

# Covered San Francisco

## Building on a legacy of health care reform

The Affordable Care Act took some dramatic steps to promote affordable health care for working people. But big gaps remain. That is why Supervisor Campos has introduced legislation to amend San Francisco's landmark Health Care Security Ordinance (HCSO) – so that our city can get the maximum benefit out of Obamacare, and move closer toward the goal of universal coverage.

### **Affordable care remains out of reach for many**

Even though thousands of San Francisco residents and workers have enrolled in Covered California, thousands more are choosing not to. The reason is simple: in a high-cost place like the Bay Area, federal subsidies simply aren't enough to make Obamacare plans truly affordable. For example, a 40 year old earning \$15 an hour would have to pay close to \$200 per month for a so-called "silver" plan with high copays. For someone struggling to pay soaring rents, that is a tough decision to make.

According to state estimates, close to 40% of uninsured people in the Bay Area who are eligible to receive federal subsidies through Covered California plans will turn those subsidies down and not buy plans. For those who earn above 200% of federal poverty standards (the large majority of working people in the region), that turn-down rate is even higher.<sup>i</sup>

Other people are excluded from the benefits of Obamacare altogether. In addition to the undocumented (who Congress barred completely from ACA health care exchanges), others have been blocked from receiving subsidies to make coverage affordable. For example, under the little-known "Family Glitch," entire families are disqualified from receiving ACA subsidies if just one parent is offered employer coverage deemed "affordable", even as family coverage remains out of reach financially.

At least three states – Vermont, New York, and Massachusetts – are taking steps to address some of these gaps. Given the high costs of living in the Bay Area, and our track record implementing the HCSO, it is time San Francisco takes up the lead in promoting access to truly affordable care.

### **A loophole in the HCSO keeps much-needed help from working people**

The HCSO has been a spectacular success. While job-based health insurance has been declining – nationally, state-wide, and across our region – SF has turned that trend in the opposite direction.<sup>ii</sup> But a minority of companies has been exploiting a loophole that permits them to take back the money they are supposed to spend on employee health care. Since the law took effect, this group of companies has evaded paying hundreds of millions in employee health care as originally envisioned by the HCSO.

The ACA outlawed the kind of plans these companies were using to exploit the HCSO loophole. So now, brokers are coming up with new kinds of plans designed so that most workers cannot take full advantage of their health care funds, and so the money can be taken back. At the exact moment when working families could most benefit from extra help buying affordable health insurance, those resources are being drained away by unscrupulous employers.

## **“Covered San Francisco” – the next step in health care reform**

San Francisco led the country in passing the HCSO in 2006. Some of the best ideas taken up by Congress in the Affordable Care Act were pioneered here. As a result, the HCSO is highly compatible with Obamacare. With the changes proposed in Supervisor Campos’ amendment, we can take the HCSO to the next level – making the ACA work better in San Francisco than it does anywhere else in the country.

Under the proposed ordinance, our city will set up “Covered San Francisco” – a program to make health insurance more affordable for working people, and to maintain the Healthy San Francisco plan for those who simply cannot obtain affordable coverage.

*Covered San Francisco* will be a public benefit program that provides enhanced subsidies for people to purchase coverage on Covered California. It will “top up” the subsidies provided by the federal government to make health insurance truly affordable. *Covered San Francisco* will also encourage working people to buy better plans on the exchange – reducing the incentive to put off care until it is too late.

Healthy San Francisco will continue to provide a safety net for those who still cannot obtain affordable insurance, even with assistance on Covered California. These include the undocumented, people who fall into the “family glitch”, and others who have to pay a prohibitively large portion of their income to buy insurance.

This program will continue to be fully paid-for out of the existing public health budget and by employers who choose to meet their HCSO spending requirement through the so-called “public option.” It can only succeed, however, if the original intent of the HCSO – to set a minimum spending requirement – is realized. That is why the ordinance finally closes the loophole.

## **Making affordable care real in SF**

By creating *Covered San Francisco* and closing the employer spending loophole, San Francisco can build on the Affordable Care Act in a way that will once again set a model for the nation. We can seize this historic moment in health care reform and fix some of the gaps left behind by Congress. Most importantly, with this ordinance, we can make affordable health care coverage a reality for tens of thousands of San Francisco workers and residents.

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<sup>i</sup> “CalSIM version 1.8 Regional Data Book 2014 and 2019,” UCLA Center for Health Policy Research & UC Berkeley Center for Labor Research and Education, March 2013.

<sup>ii</sup> Carr H. Colla, William H. Dow and Arindrajit Dube, “San Francisco’s ‘Pay or Play’ Employer Mandate Expanded Private Coverage by Local Firms and a Public Care Program”, *Health Affairs*, 32, no.1 (2013): 69-77.