



The California Endowment is a private, statewide health foundation that was established in 1996 as a result of Blue Cross of California's creation of WellPoint Health Networks, a for-profit corporation. The California Endowment's mission is to expand access to affordable, quality health care for underserved individuals and communities, and to promote fundamental improvements in the health status of all Californians. Its Cover California's Kids Program works to insure access to health care for all California's children.

Convened by



## Employers and Children's Health: Creating a Roadmap for the Future

Summer 2005

### Introduction

During the summer of 2005, several United Ways across California and The California Endowment invited top business leaders to participate in meetings to discuss the impact of health care costs of their organizations. The crisis of 800,000 uninsured children in California and, specifically, what might be done at a policy level to guarantee that all children in California have access to health insurance coverage. This report provides the background on these meetings and relates the key findings. While points of view were many and diverse, some common themes surfaced that can be instructive to future policy discussions.

### Background

In 2004, 17 local United Ways came together to work with other partners to cover all of California's children. These United Ways feel that healthy children are the foundation of a healthy community, leading to healthier, more productive lives. Children with health insurance learn better, have fewer undiagnosed illnesses and become healthier, better prepared employees.

Every year, decisions by state and federal legislatures directly or indirectly impact United Ways and other community partners. These decisions affect United Ways' ability to help build strong, healthy communities. To impact communities in a positive way, United Ways need to not only fund local agencies and initiatives, but engage in public policy discussions and invite our business and corporate partners to be part of those discussions.

Over the past few years, the State of California has made significant progress in reducing the number of uninsured children. However, there remain about 800,000 California children who do not have health insurance, representing

**With support from The California Endowment and other community partners, several local United Ways have joined a growing coalition of California business leaders, educators, health care providers, faith leaders, labor representatives and children's advocates to support a statewide effort to provide health insurance to every child in California. This coalition understands that business is the engine of California's economy and must be a part of the health care solution.**

12 percent of the state's 6.8 million uninsured. The social costs of this "children's coverage gap" are staggering – in increased employer premium costs, in lost worker productivity and in emergency room overloads.

In recent years, the health care crisis has increasingly dominated public policy discussions. There have been several proposals, such as SB2, which have put the burden of "fixing" the problem on employers. Currently, business covers 52 percent of all dependent children in the state. After Proposition 72 was not approved, which repealed SB 2, some policy experts realized there had to be a different, and better, way. Business needed to be part of the solution, but not mandated to solve the problem. Health advocates and health policy experts can learn by hearing the concerns and challenges business faces every day and hear their ideas for solutions.

To that end, small meetings of high level executives were convened in seven locations during June and July 2005: San Francisco, Sacramento, Tulare, Silicon Valley, Los Angeles, Oxnard and San Diego. In all more than 60 high-level business leaders participated. Each meeting consisted of seven to 15 participants, a size that facilitated lively discussion. The leaders were drawn from diverse industry sectors and from companies of varying size. The businesses ranged from sole proprietors to Fortune 500 companies. The industries represented included: retail, agriculture and farming, finance, education, insurance, manufacturing, technology, health care, hospitality, local Chambers of Commerce and industry associations. Some of the participating companies provide dependent coverage or the opportunity to access coverage while other companies are unable to provide coverage due to the high cost of premiums or large number of part-time workers.

Prior to the meetings, participants received briefing materials on several aspects of health care financing, coverage and the economic impacts of insured children. The format included a facilitated discussion about: major challenges business face in regard to health insurance; whether 800,000

uninsured children are seen as a problem that is solvable; the equity issues among companies of varying size and resources that should be considered; opportunities and challenges under various policy options for solving the problem.

The key findings for the meeting are summarized below. While not all topics were discussed in detail at every meeting, this summary report attempts to capture the most illuminating and consistent responses. Consensus was not a goal of these meetings, nor was it achieved, except to say that the vast majority of participants agreed that a solution should be found to the problem of 800,000 uninsured children in California.

## Key Findings

**HEALTH CARE IS IN CRISIS – THE STATUS QUO IS UNACCEPTABLE AND SOMETHING NEEDS TO BE DONE.** Based on these discussions, it is apparent that business leaders consider addressing health care a priority. They expressed a great deal of concern regarding the rapidly rising cost of health care. Several participants noted that they have experienced double-digit premium increases and are deeply worried this trend could continue, further squeezing their bottom line. The current health care situation was often described as a “crisis” and compared to the worker’s compensation issue a few years ago. Furthermore, the business community would like to see this problem addressed before it gets worse.

### **BUSINESSES WANT TO HELP SOLVE THE PROBLEM OF UNINSURED CHILDREN.**

Most discussion participants expressed a desire to “be a part of the solution,” as one businessman commented. Another business leader stated, “If business doesn’t help solve the problem, it will be done to business.” Businesses appear to want a solution to the health care “crisis.” They want to be part of the solution, and they want to work with other entities to help develop a solution that will serve everyone’s needs. What intrigued many of the business leaders was the fact that covering all children seems “achievable” and seems much more manageable than trying to cover everyone in California.

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**BUSINESS LEADERS GENERALLY SUPPORT A PLAN TO COVER ALL CHILDREN AND THEY OFFERED OPINIONS AS TO HOW BEST TO DO IT.** Business leaders appear to be supportive of a plan to ensure that all children in California have health insurance. There was a general consensus that covering all children is achievable and that we should “do it for the kids,” even if this does not solve the entire health care crisis. However, business leaders did voice areas of concern when considering how to address health care coverage for all children. The most important issues are as follows:

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**Do not place all of the burden on business.** There was significant agreement that SB2/Proposition 72 was not an acceptable proposal because it was a “heavy-handed approach” that was too harsh on small businesses. One point that was made in multiple locations was the need to make any plan to cover all children voluntary and not mandatory. A mandatory policy reminds too many business leaders of a Proposition 72 model, one that has too much government intervention and regulation and is too restrictive.

**Business leaders are weary of another big state bureaucracy; they prefer a private-public partnership.** Whatever form or structure is created to manage a statewide plan to ensure all children are covered, business leaders believe creating a state government agency to do it (or even adding to an existing one) is the wrong approach to take. A trust fund concept was confusing to some participants, but it worked for others, particularly if it involved a private-public partnership and had professional management and oversight and tough accountability standards, including regular audits. A few participants suggested that a local approach be taken so that programs are run locally or regionally; the county-based CHI model was very intriguing to this audience, especially since it has a proven track record.

**Target incentives to small businesses.** Several participants felt that small businesses should be the highest priority target for any plan that ensures all children have health insurance because, as one participant stated, “That is where the pain is.” A secondary target is employers with low-wage and/or part-time work forces. One suggestion made to help small businesses was to create small business pools that enable them to buy more affordable insurance.

**Equity within the business community.** Many discussion participants felt that a plan to ensure health coverage for all children needs to be fair to all businesses and does not benefit some businesses and hurt others, particularly those that already provide health insurance for their employees' dependents. In other words, the playing field should be leveled to spread the burden equally. Some design suggestions that were made include:

- Make any such program *voluntary*, not mandatory;
- Offer incentives such as tax credits to either employers, employees or both, and make sure there is an effective outreach effort so people actually use them;
- Target small businesses, possibly by creating small business pools so they can access more affordable insurance. While it must be noted that purchase pools already exist, it is clear that we must increase knowledge and awareness of these programs; and
- Make a plan easy to use, especially if it is intended for small businesses, since they have limited staff and time to deal with human resource issues.

**Funding – accountability before tax increases.** Business leaders generally concur that the estimated cost (\$330 million) to ensure coverage for all children seems affordable. However, participants prefer taking several preliminary steps before a tax increase should even be considered.

- **Business leaders want to see current health care dollars spent more efficiently.**
  - For example, a participant commented on the amount of waste in the workers' compensation system and that if that system was made more efficient, then the money saved could be devoted to providing health insurance to children who do not have it.
  - Another suggestion that arose in a few groups was to dedicate the tobacco settlement money for this purpose. The participants who suggested this revenue source pointed out that these funds were supposed to be dedicated to health care programs yet, instead, were being placed into the general fund and spent on a wide range of uses in some counties. In short, by dedicating these resources to children's health care, the government would be more accountable for how it spends health care dollars since the money was supposed to be used for this purpose in the first place.

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- **Business leaders universally agree that the state should make better use of existing federal health care dollars** and not just ask California businesses and taxpayers to pay more. One participant succinctly summarized this sentiment when this business leader declared, “It’s our money!”.
  - **Business leaders want to hold their state government more accountable for how it spends taxpayer dollars.** Many participants were critical of how wasteful state government is with taxpayer money and cited various examples of waste and areas where they thought money could be saved to pay for covering all children.
  - Before offering their support for a plan to cover all children, **business leaders demand assurances that public money will be spent on what it is intended – covering kids.** They like the idea of having regularly scheduled financial audits and want other tough oversight requirements.
  - **Business leaders would like to see a larger emphasis on preventive care.** They feel this would reduce health care costs in both the short- and long-term and help solve the health care crisis that is hurting both businesses and consumers.

If all of these steps are taken and a tax increase is still needed, business leaders will remain wary as they are concerned about the impact of a tax increase on businesses, on consumers and the state’s business climate, which many think is poor and not very hospitable to businesses. If a tax increase is absolutely necessary, then some business leaders appear to grudgingly accept the need to pay for such a plan, or at least not be adamantly against one. However, acceptance for such a tax increase will heavily depend on the kind of tax(es) increased and whether businesses are, or the overall business climate is, affected by the tax increase.

**There is strong opposition to eliminating business tax credits to fund a plan.** One of the main consensus findings from these meetings is that business leaders unanimously and strongly reject eliminating business tax credits. They argued that credits were legitimate policies that effectively encouraged businesses to do important and beneficial actions such as investing in more research and development. Discussion participants believe that not only would this single out and be unfair to businesses, but it would also make California’s business climate worse than it already is by discouraging companies from doing business here and driving away those that do.

Therefore, in spite of the public’s solid support for this potential source of revenue, based on these meetings it is clear that businesses will reject a plan to cover all children in California if it is funded by eliminating business tax credits. To attract support from the business community, funding for such a plan must come from other sources.

**If it is absolutely necessary to raise taxes and there are truly no other alternatives, then, in that context, some business leaders seemed open to using a health care related tax.**

As with voters, business leaders see the logic in using a health care related or “sin” tax to pay for children’s health care. Specifically, a tax on hard liquor, a candy and soda tax, and a tobacco tax were the best received of all of the tax ideas presented. However, the business leaders present at the meetings who would be directly impacted by such a tax (of which there were only a few in all of the meetings combined) opposed this source of revenue. The overall point about taxes, however, is that business leaders made it clear that they should be increased only if necessary, that they would prefer that no taxes be raised, and they are worried about the impact on the state’s business climate.

We learned from these discussions a few key reasons why the business community generally supports the idea of a plan to ensure health coverage for all children in California. They are as follows:

**Insuring all kids will help their bottom lines and increase worker productivity.** Business leaders understand that ensuring all California’s children have health insurance is good for their company’s bottom line because it creates a more productive, healthier work force. Some leaders commented that “a healthy business means healthy employees which means better productivity.” Other participants noted that covering all kids would assist with worker recruitment and retention; improve future work force development, since healthier kids today means healthier and better workers in the future; and help lower health care costs.

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**Ensuring all children have health insurance is “the right thing to do.”** Many participants indicated that they think beyond the bottom line and would be willing to support a proposal to cover all children for “philanthropic” reasons and “to do it for the kids.”

## Conclusion and Next Steps

The California Endowment and the participating United Ways felt the meetings were very productive and that the findings will inform policy discussions. Though rich in information, The Endowment and United Ways realize that these meetings were only a first step in engaging business leaders on this issue. Many of the participants expressed an interest in staying involved and helping in any way they can, including working through challenging issues as solutions are developed. A dialogue has begun and both the United Ways and The California Endowment are committed to its continuing it.

At the conclusion of the meetings, some business leaders asked for more research to support various policy ideas and the effect covering all children would have on children's health overall. In addition, some leaders wanted to know if covering all children in California would have a positive effect on their overall health premiums. The California Endowment committed to funding that research.

In fall 2005, The California Endowment and the United Ways will plan further meetings with business leaders. A statewide meeting of business leaders interested in helping to solve the problem will be convened. As solutions present themselves, either as concepts or as part of a policy proposal, business will be engaged as one of the key stakeholders.

In conclusion, The California Endowment and the participating United Ways express their appreciation for the time and effort these key business leaders made to prepare for and attend these meetings. Covering all children may not solve the entire health care problem, but it would improve the current situation and many business leaders made it clear they want to be part of the solution.