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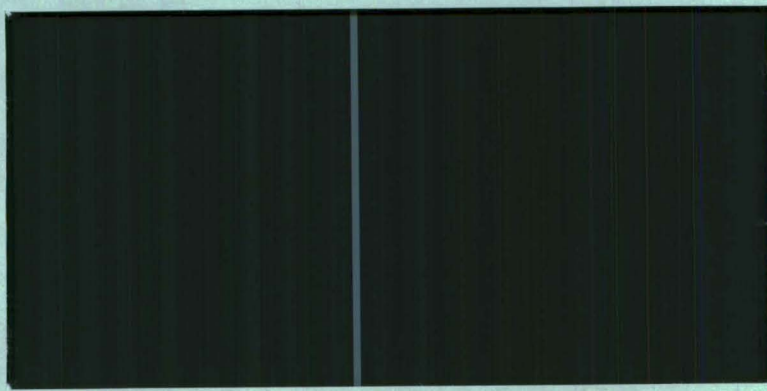
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STATE OF CALIFORNIA—HUMAN RELATIONS AGENCY

DEPARTMENT OF HEALTH CARE SERVICES

CALIFORNIA HEALTH

SECURITY PROGRAM

I. SUMMARY OF THE RECOMMENDED PROGRAM

ELIGIBILITY

- . Catastrophic Health Insurance (CHI) for income earners
- . Voluntary enrollment in State Approved Basic Plans (SABP)
- . SABP's will have open enrollment periods
- . 17 million Californians covered

SCOPE OF BENEFITS

- . Broad scope of benefits
- . SABP covers most illnesses
- . CHI covers most illnesses
- . Emphasis on high cost services

FUNDING

- . \$3 per month contribution for CHI
- . Contributions begin January 1, 1973
- . Spreads the risk of catastrophic costs
- . Establishes self-supporting Health Security Fund
- . Tax incentive for SABP enrollment

ADMINISTRATION

- . CHI benefits begin January 1, 1973
- . SAPB coverage renewable annually
- . Government role minimal
- . Carriers pay claims
- . Effective coordination of SABP and CHI benefits

5. The plan should cover only those medical services which result in major health costs and should not include lower cost services.
6. The administration of the plan should be uncomplicated and of low cost.

To coordinate with the protection offered by a catastrophic plan, all California residents should be able to obtain a basic health insurance plan which will provide protection against medical costs up to the catastrophic level.

A basic health insurance plan should meet the following standards to qualify for State approval:

1. Be administered by insurance companies or prepaid health plans on a risk basis.
2. Be available to all who wish to enroll, and have no exclusions due to medical conditions.
3. Require copayment as a method to control utilization.
4. Premiums should be reasonable.
5. Include effective controls to assure reasonableness of costs, and preclude payment for unnecessary services.

The two plans above, Catastrophic Health Insurance and a State Approved Basic Plan, working in tandem, will offer protection against financial impoverishment due to high medical costs.

CALIFORNIA HEALTH SECURITY PROGRAM

ELIGIBILITY *

PLAN	<u>Persons Eligible</u>		<u>Persons Excluded</u>	<u>Number of Potential Eligibles</u>		<u>Cost Estimates</u>	
	Automatic Coverage	Voluntary Enrollment		Automatic Coverage	Voluntary Enrollment	Automatic Coverage	Voluntary Enrollment
1	Employed Persons and Dependents	All Others	None	15.5 million	2.1 million	\$265 million	\$35 million
2	Income Earners and Dependents	All Others, Unless Excluded	Cash Grant, Armed Forces and Dependents	17.6 million	Minimal	\$300 million	minimal
3	All California Residents	None	None	20.5 million	None	Unknown	None

* This chart shows alternative eligibility requirements for Catastrophic Health Insurance (CHI).

All persons covered by CHI are eligible to enroll in a State Approved Basic Plan (SABP).

All plans require California residency.

Citizenship is not required.

ELIGIBILITY

Plan 2 is recommended because it includes virtually all income earners and their dependents who need protection from the financial risks of catastrophic illness or injury.

California residency is required but citizenship is not.

Enrollment in California Health Insurance (CHI) is automatic for all wage earners. All single persons with gross annual income of \$500 or more and all married persons with a gross annual family income of \$1,000 or more are required to enroll. Enrollment is voluntary for others.

Cash grant recipients, who are automatically covered by Medi-Cal, and members of the armed forces and their dependents are excluded from enrollment since they already have comprehensive health coverage.

All persons covered by CHI are eligible to enroll in a State Approved Basic Plan (SABP). Those having a SABP will be eligible for CHI benefits after exhausting the basic plan benefits without further financial obligation.

Each individual without SABP coverage will be required to pay or obligate \$8,000 for health costs before CHI benefits are paid. This requirement can be met by a combination of non-approved health plan benefits and personal resources. This will be required each calendar year.

Premiums will be waived for persons meeting specified criteria for disability illness, injury or unemployment.

CALIFORNIA HEALTH SECURITY PROGRAM
BENEFITS

STATE APPROVED BASIC PLAN (SABP)				CATASTROPHIC HEALTH INSURANCE (CHI)		
	Inpatient Hospital Care	ECF Services	Outpatient	Inpatient Hospital Care	ECF Services	Outpatient
LEVEL 1. BENEFITS	30 days/year (includes physician services, x-ray & lab) Copayment	15 days/year (includes physician services, x-ray & lab) Copayment	50 Physician visits/year X-ray & lab to \$150/year Copayment	\$5,000/year maximum (includes physician services, x-ray & lab)	\$2,500/year maximum (includes physician services, x-ray & lab)	\$2,000/year maximum Physician services, x-ray & lab
LEVEL 2. BENEFITS	100 days/year (includes physician services, x-ray & lab) Copayment	30 days/year (includes physician services, x-ray & lab, plus drugs & ancillary services furnished by facility) Copayment	150 visits/year Physician, Podiatry, HHA, PT, OT, ST X-ray & lab to \$300/year Blood Emerg. Ambulance Medical equipment to \$500/year Copayment	No maximum Benefit same as Basic Plan	No maximum Benefit same as Basic Plan	No maximum Benefits same as Basic Plan, plus Chronic dialysis
LEVEL 3. BENEFITS	100 days/year (includes all inpatient services) No copayment	60 days/year (includes all inpatient services) No copayment	No Limits (includes all services except chronic dialysis) No copayment	No maximum Benefits same as Basic Plan	No maximum Benefits same as Basic Plan	Chronic dialysis (other services are covered by Basic Plan)

SCOPE OF BENEFITS

The Level 2 scope of benefits is recommended because it includes -- by a combination of approved basic health insurance and catastrophic coverage--- the vital health care services that result in unusually high costs for persons stricken with a major illness or injury.

The coverage in the State Approved Basic Plan (SABP) is a composite of the types of coverage generally included in better health insurance policies. It affords sound protection against the costs incurred by most families for health care. This protection enables the policyholder, when he has exhausted SABP benefits, to obtain Catastrophic Health Insurance (CHI) benefits without severely depleting his own personal resources.

Persons not enrolled in a SABP would have to meet a substantial financial obligation before qualifying for CHI benefits.

CHI benefits will be used by a relatively small number of persons. However, without the additional protection of this catastrophic coverage, the cost of major illness or injury is frequently beyond the means of most wage-earners and self-supporting persons.

Anything less than the Level 2 scope of benefits would furnish insufficient protection against major health care costs. Conversely, a greater scope of benefits would result in prohibitive costs, and would needlessly include services that can be paid for directly by most persons.

The recommended scope of benefits is contained on the following pages.

LEVEL 2 BENEFITS

A. STATE APPROVED BASIC PLAN (SABP)

1. Inpatient Hospital Care

Covered for 100 days per calendar year.

Includes:

- * Bed in a semi-private room and all meals, including special diets
- * Use of operating room, delivery room, recovery room, and other hospital facilities
- * Private room, intensive care unit services, or coronary care unit services when medically required
- * Nursing services, except private duty nursing
- * Drugs furnished by the hospital
- * X-ray and laboratory services
- * Services of physicians and podiatrists
- * Services of dentists for surgery of the jaw or related structures or setting of fractures of the jaw or facial bones
- * Physical therapy, occupational therapy, speech therapy, and psychology services
- * Medical supplies, splints and casts
- * Use of appliances and equipment furnished by the hospital
- * Blood and blood derivatives

Excludes:

- * Optional personal comfort or convenience items
- * Private duty nursing

- * Long term care
- * Treatment of mental health disorders, other than acute (crises - intervention) hospital care of major psychiatric disorders such as psychosis or life-threatening depressive states
- * Treatment of alcohol or drug addiction
- * Experimental services
- * Cosmetic services
- * Eye refractions, except for immediate post-cataract glasses
- * Routine foot care, and treatment of flat feet, sprains, or partial dislocations
- * Dental services for treatment of teeth or gums

2. Extended Care Facility Services

Covered for 30 days per calendar year, when medically required.

Includes:

- * Room and board
- * Nursing services (except private duty nursing) provided by the facility
- * Medical supplies and prescribed drugs provided by the facility
- * X-ray and laboratory services

Excludes:

- * Same as inpatient hospital care exclusions
- * Long-term care

3. Outpatient Services

Covered for 150 visits per calendar year from the following group of services:

- o Physicians' services
- o Podiatry services
- o Physical therapy services
- o Occupational therapy services
- o Speech therapy services
- o Home health agency nursing services
- * Diagnostic X-Ray and laboratory services are covered to a maximum of \$300 per calendar year
- * Emergency ambulance transportation to the nearest hospital capable of providing needed care
- * Purchase or rental of durable medical equipment up to \$500 per calendar year
- * Blood and blood derivatives
- * Custom-made prosthetic and orthotic devices

Exclusions:

- * Cosmetic or experimental services
- * Treatment of mental disorders, alcohol, or drug addiction
- * Routine check-ups
- * Eye refractions, except for immediate post-cataract glasses
- * Routine foot care, and treatment of flat feet, sprains, and partial dislocations

B. CATASTROPHIC HEALTH INSURANCE (CHI)

Scope of Benefits

1. Inpatient Hospital Care

Same scope as in SABP, except no calendar year limit on number of hospital days, subject to utilization controls.

2. Extended Care Facility Services

Same scope as in SABP, except no calendar year limit on number of days, subject to utilization controls.

3. Outpatient Services

Same scope as in SABP, except no dollar or visit limits, subject to utilization controls. Also includes chronic dialysis.

CALIFORNIA HEALTH SECURITY PROGRAM
FUNDING

ALTERNATIVE	STATE APPROVED BASIC PLAN (SABP)	CATASTROPHIC HEALTH INSURANCE (CHI)
1	<p style="text-align: center;">Direct State Subsidy via Tax Increase</p>	<p style="text-align: center;">Individual Contribution \$3/month</p>
2	<p style="text-align: center;">Indirect State Subsidy via Tax Incentive</p>	<p style="text-align: center;">Individual Contribution \$3/month</p>
3	<p style="text-align: center;">Direct State Subsidy via Tax Increase</p>	<p style="text-align: center;">State Funded \$3/month via Tax Increase</p>

ALTERNATIVE 2 - FUNDING

This alternative is recommended because it:

- * Spreads the risk and cost of catastrophic illness or injury
- * Creates an actuarially sound, self-supporting fund
- * Utilizes existing structure for collection of contributions
- * Provides tax incentive for enrollment in a State Approved Basic Plan (SABP).

I. General

Catastrophic Health Insurance (CHI) will be financed by a contribution of \$3 per month from each income earner. These contributions will be deposited into a self-supporting Health Security Fund.

As an incentive to enroll in a SABP, Californians so enrolled will be entitled to a tax benefit.

II. Catastrophic Health Insurance

A. How Contribution was Determined

To cover the cost of the health benefits recommended, an independent actuary who is considered an expert in the health benefits field considers that a \$3 a month contribution is required.

B. How are Contributions Collected

Contributions will be collected through the State income tax withholding mechanism or through a quarterly or annual declaration and payment procedure.

C. Health Security Fund

All contributions collected will be deposited into a Health Security Fund. All expenditures for benefits and program administration will be made from the Fund. Funds not immediately needed for services or administration will be invested to earn additional revenues.

D. Estimated Cost

It has been estimated that the total program cost will be approximately \$300 million. Included in the total estimate is a 10 percent factor for administration.

III. Tax Incentives

The California Health Security Program establishes, for the first time, standards for basic health insurance. Accordingly, the State income tax laws will be amended to eliminate deductions for premiums used to purchase health insurance not meeting these standards. As an incentive for obtaining adequate health insurance protection, the maximum health insurance premium deduction will be increased from \$150 to \$300, for policies meeting SABP standards. For persons not itemizing tax deductions, the standard deduction will remain the same for SABP enrollees, but will be reduced by 10 percent for others.

CALIFORNIA HEALTH SECURITY PROGRAM

ADMINISTRATION

ALTERNATIVE	STATE APPROVED BASIC PLAN (SABP)	CATASTROPHIC HEALTH INSURANCE (CHI)
1	<p><u>STATE</u></p> <ul style="list-style-type: none"> . Collect premiums . Pay claims . Sell and issue policies . Self-supported 	<p><u>STATE</u></p> <ul style="list-style-type: none"> . Collect premiums . Be at risk . Pay claims . Issue policies . Coordinate with SABP
2	<p><u>CARRIERS</u></p> <ul style="list-style-type: none"> . Issue SABP policies . Collect premiums . Be at risk . Pay claims * State will approve Basic Plans 	<p><u>CARRIERS</u></p> <ul style="list-style-type: none"> . Pay Claims . Coordinate with SABP . Determine financial liability for persons who do not have SABP's * State will collect premiums, control fund, authorize payments, and be at risk (for two years)
3	<p><u>CARRIERS</u></p> <ul style="list-style-type: none"> . Collect premiums . Pay claims . Sell and issue policies . Self-supported 	<p><u>STATE</u></p> <ul style="list-style-type: none"> . Collect premiums . Be at risk . Pay claims . Issue policies . Coordinate with SABP

ADMINISTRATION

Alternative 2 is recommended because of:

- . Reasonable premium cost for a State Approved Basic Plan (SABP) through competition.
- . Maximum use of existing carriers' (prepaid health plans, insurance companies, etc.) systems, and expertise.
- . Efficient coordination between both plans.
- . Free choice of basic health plans.
- . Minimal role for government.

The California Health Security Program will operate as follows:

- . The State will collect Catastrophic Health Insurance (CHI) contributions and establish a special fund (Health Security Fund).
- . The State will assume the risk for CHI (for two years).
- . Carriers will certify that a SABP policyholder has exhausted his benefits before CHI benefits are paid.
- . When an individual does not have a SABP, carriers will certify that he has met the financial liability before CHI benefits are paid.
- . There will be no copayment requirement in the CHI.
- . Carriers will pay providers for services covered by SABP and CHI.
- . The State will reimburse carriers for CHI payments and related administrative cost.
- . The State will maintain a file which shows the persons enrolled in both the SABP and CHI.
- . The State will establish minimum requirements for a SABP. These requirements will include:

- * Open enrollment with no exclusions for medical conditions
- * Renewable annually
- * State established minimum schedule of benefits
- * Reasonable premium
- * Utilization and cost controls
- * A copayment feature

V. IMPACT ON OTHER STATE AND FEDERAL PROGRAMS

A number of State and Federal programs were reviewed to determine the impact on them of the recommended California Health Security Program. The overall impact was found to be minimal.

Expansion of the California Health Security Program to include significant portions of other existing programs would require extensive legislative, funding, and organizational changes. Accordingly, we are recommending no major changes in existing programs at this time. The initial role of the California Health Security Program as proposed would be to satisfy the urgent need to close important gaps in health care coverage. Other programs could then be later assimilated or replaced gradually by orderly transitional planning.

The attached chart summarizes the programs reviewed and the California Health Security Program impact. Following the chart are descriptions of each program reviewed.

CALIFORNIA HEALTH SECURITY PROGRAM
IMPACT WITH OTHER STATE AND FEDERAL PROGRAMS

	Program	Eligibles	Services	General Fund Impact	Other Funding Source Impact
1.	WORKMEN'S COMP INSURANCE PLAN	Most employed Californians	Medical trtmt for occupation related illness - injury, compensation pymts, and death benefits	None	None
2.	STATE DISABILITY INSURANCE PLAN	Most employed Californians	Wage replacement and hospital benefits	None	None
3.	SHORT-DOYLE LPS PROGRAM	All Californians	Treatment of Mental illness	Potential savings	Potential county and beneficiary savings
4.	CCS PROGRAM	California children	Treatment of handicapping conditions	Potential savings	Potential county and beneficiary savings
5.	VOCATIONAL REHABILITATION	Unemployable Californians	Treatment of disabilities	Potential savings	Potential Federal savings
6.	MEDI-CAL	Indigent Californians	Comprehensive	Potential savings	Potential Federal, county, and beneficiary savings
7.	MEDICARE	Most persons 65 or over	Part A Hospital Part B Medical	None	Potential beneficiary savings
8.	PERS.	Public Employees	Basic and major medical	None	Potential beneficiary savings

DESCRIPTION OF OTHER STATE AND FEDERAL PROGRAMS

I. WORKMEN'S COMPENSATION INSURANCE

General

Workmen's Compensation Insurance is a mandated employer-financed plan for employees suffering an occupationally related injury or illness.

Who is Covered

Almost all employees and employers within the State are covered by the Workmen's Compensation Law. The law applies equally to residents and aliens. Federal employees are excluded. Others excluded by the Labor Code are:

1. Casual employment - completed within 10 working days and less than \$100.
2. Convict labor
3. Household domestic service less than 52 hours per week

Who Pays

The cost of Workmen's Compensation benefits is borne by the employer. The employer may insure with an insurance carrier or with the State Compensation Insurance Fund. Some employers may qualify to self-insure or guarantee payments without purchasing insurance.

What are the Benefits

1. Medical Treatment - Includes all medical, surgical, nursing and hospital care required as well as any necessary medicines, supplies and

appliances. There is no monetary limit to the amount of treatment furnished. If needed, an employee can receive such care for life.

2. Compensation Payments - employee is entitled to compensation payments while unable to work.
3. Death Benefits are paid to employee's survivors.

Impact of California Health Security Program

Workmen's Compensation Insurance deals specifically with occupationally related injury or illness. The plan is self-supporting. For these reasons, it is recommended that this plan be left intact and be excluded from the California Health Security Program. As such, there would be no impact.

II. STATE DISABILITY INSURANCE

General

State Disability Insurance is a mandated employee-financed plan to compensate in part for wage loss sustained by individuals unemployed because of sickness or injury. The plan provides a system of temporary disability indemnity and hospital benefits based on insurance principles. The program is primarily concerned with wage loss due to non-occupational disability.

Who is Covered

Wage earners insured under the disability provisions of the California Unemployment Insurance Code include all those workers on the payrolls of employing units, except those specifically excluded by the code, having a

payroll in excess of \$100 for one or more employees in a calendar quarter.

Domestic agricultural workers were covered effective October 1, 1961.

On an elective basis, disability insurance coverage was extended in 1963 to employers and the self-employed.

Excluded from coverage are:

1. Interstate railroad employees
2. Government employees (certain exceptions)
3. Domestic workers
4. Employees of some nonprofit agencies

Who Pays

The plan is financed primarily by California workers through a payroll tax of 1 percent on the first \$7,400 of their earnings.

What are the Benefits

1. Weekly benefit amount based on base period wages of up to 26 weeks.
2. In addition, \$12.00 per day of hospital confinement to a maximum of 20 days.

Impact of California Health Security Program

The plan is primarily for wage loss replacement. The \$12.00 per day hospital indemnity is for increased living costs rather than payment for hospital services. It is recommended, therefore, that this plan remain intact and outside of the California Health Security Program. As such, there would be no impact.

III. LANTERMAN-PETRIS-SHORT (SHORT-DOYLE)

General

The program is administered by the Department of Mental Hygiene and provides for the treatment of the mentally ill. County government is responsible for operation of the program at the local level.

Who is Covered

Any Californian who is in need of the services provided.

How is Program Funded

Patients pay for the cost of treatment provided based on their ability to pay. The State reimburses the counties for 90 percent of their net expenditures. The counties share is 10 percent.

What are the Benefits

- * Outpatient Care
- * Emergency Care
- * Inpatient Care
- * Partial Hospitalization

Impact of California Health Security Program

The Short-Doyle program provides services generally excluded or provided on a limited basis by private insurance plans.

It is recommended that this program remain intact at this time. Some inpatient services will be covered by the California Health Security Program, and this will reduce the amount of State and County funds required.

IV. CRIPPLED CHILDREN SERVICES (CCS)

General

The CCS program is administered by the State Department of Public Health and county health departments. The program provides services to children with specified impairments.

Who is Covered

The program covers children of families unable to pay the full cost of treatment.

How is Program Funded

The program is funded with State, County and Federal funds. Families are required to contribute toward the cost of care based upon standards and formulas developed by the Department of Public Health.

Generally, county funds are matched on the basis of \$3 State and Federal funds for each dollar of county funds. The federal government contributes approximately 10 percent of the CCS budget in California.

What are the Benefits

All medical services necessary for the treatment of an eligible condition may be provided through the CCS program. Services include:

- . Physician services
- . Hospital and surgical care

- . Physical and occupational therapy
- . Lab and X-Rays
- . Appliance and rehabilitation services

Impact of California Health Security Program

The California Health Security Program will pay for a number of services now covered by CCS.

V. VOCATIONAL REHABILITATION

Who is Covered

Californians who are disabled and need services to restore employability.

How is Program Funded

Vocational Rehabilitation is funded by State and Federal funds. The federal share is approximately 80 percent of expenditures and the State share is 20 percent.

What Benefits are Provided

- . Medical, surgical, psychiatric, hospital care, and related therapy.
- . Artificial limbs, braces or other needed devices
- . Employment counseling and training

Impact of California Health Security Program

Only a minor share of Vocational Rehabilitation funding is used for health services. This would be further reduced by the California Health Security Program.

VI. MEDI-CAL

General

This program is administered by the Department of Health Care Services.

Who is Covered

The program covers recipients of public assistance, categorically related medically needy persons and non-categorically related needy persons meeting program eligibility standards.

How is Program Funded

The program is funded with State, federal and county funds. Beneficiaries with ability to pay must also contribute toward the cost of care.

What Benefits are covered

The program provides a comprehensive range of benefits.

Impact of the California Health Security Program

The recommended program would provide financial protection to persons involved in a catastrophic illness or injury. This will prevent such persons from depleting their resources and seeking assistance from the welfare and Medi-Cal programs.

VII. MEDICARE

General

This is a Federal insurance program to help pay the costs of medical care for most persons 65 years of age or over.

Who is Covered

Most persons 65 years of age or over are covered under Part A and may enroll for Part B benefits.

How is Program Funded

Part A is financed through contributions from wages.

Part B is financed through monthly premium payments. The premium pays half of the cost and the Federal Government pays the other half.

What are the Benefits

Part A -- (Hospital Insurance) covers inpatient and related services.

Part B -- (Medical Insurance) covers physician services, X-ray, laboratory, and other outpatient services.

Impact of California Health Insurance Program

Medicare would qualify as a State Approved Basic Plan and the benefits would be coordinated with Catastrophic Health Insurance.

VIII. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

General

This program provides for an employer premium subsidy to public employees who elect to enroll in approved health benefit plans.

Who is Covered

All eligible public employees who elect coverage can enroll.

What are the Benefits

Most plans cover:

- * Hospital inpatient and outpatient services

* Surgical services

* Ambulance service

Some plans include major-medical coverage as an option.

Impact of California Health Security Program

The major impact would be:

1. Restructuring of PERS policies to qualify as State Approved Basic Plans.
2. Catastrophic Health Insurance would replace some PERS major-medical policies.

VI. DISCUSSION OF ALTERNATIVES

Following is a discussion of alternative plans for Eligibility, Benefits, Funding and Administration. The reasons these alternatives were not recommended are stated below.

I. Eligibility

Alternate 1 would exclude from automatic coverage many who have income from sources other than wages. The program's funding would thus be jeopardized by voluntary enrollment of high risk persons with illnesses needing costly care. Low risk persons would be less likely to enroll.

Alternate 3 is too broad. It would require enrollment of many persons who have comprehensive coverage, such as members of the armed forces and their dependents. Cash grant recipients also receive comprehensive coverage under an existing program which has substantial Federal funding.

II. Benefits

Level 1 (minimal) scope of benefits is not recommended because its out-patient benefits are too narrow, and the dollar limits of the catastrophic coverage are insufficient to cover the costs of many catastrophic illnesses.

Level 3 (maximum) scope of benefits is not recommended because the variety and extent of services are so great that the costs would be prohibitive, especially in the absence of copayment in the basic plan to inhibit excessive utilization of services. This level of benefits would appeal to those who want all health services covered with no limitations, but would be fiscally unrealistic and result in a critical shortage of health manpower and facilities.

III. Funding

Alternate 1 would provide a direct State subsidy for enrollment in a State Approved Basic Plan (SABP). The subsidy would be financed by increasing State taxes.

This is not recommended because of the large tax increase that would be required. For example, a \$10 monthly subsidy per family would mean \$720 million more in State taxes. This would translate into a 38 percent increase in State personal income tax revenues or a rise in the sales tax rate from 5 percent to 6.7 percent.

Alternate 3 would have the same direct State subsidy for SABP enrollment (and the same disadvantages) as Alternate 1. In addition, Alternate 3 would finance Catastrophic Health Insurance (CHI) by direct State funding of the monthly contribution. This would mean a total of more than \$1 billion per year to be raised by increasing State taxes.

IV. Administration

Alternate 1 was not recommended because of:

1. Health insurance industry opposition
2. State takeover of most private health insurance business
3. Increases in the State budget for administration
4. No competition for, or free choice of, health insurance plans.

Alternate 3 was not recommended because of:

1. Poor coordination of SABP and CHI benefits
2. Two payment sources would create confusion for providers
3. Creates duplicate health insurance systems (State and private)

