

SHIFTING THE COST



Who Pays the Health Coverage of
Workers at the Agua Caliente Casino?

Summary of Findings

A survey of 40% of the non-management workers at the Agua Caliente Casino was conducted in late 2002. This survey collected information on health coverage as well as wages and other variables.

These data indicate that

- A substantially higher proportion of the children of these workers were covered by Medi-Cal and Healthy Families than children in families with similar incomes statewide.
- The share of premium for job-based family health coverage for these workers is almost twice the average share of premium for California workers for employer-purchased health benefits.

In short, the casino management spends less on health coverage and shifts more of the cost to the taxpayer and the worker than is true of most other employers in California.

If these data are characteristic of the behavior of management at other casinos statewide, the estimated cost to the State and Federal Governments may be as high as \$21 million, including

- \$6-\$6.8 million to the state General Fund for Medi-Cal and Healthy Families,
- \$10.3-\$11.7 million to the federal government for Medi-Cal and Healthy Families,
- And possibly another \$2.2-\$2.6 million to state, county and federal governments for care of the uninsured.

Employment-Based Coverage

The casino makes coverage available to workers and their families when the worker has been on the job for three months or more.

Coverage for the worker does not require a share of premium. For the spouse or children, share of premium ranges from \$80 per paycheck for the spouse only (\$1920 per year) to \$120 for family health coverage (\$2880 per year).

These shares of premiums are almost twice what most workers are now asked to pay in California. According to the Kaiser Family Foundation California Employer Health Benefits Survey (2002), the average share of premium for family coverage in California paid by the worker was \$1806 annually or about \$75 per paycheck.¹

The result is simple: most spouses and children depend on other sources of coverage, including Medi-Cal or Healthy Families, and a significant number are uninsured.

The Kaiser Family Foundation California Employer Health Benefits Survey (2002) indicates that the average cost of family health coverage to California employers was \$7471 annually. Even with the worker contribution to share of premium of \$2880 for family coverage, an employer can be estimated to save \$4591 when the worker's family turns down coverage from that employer. Without information from the Agua Caliente Casino directly, precise cost savings to the Casino cannot be determined but an estimate can be made based on average costs.

Taxpayer Costs: Medi-Cal and Healthy Families

Children of casino workers in survey group are much more likely to be enrolled in Healthy Families than would be expected given family income. The cost to the taxpayers for the children of workers at a single casino is relatively modest but extrapolated statewide, the cost is significant.

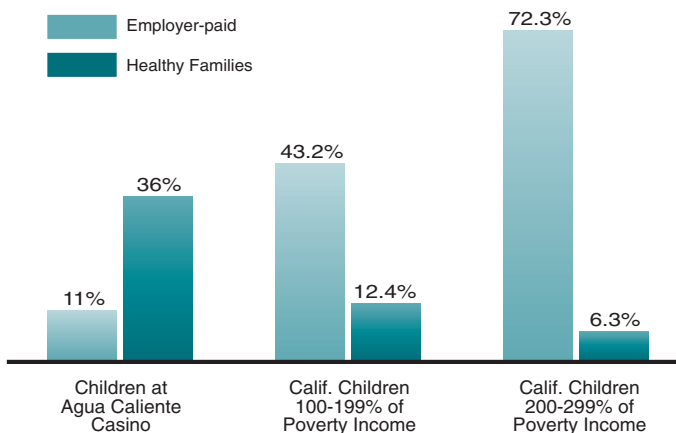
Children of Casino Employees in Survey Group Compared to Other Low Income Children

Coverage	Casino Employees' Children	California Children: Sources of Coverage (CHIS) ²	100%-199% of Poverty	200%-299% of Poverty
Casino	11%	Employment Based	43.2%	72.3%
Medi-Cal	10%	Medi-Cal	25.6%	8.9%
Healthy Families	36%	Healthy Families	12.4%	6.3%
Uninsured	10%	Uninsured	15.1%	8.4%
Other sources	33%	Other (individual coverage, other public)	3.7%	4.1%

The average wage for the casino workers is \$8.93 per hour or \$16,697 annually³. This means that a family of three falls below 133% of the federal poverty guidelines. A family of two (one parent and one child) falls between 133% and 200% of poverty. For non-tipped employees, 80% make less than

\$22,000 a year: an employee making that amount and with one dependent, would fall below 200% of poverty, the eligibility threshold for Healthy Families. With two dependents, an employee making less than \$22,000 a year would fall below 150% of poverty. If another parent works or if the casino worker works a second job, income would be higher and the family would probably fall

Children Covered by Employer Health Plan vs. Those Covered by Healthy Families



between 200% and 299% of poverty. (See Appendix A for federal poverty guidelines.)

It is a violation of California law for an employer to shift coverage from employment-based coverage to Healthy Families (see Appendix B for Insurance Code Sec. 12693.82-12693.84). But MRMIB, which administers the Healthy Families program, has little enforcement capacity of its own: when a violation is discovered, the employer is verbally admonished. It is likely that most violations are never discovered since MRMIB relies on applicants to volunteer this information: few applicants know that such shifting is a violation of law. While state law may not apply to casino employees, the report by Nilsson et al describing the efforts of the management of Agua Caliente Casino to encourage workers to enroll their families in Medi-Cal and Healthy Families raise questions about whether the employer is violating the spirit, if not the letter, of the Insurance Code.

The cost to the State of California for children of workers at this particular casino amounts to more than \$80,000 annually, including \$54,560 for Healthy Families and another \$25,964 for Medi-Cal enrollees.

Projected statewide, these General Fund costs for the children of casino workers who are Medi-Cal and Healthy Families enrollees may range from \$6-\$6.8 million. The federal costs may range from \$10.3 million to \$11.8 million. The total tax dollars spent for Medi-Cal and Healthy Families may be as high as \$16.3-\$18.7 million. Statewide projections are estimates that assume that the same proportion of children are enrolled statewide as those at a single casino. The proportions of children in other casinos enrolled in Medi-Cal and Healthy Families may be higher or lower than a projection suggests. However, in the absence of other data, these estimates provide a useful starting point.

Estimated State and Federal Government Costs for Healthy Families

	Healthy Families General Fund (33%)	Healthy Families Federal Funds (66%)	Healthy Families Total Taxpayer Cost
Monthly Cost per enrollee	\$29.37	\$58.74	\$88.90
Annual Cost per enrollee	\$352.04	\$714.76	\$1066.80
Children of Agua Caliente Casino Workers (N=155)	\$54,560	\$110,825	\$165,385
Children of Casino Workers Statewide (11,550-13,200 estimated)	\$4.1-\$4.6 million	\$8.3-\$9.4 million	\$12.3-\$14.1 million

Estimated State and Federal Government Costs for Medi-Cal

	Medi-Cal General Fund (48.6%)	Medi-Cal Federal Funds (51.4%)	Medi-Cal Total Taxpayer Cost
Monthly Cost per enrollee	\$51.52	\$54.84	\$106
Annual Cost per enrollee	\$618.19	\$653.81	\$1272
Children of Agua Caliente Casino Workers (N=42)	\$ 25,964	\$27,460	\$ 53,424
Children of Casino Workers Statewide (3,150-3,600 estimated)	\$ 1.9-\$2.2 million	\$ 2-\$ 2.4 million	\$4-\$4.6million

Uninsured Spouses and Children

Almost one out of ten of the children and a larger proportion of spouses of the casino workers in the survey sample are reported to have a complete lack of insurance coverage. These uninsured children and spouses face significant barriers to care and substantial out-of-pocket costs, even though they could not afford the casino's health coverage plan.

Numerous studies demonstrate that the uninsured are half as likely to get care when they need it and far more likely to have skipped or delayed care, especially for common conditions such as a child's ear infection.⁴

In a recent analysis of the nine Health Care Options Proposals, the Lewin Group found that spending on the uninsured in California by government programs amounts to an estimated \$4.5 billion annually or roughly \$726 for each of the 6.2 million Californians uninsured at some point in the year.⁵

For the uninsured children whose parents work at the casino as reported in the survey, the cost in state, local and federal spending is estimated to be an additional \$34,848. If projected statewide, these costs are estimated at about \$2.2-\$2.6 million annually.

These estimates do not include uncompensated care (bad debt and charity care) provided by hospitals or physicians because of difficulties in estimating these amounts.

Total Costs to State and Federal Government Programs

Estimated State and Federal Costs: Medi-Cal, Healthy Families, Uninsured Agua Caliente Casino and Statewide Projections

	General Fund	Federal Funds	Total Taxpayer Cost
Healthy Families: Children of Agua Caliente Casino Workers (N=155)	\$54,560	\$110,825	\$165,385
Medi-Cal: Children of Agua Caliente Casino Workers (N=42)	\$25,964	\$27,460	\$53,424
Uninsured Children (N=42)			\$34,848
Total for this casino			\$253,657
Healthy Families: Children of Casino Workers Statewide (11,550-13,200 est.)	\$4.1-\$4.6 million	\$8.3-\$9.4 million	\$12.3-\$14.1 million
Medi-Cal: Children of Casino Workers Statewide (3,150-3,600 est.)	\$1.9-\$2.2 million	\$ 2-\$2.4 million	\$4-\$4.6 million
Uninsured Children (3,150-3,600 est.)			\$2.3-\$2.6 million
Est. Total Taxpayer Costs Statewide	\$6-\$6.9 million	\$10.3-\$11.8 million	\$18.6-\$21.3 million

Impact of Proposed Budget Cuts on Casino Workers and Their Families

Because the families of these workers rely heavily on public programs, the budget cuts will hit them hard. Of special note is the proposal to realign clinic and other Medi-Cal funding to the counties that in the outyears will be forced to balance clinic funding against sheriff, fire, and other health costs. Will counties with casinos choose to fund clinics and public hospitals adequately to provide access for the children of casino workers? Or will counties regard that cost as a cost that the employer should be responsible for, not the county?

Costs Avoided by the Employer

By the shift of dependent coverage to Healthy Families and Medi-Cal and because some dependents are uninsured, this employer avoids substantial costs. The Kaiser Family Foundation California Employer Health Benefits Survey (2002) found that the average cost of family health coverage in California was \$7471 per year. The cost of HMO coverage, the lowest cost coverage, in California was \$6538 in California. Using that lowest cost product and subtracting the share of premium for family coverage required of the Agua Caliente workers (\$2880) creates an estimated employer cost for family coverage of \$3658 for the management of the Agua Caliente Casino.

For the management of Agua Caliente Casino, the estimated cost savings is \$1.3 million. Statewide the cost savings for casino management in health benefits not provided could be as much as \$65-\$75 million, if the patterns of providing health benefits are similar in other casinos. These are estimates based on average costs for employers for the lowest cost coverage and projections from data for a single employer.

Estimated Costs of Dependent Coverage Avoided by the Employer

	Average Calif. Employer Cost for HMO Family Coverage (2002)	Less Worker Share of Premium	Savings for Casino Employers
Children of Agua Caliente Casino Workers Not Covered (N=345)	\$2.3 million	\$993,600	\$1.3 million saved (est.)
Children of Casino Workers Statewide (N= 17,850-20,400 est.)	\$116.7-\$133.4 million	\$51.4-58.8 million	\$65.3-\$74.6 million saved by casinos (est.)

Worker Costs: Share of Premium, Copays and Deductibles

The benefits packet, titled "Your Benefits: A Plan Designed to Provide Security for Employees" indicates that the workers who accept job-based coverage for themselves or their families face significant out-of-pocket costs, somewhat higher than those expected of workers generally.

Out-of-Pocket Costs

	In Network	Out of Network
Office Visits	\$10 per visit generally; \$30 for specialist	\$500 deductible, then 30% of cost
Hospital Admissions	\$200 for hospital admission	\$500 deductible, then 30% of cost
Lab and X-ray	\$10 copay	\$500 deductible, then 30% of cost
Generic Drugs	\$10 copay	
Brand name Drugs	\$20 copay	

What does this mean for workers and their families? The average hourly wage is \$8.93 per hour. Almost 80% of these workers make less than \$10 an hour in wages. Literally each copay costs more than the hourly wage.

For a normal, annual visit by a woman for her pap smear and birth control, the out of pocket cost could be \$30-\$40 plus \$10 per month for birth control pills.

For a person with diabetes who needs to be seen quarterly to manage their care, each visit would cost \$20-\$30 plus the copays for insulin and diabetes supplies.

For an asthmatic who needed to be seen once a year plus order medications, the office visit would cost \$10 but the monthly medications would cost \$30-\$60 per month.

Appendix A: Federal Poverty Level Guidelines

2002 Federal Income Guidelines

Calculations based on Federal Income Guidelines printed in the Federal Register April 1, 2002.

Annual (Monthly) Income

Family Size	100%	133%	200%	250%	275%	300%	350%	
1	\$8,860 (738)	\$11,784 (982)	\$17,720 (1,477)	\$22,150 (1,846)	\$24,365 (2,030)	\$26,580 (2,215)	\$31,010 (2,584)	Annual (Monthly)
2	\$11,940 (995)	\$15,880 (1,323)	\$23,880 (1,990)	\$29,850 (2,488)	\$32,835 (2,736)	\$35,820 (2,985)	\$41,790 (3,483)	Annual (Monthly)
3	\$15,020 (1,252)	\$19,977 (1,665)	\$30,040 (2,504)	\$37,550 (3,129)	\$41,305 (3,442)	\$45,060 (3,755)	\$52,570 (4,381)	Annual (Monthly)
4	\$18,100 (1,508)	\$24,073 (2,006)	\$36,200 (3,017)	45,250 (3,771)	\$49,775 (4,148)	\$54,300 (4,525)	\$63,350 (5,279)	Annual (Monthly)
5	\$21,180 (1,765)	\$28,169 (2,347)	\$42,360 (3,530)	\$52,950 (4,413)	\$58,245 (4,854)	\$63,540 (5,295)	\$74,130 (6,178)	Annual (Monthly)

For family units at 100% of the Federal Poverty Level (FPL) with more than five members, add \$2,900 for each additional member.

INSURANCE CODE

SECTION 12693.82-12693.84

12693.82. It shall constitute an unfair labor practice contrary to public policy, and enforceable under Section 95 of the Labor Code, for any employer to refer an individual employee or employee's dependent to the program, or to arrange for an individual employee or employee's dependent to apply to the program, for the purpose of separating that employee or employee's dependent from group health coverage provided in connection with the employee's employment.

12693.83. (a) It shall constitute an unfair labor practice contrary to public policy and enforceable under Section 95 of the Labor Code for any employer to change the employee-employer share-of-cost ratio based upon the employee's wage base or job classification or to make any modification of coverage for employees and employee's dependents in order that the employees or employee's dependents enroll in the program established pursuant to this part.

12693.84. For purposes of Sections 12693.82 and 12693.83, group health coverage includes any group disability insurance policy covering hospital, medical, or surgical expenses, group health care service plan contract, or self-insured employee welfare benefit plan.

Appendix C: Estimate of Numbers of Children By Insurance Coverage

Children of Casino Employees

Coverage	Children of Casino Employees	Number in Initial Survey	Estimate for Entire Casino	Estimate for Casino Employment Statewide
Casino	11%	20	47	3,500-4,000
Medi-Cal	10%	18	42	3,150-3,600
Healthy Families	36%	66	155	11,550-13,200
Uninsured	10%	18	42	3,150-3,600
Other sources	33%	63	148	11,025-12,600
Total	100%	185	435	32,000-37,000
Employees		207	470	35,000-40,000

Appendix D: Validation of Statewide Cost Estimate

Coverage for Low Income Children: Expected Numbers of Children of Casino Workers

California Children at 100-199% of Poverty: Sources of Coverage (CHIS) ⁶		Children of Casino Workers Statewide Expected, Based on CHIS	Projection from Agua Caliente Survey to Casino Employment Statewide
Employment Based	43.2%	13,824-15,984	3,500-4,000
Medi-Cal	25.6%	8,192-9,472	3,150-3,600
Healthy Families	12.4%	3,968-4,588	11,550-13,200
Uninsured	15.1%	4,832-5,587	3,150-3,600
Other (individual coverage, other public)	3.7%	1,184-1,369	11,025-12,600
Total		32,000-37,000	32,000-37,000
Employees		35,000-40,000	35,000-40,000

State and Federal Costs: Medi-Cal, Healthy Families, Uninsured

	General Fund	Federal Funds	Total Taxpayer Cost
Healthy Families: Children of Casino Workers Statewide (11,550-13,200 projected from survey)	\$4.1-\$4.6 million	\$8.3-\$9.4 million	\$12.3-\$14.1 million
Medi-Cal: Children of Casino Workers Statewide (3,150-3,600 projected from survey)	\$ 1.9-\$2.2 million	\$ 2-\$ 2.4 million	\$4-\$4.6 million
Uninsured Children (3,150-3,600 projected from survey)			\$2.3-\$2.6 million
Estimated Total Taxpayer Costs Statewide	\$6-\$6.9 million	\$10.3-\$11.8 million	\$18.6-\$21.3 million
Healthy Families: Children of Casino Workers: Based on CHIS report for 100%-199% of poverty: 3,968-4,588 est.	\$1.4-\$1.6 million	\$2.8-\$3.3 million	\$4.2-\$4.8 million
Medi-Cal: Children of Casino Workers Statewide: Based on CHIS for 100%-199% of poverty: 8,192-9,472 est.	\$5.1-\$5.9 million	\$5.4-\$ 6.2 million	\$10.4-\$12 million
Uninsured Children of Casino Workers Statewide: Based on CHIS for 100%-199% of poverty: 4,832-5,587			\$3.5-\$4.1 million
Estimated Total Taxpayer Costs Statewide	\$6.5-\$7.5 million	\$8.1-\$9.5 million	\$18.2-\$21 million

Background of Author

This report was prepared by Beth Capell, Ph.D., Capell & Assoc., on behalf of the Hotel Employees and Restaurant Employees International Union, AFL-CIO, CLC. Ms. Capell has a doctorate in political science, with a special focus on survey research and organizational behavior. Ms. Capell has advocated on health issues, including health coverage since the early 1980's. The views presented are her own and are presented on behalf of HERE and not any other of her clients.

Endnotes:

1. Kaiser/HRET California Employer Health Benefits Survey; Kaiser Family Foundation; February, 2001. www.kff.org.
2. Poverty Level by Current Health Insurance, persons 0-17 years of age, 2001 California Health Interview Survey, www.chis.ucla.edu.
3. For details, see Eric Nilsson et al, Wages and Healthcare Benefits of Workers at Agua Caliente Casino, March 2003.
4. Institute of Medicine
5. Appendix to Cost and Coverage Analysis of Nine Proposals to Expand Health Insurance Coverage In California, Final Report, Prepared by the Lewin Group, April 22, 2002, for the California Health and Human Services Agency. www.hcop.ca.gov.
6. Poverty Level by Current Health Insurance, persons 0-17 years of age, 2001 California Health Interview Survey, www.chis.ucla.edu.

Beth Capell, Ph.D., Capell & Assoc.
For Hotel Employees and Restaurant Employees International Union, AFL-CIO, CLC