

The Healthy California Act (Senate Bill 562)

*Another Attempt To Enact A “Single Payer”
Health Care System in the Golden State*



SB-562: The Healthy California Act



- Jointly Authored by:
 - Senator **Ricardo Lara** (D), 33rd District
 - Senator Lara is running for Insurance Commissioner in 2018
 - Senator **Toni Atkins** (D), 39th District
 - Senator Atkins is former Assembly Speaker
- There are a number of co-authors of the bill
 - All Democrats – no Republican support
- Insurance Commissioner **Dave Jones** is a supporter of Single Payer but has not yet officially taken a position on this bill

SB-562 (Lara and Atkins)



Goal:

“SB-562 will establish a state based universal health care system and provide comprehensive health care coverage to every Californian.”

SB-562: Sponsor's View of Problem / Solution



Problem:

“Despite the incredible progress California has made, lack of insurance still plagues immigrant communities, rural California, working families and young people.”

“...roughly 2.9 million residents (of California) remain uninsured. The majority cite costs as the main reason they did not purchase insurance. Many others are undocumented and prohibited from receiving subsidies or even purchasing insurance through the exchange.”

Solution:

“...SB-562 will move health care coverage to one publicly-run plan that covers everyone who lives in the State. Every California resident will have one plan and the ability to choose their provider.”

SB-562: Sponsors Say:



- **Patients pick** their doctor, hospital and clinic.
- No more surprise **out of network bills**.
- **Clinicians make decisions** about care, not computers.
- **Insurance company waste** is cut from our system.
- Hospitals can focus on providing care, not **filing paperwork**.
- By pooling health care funds in a publicly-run fund we get the **bargaining power** of the seventh largest economy in the world.
- There will be **public oversight** on costs and care, not decisions made in secret by companies.
- California can finally **clamp down on out of control prescription drug costs**.
- No more **exorbitant co-pays and high deductibles**.

“SB-562 will finally cover all residents and clamp down on health care costs.”

Single Payer: Not The First Time

- Ballot **Proposition 186** was defeated by the voters in 1994 by a 2/3^{rds} margin.
- Since then, a **single payer bill** has been **introduced in nearly every legislative session** since 1994.
- **Bernie Sanders** made Single Payer the central platform of his 2016 presidential campaign.
- Proponents of Single Payer have a plan and believe that California can enact this measure this time around.



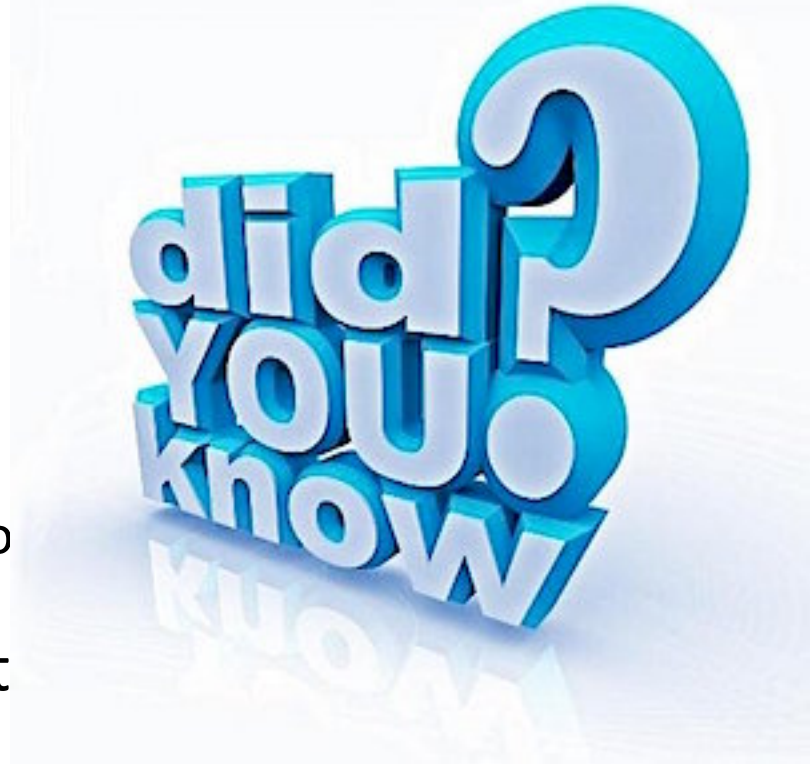
California Single Payer: Must Knows

- Abolishes private health insurance
- It isn't "free"
- Eliminates employer paid coverage
- Shifts health costs to employees away from employers
- Discourages innovation and quality of health care
- **Will raise taxes by at least \$9,500 per person if implemented**
 - Yet current health care costs average nearly **\$19,000** per worker!
 - \$350 billion divided by 18.2 million workers



California Single Payer: What You Need To Know

- The **lowest wage population** will have the highest tax percentage hike
- **Crowds out funding** for:
 - Higher Education
 - Transportation & Water (repair/expand)
- **Reduces choice of providers:**
 - Those unwilling to accept lower payments will close down or move to other states
- Uninsured will **flock to California** to get their care paid by taxpayers
 - A different form of “adverse selection”



Single Payer: Wrong Direction

- The **Canadian** System is challenged in provinces without adequate tax base to support their provincial health plan
 - Now allow citizens to seek care out of Canada at their own expense
- **Western European** systems are now introducing “supplemental” coverage options for private care including some employer provided options:
 - **England** led the way on this
 - **Germany, Denmark** now involve employer programs
 - **France** remains in financial peril as they remain in a Single Payer system (90% of have supplemental coverage)
 - **Immigrants** using system cause costs to skyrocket without new tax revenue
- **Japan** has begun to introduce private supplements to the government program



California Single Payer: Things To Think About

- SB-562 will be **governed by an appointed board** and advised by various “consumer advocates”.
 - The board will determine what is “affordable” and what is “essential” – that may change year to year based on budget issues.
- Every kind of medical care is promised, but ultimately the State decides what you get and what it will pay for



California Single Payer: Things To Think About

- Without question **health care is expensive** and there are still many uninsured people:
 - But most are uninsured of their own choice – ACA provides subsidies and expanded Medi-Cal.
 - Out of 36 million, nearly 31 million Californians are insured while about 5 million are uninsured.
- Why are we “**Throwing the baby out with the bathwater**”?
 - SB-562 uproots the entire current system in order to provide coverage to an additional 5 million uninsureds?
 - Isn't there a better way?



California Single Payer: Things To Think About

- What about **Medicare**?
 - SB-562 proposes to include all Medicare beneficiaries
 - Yet we will still be paying Medicare taxes to the Federal Government
 - Medicare beneficiaries are happy with current system and don't want it changed – how will they respond?
- Government run systems like **Medicare** have long suffered from fraud and waste because they are too large and bureaucratic – compared to private entities who must compete for the business!



How Do We Defeat SB-562?

- Supporters of Single Payer are organized and have a grassroots network
 - Nurses
 - Firefighters
 - Seniors
- CAHU is part of a coalition of interests
 - CAHU has a good grassroots network
 - Employers are involved but will need encouragement to take grassroots action
- **Count the votes:**
 - Senate Health Committee
 - Senate Finance Committee
 - Senate Floor
- Focus on the **undecided legislators**
 - Lobbyists will open doors
 - Grassroots calls, letters and visits will be needed at key moments
- **Agents / Clients must have a unified message**
 - **Remember who you are talking to and what their political leanings are**

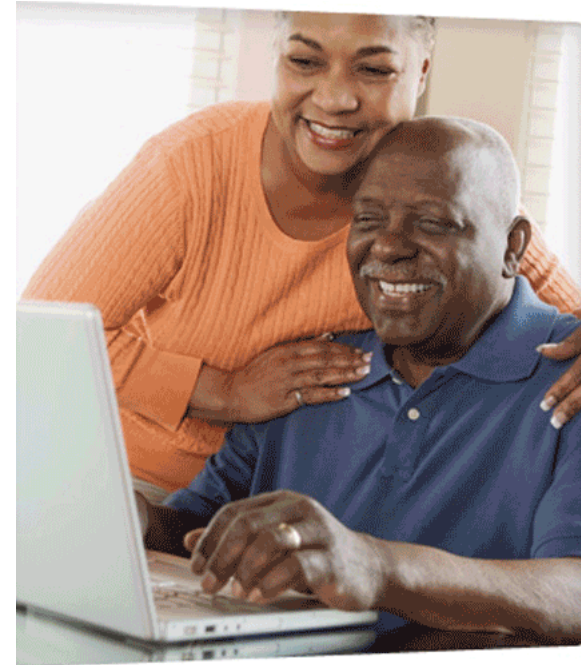
Defeating SB-562: Our Message

- **The ACA is working in California:**
 - Fewer uninsureds
 - Employer system (and subsidy) still works
- **There are other ways to control health care costs:**
 - Use of Reference Based (Medicare) based pricing
 - Self-Insurance bends the cost curve (eliminates “profit”)
 - Managed Care model is strong in California
- **Single Payer turns control over to an unregulated government entity:**
 - Will lead to rationing of care
- **One size fits all doesn’t work:**
 - *Even Medicare had to add private sector supplements to fill in the coverage gaps*
- **Key leaders – including Governor Brown – question our ability to pay for “health care for all” that Single Payer proponents advocate**



Conclusion: We All Want The Same Thing!

- EVERYONE is paying more for health care these days and is frustrated about the affordability and access to health care
- **A Single Payer system is not the answer** – just talk to other industrialized nations who are struggling to deal with costs and how to finance health care
- **Proponents of SB-562 have good intentions** but seem to forget that health care reform is not finished in the U.S.
- ***California should take the lead by proposing ways to fix the ACA and building on the success of what we in California have achieved, rather than tear it all down and start over***



SB-562: Point/Counterpoint

Supporters Claim:

- Lack of insurance plagues immigrants, rural, families and young people

Opposition Counters:

- Most working immigrants are offered coverage through employer but don't enroll because they don't want to pay their "affordable" share of cost;
- Most employers offer coverage to both employees and dependents;
- Many young people stay on their parents plans and when offered coverage don't enroll unless it is fully paid for by the someone else

SB-562: Point/Counterpoint

Supporters Claim:

- 1 in 5 Americans with insurance have problems paying their health care bills... and for uninsureds, 1 in 2 struggle to pay their bills

Opposition Counters:

- The problem is not the cost of **health insurance** – it is the cost of **health care**;
- The ACA capped insurers “profit” margins and largely eliminated “waste” yet, premiums **continue to rise because of the increase in both the cost of health care services and the spike in utilization of health care services.**
- Government programs are responsible for “shifting” health care costs disproportionately to private insurers or self-funded employers who often **pay 5 to 10 times more for health care services** than is paid by Medicare or Medicaid/Medi-Cal.

SB-562: Point/Counterpoint

Supporters Claim:

- Americans pay almost \$10,000 per person for health care and yet quality of care is below many other industrialized nations; The average family pays nearly \$5,000 per year in out-of-pocket costs for basic coverage.

Opposition Counters:

- These statistics may be true in that Americans are paying much more for health care services than other countries:
 - The key is that in other countries the **government dictates prices** it will pay to providers
 - **The U.S. has a dual system of government and private insurers** and should take the lead in *negotiating prices that will benefit BOTH government plans (taxpayers) and private plans (insureds)*

SB-562: Point/Counterpoint

Supporters Claim:

- President Trump will abandon the ACA and leave millions without care, so California must lead by moving everyone into a single payer system that covers all residents, who can choose their provider.

Opposition Counters:

- **California was a leader and early adopter of the ACA – why abandon it now?** The Golden State should *take the lead and offer practical proposals to fix parts of the ACA that need repair.*
- Provider access is limited today because some **providers will not accept the low payments offered by government programs** and private insurers. Many providers now opt out of Medicare yet some individuals are allowed to seek their services knowing that they must pay out of pocket.
- **Provider choice may not be a reality under Single Payer** – ask a Canadian citizen...Eh?

SB-562: Point/Counterpoint

Supporters Claim:

- Patients pick their provider, not insurers
- No more surprise out of network bills
- Clinicians make decisions, not computers

Opposition Counters:

- Unless all providers are employed by the government **that will not change**
- Not an issue with HMO's just with PPO's; **Legislation passed last year eliminated this problem** for PPO's (AB72)
- **Managed care systems use clinicians to manage care** and those decisions are referenced nearly every time a person with that condition is treated

SB-562: Point/Counterpoint

Supporters Claim:

- Insurance company waste is cut from the system
- Hospitals can focus on providing care and not filing paperwork

Opposition Counters:

- Nearly 50% of health plans are “non-profit” and are **limited under the ACA to “loss ratios” that limit both administrative costs and “profit”**; California was one of the earliest adopters of the ACA to enforce that provision.
- This is unrealistic. Most hospitals participate in both Medicare and Medi-Cal and as such they **must file reports to the Government as to their operational costs**. A Single Payer system **will not be able to operate unless it has the same information** to determine how much it should pay providers based on their costs of doing business.

SB-562: Point/Counterpoint

Supporters Claim:

- By pooling health care funds, California will have better bargaining power with regard to health care costs

Opposition Counters:

- Sorry, but the Federal government beat California to the punch in that regard when it enacted the “**Medicare Modernization Act**” in 2004 which gave the Federal government near dictatorial control over what it pays for health care services in the United States. In all likelihood, California would piggyback off of what the Federal Government does – it’s called “**Referenced Based Pricing**” and it is being successfully introduced into PRIVATE SECTOR PLANS operated by large employers throughout the country.

SB-562: Point/Counterpoint

Supporters Claim:

- There will be public oversight on costs and care, not decisions made in secret by companies

Opposition Counters:

- Single payer advocates have been saying this for 20+ years. The reality is that the **ACA allowed the creation of state-operated Exchanges which operate in broad daylight to negotiate with private insurers**. Some states do better than others in this regard. But even then, containment of the actual cost of health care is one thing that government has shown repeatedly that it is not good at doing.

SB-562: Point/Counterpoint

Supporters Claim:

- There will be public oversight on costs and care, not decisions made in secret by companies

Opposition Counters:

- One more thought about public oversight. Many decisions are made by governmental entities (such as *Covered California*) in executive session where the public is not necessarily present. The proposed governing body under SB-562 are all political appointees – not elected officials. **And their advisory group is stacked with special interests** and not by consumers and businesses who pay the bulk of health care dollars.

SB-562: Point/Counterpoint

Supporters Claim:

- No more exorbitant co-payments and out-of-pocket costs

Opposition Counters:

- The **ACA dictated the amount of out-of-pocket costs that individuals and families must pay.** And California was an early adopter of the ACA so these provisions are supported in California.
- **The issue of higher out of pocket costs has become important because the COST of richer plans (with lower out-of-pocket costs) has become so high!** Insurers priced their products based on the cost of health care services and utilization of those services. Few can afford a platinum plan while a bronze plan is in their price range – yet the reason it's in their price range is because it has higher out of pocket costs.
- It all comes back to the **COST OF HEALTH CARE SERVICES.**

SB-562: Point/Counterpoint

Supporters Claim:

- People will pay less in taxes than they are now paying for premiums and out-of-pocket costs of private insurance

Opposition Counters:

- **We're not sure the data supports that claim.** On the one hand they claim that Americans are paying nearly \$10,000 per person for health care and spend an additional \$5,000 per family in out-of-pocket costs. **For a family of 3 that would amount to nearly \$35,000.** Yet, they are proposing a tax hike above that \$35k of about \$9,500 in new taxes per person.
- **There are other statistics that show that the average family cost of health insurance is still below \$20,000 per year (national average). *That amounts to a nearly 75% difference in costs.***
- **So where are real costs?** The federal government's Medicare program has been accumulating very useful data since 2004 and that should be used as a baseline before the claim of lower costs can be made.

Get Involved!

- CAHU has faced Single Payer proposals many times in the past 23 years!
- It will be easier to defeat in the legislature than in an expensive ballot measure.
- Legislative defeat requires focused lobbying (counting the votes at each committee and in the legislature as a whole)
- Legislative defeat requires strong grass roots opposition at the right moments
 - Testimony at committee hearings
 - Press releases
 - Letters/Faxes/Emails to voting legislators at the right time
 - Attend CAHU’s Legislative Symposium in May
 - Pay attention to daily email and/or social media messages about the status of the bill
 - You can register to “follow” the bill to be notified of it’s movement

