

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



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

SB-562: Summary / Background



Summary:

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

Background:

“Under the ACA and Covered California, the number of uninsured people in our state is at a historic low. 5 million people now have coverage through Medi-Cal and Covered California. In 2015 Governor Brown signed SB-4 Health4All Kids and the 2017-18 budget proposal includes \$279.5 million to cover 185,000 children regardless of their immigration status.”

SB-562: 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: Principles



- **Patients pick** their doctor, hospital and clinic, not insurers.
- 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 2/3rds margin
 - A very large coalition of interests spent millions of \$ to defeat the measure
- Since then, a **single payer bill has been introduced in nearly every legislative session** since 1994
 - **Sheila Kuehl** led the fight for nearly 12 years in the State Legislature as both a member of the Assembly and Senate
- Insurance Commissioner **Dave Jones** **openly supports Single Payer**
- **Bernie Sanders** made Single Payer health care a main point of his 2016 presidential campaign
 - **Many “millennials” and immigrants support this**
- Proponents of Single Payer have a plan and believe that California can enact this measure
 - Direct response to attempts to repeal the ACA at the Federal level
 - Many believe that ACA was meant to fail in order to drive voters toward Single Payer
 - **Is the time right to dump ACA and move to this?**

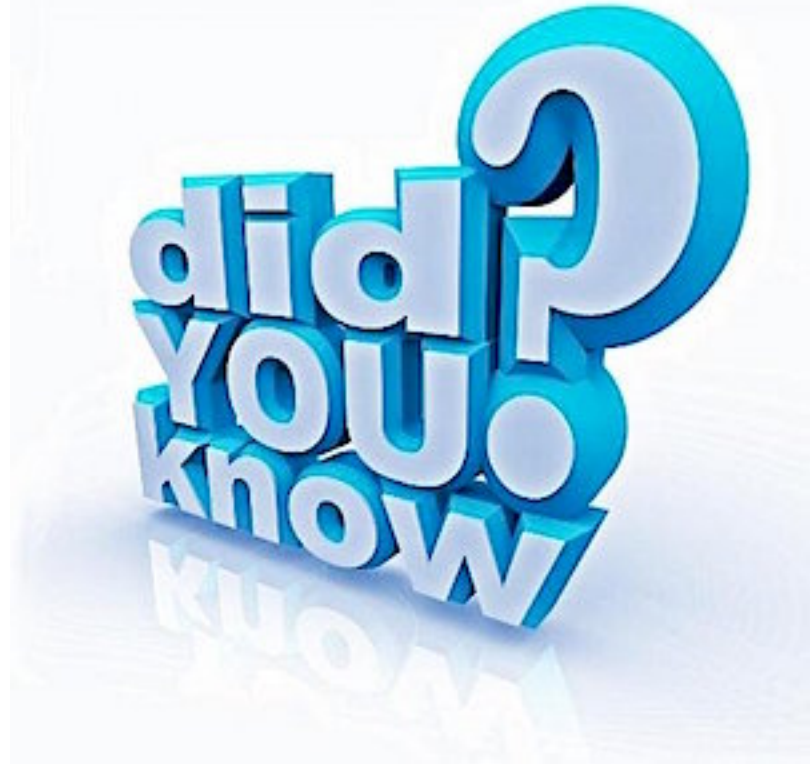
California Single Payer: Must Knows

- Abolishes private health insurance
- It isn't "free"
- Eliminates employer paid coverage
- Shifts health costs to employees away from employers
- Increases personal tax bill by almost 250% in the first year and gets higher thereafter
- Discourages innovation and quality of health care
- Will raise taxes by \$9,500 per person



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
 - Infrastructure (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”



California 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
 - **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
- The State determines what it can pay for and how much of it you can obtain:
 - If you need more you’ll have to **go out of state to get it and pay for it out of your own pocket** - just like how some Canadians are doing



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 Californian 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 (serving 31 million) in order to provide coverage to an additional 5 million uninsureds?
 - Isn't there a better way?



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 need encouragement
- **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**

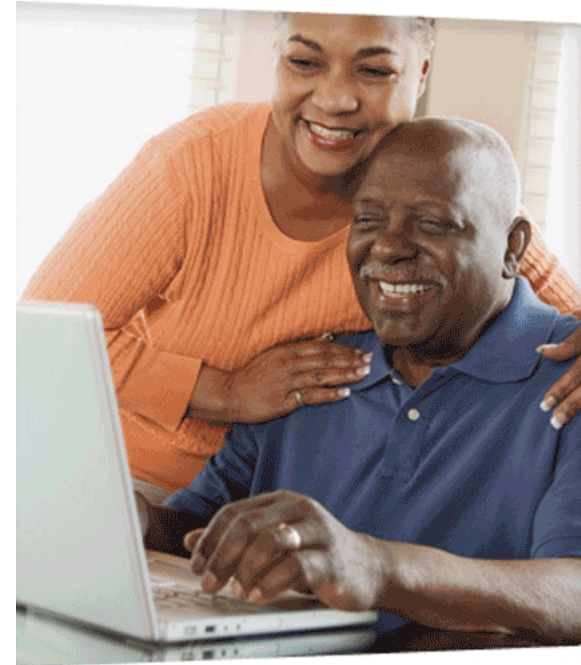
Defeating SB-562: Our Message

- **The ACA is working in California:**
 - Fewer uninsureds
 - Employer system (and subsidy) still works
 - Government dictated rules and private sector plays by those rules
- **Uprooting what is working to obtain 100% coverage is a dangerous tactic**
 - California is still part of the United States and not an isolated country that has 100% control of citizens
- **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 and political discord
- **One size fits all doesn’t work in the United States of America**
 - *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
 - *We pay too much and get questionable results*
- **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***
 - Other industrialized nations are moving from 100% government/taxpayer based health care systems to systems that involve employers and private sector innovation to lower costs and improve outcomes
- ***We agree that California can be a leader!***



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



SB-562: Point/Counterpoint

Supporters Claim:

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

Opposition Counters:

- Because the cost of coverage (which is in direct proportion to the cost of health care) is still unaffordable – the ACA did nothing to reduce the cost of health care;
- 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 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?** As influential as California is in Washington, DC, perhaps 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 payments offered by government programs** and private insurers. *Will that be different under Single Payer in just one State?*
- Many providers now opt out of Medicare yet some individuals are allowed to seek their services knowing that they must pay out of pocket - *will that be an option under the California Single Payer plan?*
- **Provider choice may not be a reality under Single Payer – ask a Canadian citizen...**

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 in the real world. 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 this 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! California does not need to “re-invent the wheel”.

SB-562: Point/Counterpoint

Supporters Claim:

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

Opposition Counters:

- *So big government is less bad than big corporations?* 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 the issue of health care (not insurance) costs is one that government does not do so well at handling in public forums. **Unless the government is planning not only to eliminate private insurers but also private ownership of health care providers** (hospitals, doctors, clinics, labs, etc.). *Is that what SB-562 proposes to do – a full takeover of the health care system (as opposed to elimination of health insurers/health plans)?*

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 just by consumers and businesses who are currently paying the bulk of health care dollars.

SB-562: Point/Counterpoint

Supporters Claim:

- California can finally clamp down on out of control prescription drug costs

Opposition Counters:

- There is no argument that **Rx costs are outrageous**. In fact there have been several attempts to control Rx costs proposed in the Legislature over the past few years. But so far none of them have passed into law (even a ballot measure in 2016 failed to do this). Why? Because big Pharma's lobbyists are some of the best in the business. They are outnumbered 50 to 1 in legislative hearings and yet still seem to be able to kill legislation that will control Rx costs. ***Why is that? How would that be different under a California Single Payer program?***

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 are responsible**. And California was an early adopter of the ACA so these provisions are supported in California (perhaps it is something that needs to be “fixed”?).
- **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. ***You can’t fund platinum benefits at a bronze price.***
- 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 of about \$9,500 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!