Hispanic, Black and non-Hispanic white patients, with an overall drop in the number of county indigent patients with similar trends in patient demographics in most regions studied.² The number of county indigent patients increased in the Bay Area and Inland Empire. The period between 1998 and 2003 saw an increased use of county outpatient services and slight decrease in utilization of emergency room services. Increased utilization of outpatient services occurred regionally with the exception of the Central Valley, Inland Empire and San Diego regions.

Spending on services to the uninsured increased, however not proportionate to the increase in

² Statewide data on county indigent patient demographics and utilization does not include data on CMSP counties as data is not available for all studied years.

revenues available for county health. Total county health spending on care to the uninsured reached \$1.75 billion in 2003³. An increasing share of county health spending was devoted to outpatient services whereas spending on inpatient and emergency room services remained relatively stable. Spending on county health services declined in the Central Valley while spending in other regions increased. In the Inland Empire and North Central regions, county spending on services for the uninsured doubled.

3 Trend data on county expenditures for health care services to the uninsured includes combined MICRS and CMSP expenditures for the years 2000, 2002 and 2003. All other years reflect only MICRS expenditures.

METHODOLOGY AND DATA SOURCES

All data used is for years 1996-2004 unless otherwise noted.

Demographic Changes

The population and race/ethnicity calculations used are drawn from the U.S. Census Bureau's annual population estimates.

U.S. Census Bureau, "1990 to 1999 Annual Time Series of County Population Estimates By Age, Sex, Race, and Hispanic Origin," downloaded from <http://www.census.gov/popest/archives/1990s/CO-99-12.html>.

U.S. Census Bureau, "County Population by Age, Sex, Race, and Hispanic Origin: April 1, 2000 through July 1, 2004," downloaded from <http://www.census.gov/popest/counties/asrh/CC-EST2004-alldata.html>.

Unemployment information was obtained from the State of California's Employment Development Department by annual average for the years 1996 through 2004. The data used is not seasonally adjusted.

State of California Employment Development Department, Labor Market Information Division "Industry Employment and Labor Force – by Annual Average (1990-2005); March 2004 Benchmark (Not Seasonally Adjusted)," April 25, 2005, downloaded from <http://www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=4&SubID=166>.

Poverty data was obtained from the U.S. Census Bureau's "Ratio of Income in 1999 to Poverty Level" for census years 1990 and 2000.

U.S. Census Bureau, "PCT141.Ratio of Income in 1999 to Poverty Level," Census 2000 Summary File (SF 4) – Sample Data, downloaded from <http://factfinder.census.gov>.

Data on the number of uninsured was obtained from the UCLA Center for Health Policy Research's 2001 and 2003 California Health Interview Survey. Data on the rate of uninsured for 1996-2000, rate of private insurance and employment-based coverage was obtained from the U.S. Census Bureau's Current Population Survey. Medi-Cal enrollment data was downloaded from the California Department of Health Services' Medical Care Statistics Section. Healthy Families enrollment data was downloaded from the Managed Risk Medical Insurance Board.

U.S. Census Bureau, Housing and Household Economics Statistics Division, "Health Insurance Coverage Status and Type of Coverage by State--People Under 65: 1987 to 2005," downloaded from <http://www.census.gov/hhes/www/hlthins/historic/index.html>.

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California Department of Health Services, Medical Care Statistics Section, "Medi-Cal Beneficiary Profiles by County," downloaded from http://www.dhs.ca.gov/mcss/RequestedData/Beneficiary_files.htm.

Managed Risk Medical Insurance Board, "Healthy Families Program Subscribers Enrolled by County," downloaded from <http://www.mrmib.ca.gov/MRMIB/HFP/HFPPReports.shtml>.

Caring for the Uninsured: Free and Community Clinics

All community clinic data was obtained from the Office of Statewide Health Planning and Development (OSHPD).

Office of Statewide Health Planning & Development, "Primary Care Clinics Annual Utilization Data," downloaded from <http://oshpd.ca.gov/HQAD/Clinics/clinicsutil.htm>.

Hospital Care and Financing

Analysis of hospital utilization of inpatient, outpatient, and emergency department services and hospital financing was obtained from the Office of Statewide Health Planning and Development.

Office of Statewide Health Planning and Development, "Hospital Annual Financial Data," downloaded from <http://www.oshpd.ca.gov/HQAD/Hospital/financial/hospAF.htm>.

Office of Statewide Health Planning and Development, "Hospital Annual Financial Selected Pages 0-9," downloaded from <http://www.oshpd.ca.gov/HQAD/Hospital/financial/annualSpages/hospAFpage.htm>.

County Health Services for the Uninsured

County health patient demographic, utilization and expenditure data was obtained from the California Department of Health Services' Office of County Health Services, Medically Indigent Care Reporting System (MICRS) for the years 1998-2003 and County Medical Services Program for 2000, 2002 and

2003. Due to inconsistent data available for the County Medical Services Program (CMSP), patient demographic and utilization data for that program is excluded from this analysis. However CMSP expenditure data is included for the years 2000, 2002 and 2003.

California Department of Health Services, Office of County Health Services, Medically Indigent Care Reporting System (MICRS), "County Indigent Patient Counts by Race/Ethnicity," downloaded from http://www.dhs.ca.gov/hisp/ochs/micrs/county_data.htm.

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California Department of Health Services, Office of County Health Services, Medically Indigent Care Reporting System (MICRS), "County Indigent Expenditures by Type of Service," downloaded from http://www.dhs.ca.gov/hisp/ochs/micrs/county_data.htm.

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California Department of Health Services, Office of County Health Services, County Medical Services Program, "Summary of Claims and Costs by Claim Type FY 2002-03 to FY 2004-05," downloaded from http://cmspcounties.org/data/county_specific.html.

Sources of funding data for county health services were drawn from the Office of County Health Services and the California Office of the Attorney General for the years 1998-2004.

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California Department of Health Services, Office of County Health Services, "California Healthcare for Indigents Program (CHIP) Allocation Summary," downloaded from <http://www.dhs.ca.gov/hisp/ochs/chsu/CHIP/Allocations/default.htm>.

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California Department of Health Services, Office of County Health Services, “County Health Services Budget/Actual Data,” downloaded from <http://www.dhs.ca.gov/hisp/ochs/chsu/trendata.htm>.

California Department of Health Services, Office of County Health Services, “SB 855 - Actual Payments and Transfers County and Non Co Hospitals.”