



**Date:** December 11, 2007  
**To:** Honorable Mayor and City Council  
**From:** Councilmember Patrick O'Donnell, Chair, State Legislation Committee  
**Subject:** **SUPPORT FOR SENATE BILL SB 840 (KUEHL) CALIFORNIA HEALTH INSURANCE LIABILITY ACT**

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The State Legislation Committee, at its meeting held November 28, 2007, considered communications relative to the above subject.

It is the recommendation of the State Legislation Committee to the City Council that they support Senate Bill SB 840 (Kuehl) California Health Insurance Liability Act; request the City Attorney to draft a resolution in support of SB 840; and request City Manager to support this legislation and communicate the City's support to our Legislative Delegation.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

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Councilmember Patrick O'Donnell, Chair


Prepared by:  
Dina Lopez

Unanimous vote  
Absent:  
Noes:  
Abstain:



**Date:** December 11, 2007

**To:** Honorable Mayor and City Council

**From:** Councilmember Patrick O'Donnell, Chair, State Legislation Committee 

**Subject:** **Recommendation to Support Senate Bill 840 (Kuehl): California Health Insurance Liability Act**

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On November 28, 2007, the State Legislation Committee met to discuss a referral from the City Council to support Senate Bill 840 (Kuehl), the California Health Insurance Liability Act. This bill would create the California Healthcare System (CHS), a single-payer health care system, administered by the California Healthcare Agency, to provide health insurance coverage to all California residents. Attached is a memo from Vice Mayor Lowenthal and Council Members Lowenthal and Schipske in support of Senate Bill 840 (Kuehl). Also attached is a detailed summary of the current health care proposals being discussed to address statewide health care reform, along with a matrix that helps explain the differences between the two plans (AB X1 1 and AB X1 2) currently being discussed in the Special Session.

The Committee reviewed the referred item and the staff report from the City Manager, and received an oral report from the City's lobbyist on the status of Health Care Reform in the State Legislature. After deliberating on the three approaches, the State Legislation Committee recommends that the City Council support SB 840.

**Recommended Action:**

Direct the City Attorney to draft a resolution in support of SB 840, and direct the City Manager to support this legislation and communicate the City's support to our Legislative Delegation.



**Memorandum**

**Date:** November 6, 2007

**To:** Mayor and City Council

**From:** Bonnie Lowenthal, Vice Mayor, First District *BL*  
Suja Lowenthal, Second District *SL*  
Gerrie Schipske, Fifth District *GS*

**Subject:** Support for Senate Bill 840 (Kuehl) California Health Insurance Liability Act

**BACKGROUND:**

Perhaps the greatest problem facing California's healthcare system and its economy is the growing cost of health insurance. The number of uninsured Californians has reached 6.5 million residents – most of the newly uninsured were from solidly middle-class families (Kuehl). Health care costs have outpaced increases in employee wages by a ratio of 4:1 since 2000.

As a result of a highly fragmented health insurance and delivery system, billions of dollars are diverted from direct health care services to administrative costs. In addition, an increasing number of families who consider emergency room services as their primary health coverage negatively impacts every resident, whether they are insured or not. California spent an estimated \$186 billion on health care last year alone. In the United States, health care costs are rising at double the rate of inflation, nearly twice the rate of other industrial nations, yet the U.S. ranks at the bottom of these nations in delivery of services.

If passed and signed into law, SB 840 would create the California Healthcare System (CHS), a single payer health care system administered by the California Health Agency, to provide health insurance coverage to all California residents. Eligibility would be based on residency, rather than on employment or income. SB 840 requires no new spending because the system will be paid for by federal, state and county monies already being spent on healthcare and by affordable insurance premiums that replace all premiums, deductibles, out-of-pocket payments and co-pays now paid by employers and consumers. Every Californian would have the right to choose his or her own physician.

According to a report by Lewin Group, an independent firm providing economic impacts analysis of SB 840, it is anticipated that state and local governments would save approximately \$900 million, in the first year, in spending for health benefits provided to workers and retirees. Aggregate savings to state and

local governments from 2006 to 2015 would be about \$43.8 billion. Employers who currently offer health benefits would realize average savings of 16% compared to the current system.

The City of Long Beach should consider joining hundreds of associations, school districts, county and city governments in supporting legislation making health insurance affordable for the employee and employer.

**REQUESTED ACTION:**

I respectfully request City Council assign SB 840 (Kuehl) to the November 28<sup>th</sup> meeting of the State Legislation Committee for consideration of a resolution of support and inclusion in Long Beach's 2008 Legislative Agenda.

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# Fact Sheet

## **SB 840 (Kuehl)** **The California Universal Healthcare Act** *Affordable Health Insurance for All Californians*

February 27, 2007

**Background:** The single greatest problem facing California's healthcare system and its economy is the growing cost of health insurance. The number of uninsured Californians has now reached 6.5 million residents, and most of the newly uninsured were from solidly middle-class families. It's easy to see why.

Health insurance premiums have increased 87% since 2000, with the average employee contributing 143% more to their company-sponsored health insurance. Meanwhile wages have only increased 20% over this time period. Health care costs have outpaced increases in wages by a ratio of 4:1 since 2000.

Overall, healthcare costs in the United States are rising at double the rate of inflation. This is nearly twice the rate of most other industrial nations, and the U.S. already spends between two to three times as much on healthcare (per capita and as a percentage of GDP) as other industrial nations. How long can this continue?

Despite this high spending, U.S. healthcare outcomes rank at the bottom of all industrial nations, and the U.S. has a more confusing and error-prone health care system. More than half of all Americans report forgoing recommended healthcare because of the cost, and Americans are more likely to report difficulty seeing a doctor on the day they sought.

California spent an estimated \$186 billion in healthcare last year. This is plenty of money to provide every resident of the state with excellent healthcare, ensure fair and reliable reimbursements to doctors, nurses and other providers, and guarantee a high quality of care for all.

**SB 840 (Kuehl), the California Universal Healthcare Act would provide fiscally sound, affordable healthcare to all Californians, provide every Californian the right to choose his or her own physician and control health cost inflation. SB 840 achieves the following:**

**Covers everyone:** Eligibility is based on residency, instead of on employment or income. Under SB 840, all residents are covered. No California resident will lose his or her health insurance because of unaffordable insurance premiums, or because he or she changes or loses a job, or goes to or graduates from college or has a pre-existing medical condition.

**It's Affordable:** SB 840 requires no new spending. The system will be paid for by federal, state and county monies already being spent on healthcare and by affordable insurance premiums that replace all premiums, deductibles, out-of-pocket payments and co-pays now paid by employers and consumers. SB 840 saves businesses, families and government billions of dollars off their yearly healthcare premiums.

**Shared responsibility:** Under SB 840 everyone – individuals, employers and government pays something in and everyone gets healthcare.

**Guarantees real choice:** Under SB 840, all consumers have complete freedom to choose their healthcare providers. No more restrictive HMO networks. Delivery of care remains as it is; a competitive mix of public and private providers.

**Provides fair reimbursements:** SB 840 requires actuarially sound reimbursements for providers. Doctors, nurses, hospitals and other healthcare providers will receive fair and reasonable reimbursements for all covered services they provide. No more uncompensated care.

**Guarantees money goes to care, not administration:** Our current system wastes 30% of every healthcare dollar on complicated benefits schemes, enrollment procedures, and access limitations. SB 840 mandates that the system spend 95% of your health care dollars on actual care. This diverts \$20 billion away from administrative overhead and into real healthcare services.

**Puts California's market power to work for patients.** Under SB 840, California will use its purchasing power to buy prescription drugs and durable medical equipment in bulk. It has been estimated that this model of system-wide bulk purchasing could save California \$5.2 billion in the first year.

**It improves quality.** SB 840 expands system-wide the use of medical standards that rely on the best available medical science, and place an emphasis on preventative and primary care to improve California's overall health in a way that also saves billions of dollars.

**Guarantees comprehensive benefits:** Coverage includes all care prescribed by a patient's healthcare provider that meets accepted standards of care and practice.

Specifically, coverage includes hospital, medical, surgical, and mental health; dental and vision care; prescription drugs and medical equipment, such as hearing aids; emergency care including ambulance; skilled nursing care after hospitalization; substance abuse recovery programs; health education and translation services, including services for those with hearing and vision impairments; transportation needed to access covered services, diagnostic testing; and hospice care.

**Contains the growth in healthcare spending:** This is the real challenge facing the state. It is estimated that by 2015, healthcare spending under SB 840 would be \$68.9 billion less than current projections. Total savings over a 10 year period would be \$343.6 billion.

**For more information about SB 840, contact Sara Rogers or Mia Orr in the Capitol office at (916) 651 - 4023, or Emily Gold in the District Office at (310) 441-9084.**

## REGISTERED SUPPORT / OPPOSITION :

### Support

1. Access to Independence
2. Action Now
3. Alameda County Public Health Department
4. Alameda Health Consortium
5. Alameda-Contra Costa Transit District
6. Alliance for Democracy – San Fernando Valley Chapter
7. Alliance of Retired Americans – West Side Chapter Los Angeles
8. Altschuler Clinic – A Center for Weight Loss and Wellness
9. American Association of University Women
10. American Civil Liberties Union
11. American Federation of State, County and Municipal Employees
12. American Federation of State, County and Municipal Employees, Council 36
13. American Federation of State, County, and Municipal Employees Retirees, Chapter 36
14. American Federation of Teachers California Federation of Teachers
15. American Federation of Television and Radio Artists
16. American Nurses Association California
17. Applied Research Center
18. Association of California Caregivers Resource Centers
19. Board of Directors of the Alto Sanitary District – Resolution
20. Breast Cancer Action
21. Butte County Health Care Coalition
22. CA Advocates for Nursing Home Reform
23. CA Alliance for Retired Americans
24. California Association of Public Authorities for In-Home Supportive Services
25. California Catholic Conferences
26. California Church IMPACT
27. California Faculty Association
28. California Federation of Teachers
29. California Foundation for Independent Living Centers
30. California Healthcare Institute
31. California Immigrant Policy Center
32. California Labor Federation
33. California Nevada Annual Conference The United Methodist Church
34. California Nurses Association (SPONSOR)
35. California Pan-Ethnic Health Network
36. California Physicians Alliance (CAPA)
37. California Primary Care Association
38. California Professional Firefighters
39. California Public Health Association – North
40. California Public Interest Research Group (CALPIRG)
41. California Retired Teachers Association
42. California School Employees Association (SPONSOR)
43. California Senior Legislature – State of California
44. California Teachers Association (SPONSOR)
45. California Teamsters Public Affairs Council
46. Castro Valley Democratic Club – Resolution
47. Celes King III & Associates Co.
48. Central Labor Council of Butte & Glenn Counties
49. City and County of San Francisco Department on the Status of Women
50. City of Berkeley – City Clerk Department
51. City of Capitola
52. City of Fort Bragg
53. City of Santa Barbara – Office of the Mayor
54. City of Santa Cruz – City Clerk's Department
55. City of Santa Cruz – Mayor and City Council
56. City of West Hollywood – Resolution of the City Council
57. Coalition for Humane Immigrant Rights of Los Angeles (CHIRLA)
58. CoHousing Partners
59. Commission on the Status of Women, State of CA
60. Committees of Correspondence for democracy & socialism
61. Communications Workers
62. Community Clinic Consortium
63. Community Collaborative for Youth
64. Community Homeless Alliance Ministry
65. Congress of California Seniors
66. Congress of Racial Equality of California (CORE-CA)
67. Consumer Attorneys of California
68. Consumer Federation of California
69. Consumers Union
70. Contra Costa County Advisory Council on Aging
71. County Health Executives Association (if amended)
72. County of Lake Board of Supervisors
73. Davis Joint Unified School District (Resolution No. 47-07)
74. Davis Office Systems
75. Dean Democratic Club of Silicon Valley
76. Democratic Action Club of Chico
77. Democratic Alliance for Action
78. Democratic Central Committee of Santa Barbara County
79. Democratic Club of Santa Maria Valley
80. Democratic Westside Progressives
81. Democrats of the High Desert
82. Demos Democratic Club of Hayward
83. Dental Health Foundation
84. Effective Assets
85. El Cerrito Democratic Club
86. Equality California
87. East Bay Peace Action
88. Family Resource Network of Santa Cruz County
89. First Congregational Church of Long Beach
90. First 5 Children and families Commission, Marin
91. Friends Committee on Legislation of California
92. Grass Valley Friends Meeting of the Religious Society of Friends
93. Gray Panthers
94. Gray Panthers – Berkeley – East Bay
95. Greater Lodi Area Democrats – Resolution in Support of SB 840
96. Green Party of Alameda County
97. Green Party of Butte County
98. Green Party of California
99. Health Access California
100. Health Care for All California– Marin
101. Health Care for All California – Santa Barbara
102. Health Care for All California – San Gabriel Valley
103. Health Care for All California – Santa Cruz City
104. Health Care for All California – Sonoma County
105. Health Care for All California – South Bay/Long Beach
106. Health Care for All California – Tulare Kings
107. Health Improvement Partnership of Santa Cruz County
108. Health Officers Association of California
109. Howard L. Berman – Congress of the United States House of Representatives
110. Independent Employees of Merced County
111. Independent Living Center – San Gabriel Valley
112. Insure the Uninsured Project (ITUP)
113. Interfaith Council of Contra Costa County
114. JERICHO
115. Jewish Labor Committee
116. Kramer Translation
117. Lake County Democratic Club
118. Lambda Letters Project
119. Latino Coalition for a Healthy California
120. Latino Health Access
121. Latino Issues Forum
122. League of Women Voters, Alameda
123. League of Women Voters, California
124. League of Women Voters, Diablo Valley
125. League of Women Voters, Fremont, Newark, and Union City
126. League of Women Voters, Humboldt County
127. League of Women Voters, Long Beach Area
128. League of Women Voters, Los Angeles
129. League of Women Voters, North and Central San Mateo County
130. League of Women Voters, Oakland
131. League of Women Voters, Palos Verdes Peninsula/San Pedro
132. League of Women Voters, Santa Barbara
133. League of Women Voters, Santa Cruz County
134. League of Women Voters, San Joaquin County
135. League of Women Voters, San Jose/Santa Clara
136. League of Women Voters, Southwest Santa Clara Valley
137. League of Women Voters, West Contra Costa County

138. LifeLong Medical Care  
 139. Los Angeles County Democratic Party  
 140. Los Angeles Free Clinic  
 141. Los Angeles Unified School District – Office of Legislative and Governmental Affairs  
 142. Lutheran Office of Public Policy – California  
 143. Manteca Democratic Club  
 144. Marin County Board of Supervisors  
 145. Mendocino Coast Democratic Club  
 146. Midway Democracy Club  
 147. National Asian Pacific American Women's Forum  
 148. National Association of Broadcast Employees and Technicians  
 149. NAMI – San Gabriel Valley's Voice on Mental Illness  
 150. National Association of Social Workers (NASW)  
 151. National Association of Working Women  
 152. National Association of Working Women, 9 to 5 Bay Area Chapter  
 153. Newsom & Fitzpatrick Medical Group, Inc.  
 154. North Marin Water District  
 155. Oak Grove Educators Association  
 156. Oakhurst Democratic Club  
 157. Oakland City Council Resolution  
 158. Oakland Education Association  
 159. Older Women's League of California (OWL)  
 160. Organization of SMUD Employees  
 161. Pacific Palisades Democratic Club  
 162. PICO California  
 163. Planned Parenthood Affiliates of California  
 164. Planned Parenthood of Mar Monte  
 165. Planned Parenthood of San Diego and Riverside Counties  
 166. Planned Parenthood of Shasta-Diablo  
 167. Progressive Christians Uniting  
 168. Protection & Advocacy Inc. (Support if Amended)  
 169. Rainbow Coalition – West Contra Costa  
 170. Richmond Greens Steering Committee  
 171. Sacramento for Democracy  
 172. Sacramento Japanese United Methodist Church United Methodist Women  
 173. San Bernardino Public Employees  
 174. San Diego County Court Employees Association  
 175. San Diego County Water Authority  
 176. San Francisco for Democracy  
 177. San Francisco Labor Council  
 178. San Joaquin County Commission on Aging  
 179. San Jose – Evergreen Community College District  
 180. San Luis Obispo County Employees Association  
 181. San Mateo County Central Labor Council  
 182. San Pedro Neighbors for Peace and Justice  
 183. Santa Barbara Clergy & Laity United for Economic Justice  
 184. Santa Barbara Friends Meeting (Quakers)  
 185. Santa Clarita Valley SCV Clean Money for Better Government  
 186. Santa Rosa City Employees Association  
 187. Senior Advocacy Council  
 188. Service Employees International Union  
 189. Service Employees International Union, local 1877  
 190. Service Employees International Union, United Healthcare Workers  
 191. Sierra Friends Center  
 192. Sober Living Network  
 193. Sonora Valley Hospital  
 194. Sourcingmag.com  
 195. South Bay Center  
 196. South County Democratic Club  
 197. South Hayward Parish  
 198. South of Market Project Area Committee  
 199. South Pasadena Activists  
 200. Southern California Public Health Association  
 201. State of California Commission on the Status of Women  
 202. St. John's Presbyterian Church  
 203. St. Mary's Center  
 204. Stockton Unified School District Resolution No. 06-77  
 205. Strawberry Creek Lodge Tenant's Association  
 206. Sutter County Democratic Central Committee  
 207. The Cohn Agency Insurance  
 208. Torrance Democratic Club  
 209. UE Western Regional Council – United Electrical, Radio and Machine Workers of America  
 210. Unitarian Universalist Church of Santa Clarita Valley  
 211. United Electrical, Radio and Machine Workers of America, UE Local 1421  
 212. United Food and Commercial Workers Union  
 213. UnitedHere! Local 11

214. United Nations Association – USA & UNESCO Santa Barbara County Chapters  
 215. United Nurses Association of California/Union of Health Care Professionals  
 216. United Methodist Women  
 217. Valley Interfaith Council, Board of Directors of San Fernando Valley  
 218. Valley Women's Club  
 219. Wellstone Democratic Renewal Club  
 220. West LA Democratic Club  
 221. Western Center on Law & Poverty  
 222. Western States Council  
 223. Women For: Orange County  
 224. Women's Foundation  
 225. Women's International League for Peace and Freedom  
 226. Women Organized to Win

**Opposition**

America's Health Insurance Plans  
 Association of California Life & Health Insurance Companies  
 Blue Cross of California  
 Blue Shield of California  
 California Association of Dental Plans  
 California Association of Health Plans  
 California Association of Health Underwriters  
 California's Benefits Specialists  
 California Chamber of Commerce  
 California Family Council  
 California Farm Bureau Federation  
 California Healthcare Institute  
 California Manufacturers & Technology Association  
 California Medical Association  
 California Resource Institute  
 California Right to Life Committee, Inc.  
 Cal-Tax  
 Capitol Resource Institute  
 Greater Riverside Chambers of Commerce  
 Health Net  
 Howard Jarvis Taxpayers Association  
 Insurance Brokers and Agents of the West  
 Kaiser Permanente  
 National Association of Insurance and Financial Advisors of California  
 National Federation of Independent Business  
 Modesto Chamber of Commerce  
 Thousand Oaks-Westlake Village Regional Chamber of Commerce  
 United Chambers of Commerce of the San Fernando Valley





**Date:** November 21, 2007  
**To:** State Legislation Committee Members  
**From:** Patrick H. West, City Manager *PHW*  
**Subject:** **Summary of the Current Statewide Health Care Proposals**

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The following is a detailed summary of the current health care proposals being discussed to address statewide health care reform.

**The Health Care Security & Cost Reduction Act (Governor Schwarzenegger) – AB X1 2**

In January 2007, Governor Schwarzenegger announced a health care reform proposal which sought to guarantee that every resident was able to purchase insurance (guarantee issue), promote affordable coverage, and require that every Californian carry a minimum level of health care insurance (individual mandate). In early October 2007, the Governor released language for his proposal in bill form, which reflects feedback received by his office resulting from numerous meetings held with stakeholders and legislative leaders.

This new “compromise legislation” maintains the core principles of his initial proposal including universal coverage, affordability, guarantee issue, financing, public hospitals, and minimum benefit levels.

***Highlights***

Key elements of the Governor’s new compromise legislation include:

- Maintaining the requirement that all Californians obtain health care coverage.
- Maintaining guarantee issue by ensuring that all Californians will be able to buy health insurance regardless of their medical history or age.
- Creating a state subsidized pool for low-income individuals that cannot afford the individual mandate.
- Reducing the amount that low- and moderate-income individuals must pay for coverage in the state subsidized pool, limiting premiums based on income, and creating a tax credit for individuals/families between 250-350% of the federal poverty level.
- Requiring employers to offer employees IRS Code Section 125 plans, which give employees the opportunity to treat health insurance premium contributions on a pre-tax basis.
- Phasing in elimination of medical ratings and protecting consumers against significant rate spikes based on their health status by putting parameters on what insurers can charge above or below a standard rate.
- Directing the Secretary of Health and Human Services to establish and adopt the minimum benefit level via the regulatory process. The minimum

benefit level must cover medical, hospital, preventive and prescription drug services, promote access to care, and set minimum benefits at a level where premiums are affordable.

#### *Funding*

The Governor's proposal would be funded by:

- Increasing Medi-Cal rates for providers, hospitals, and health plans.
- Requiring that employers who do not offer health care coverage must make a contribution toward the cost of employees health coverage in the state subsidized pool based on a sliding scale fee ranging from 0 to 4 percent based on total payroll.
- Leasing the California Lottery to help pay for health care costs.
- Including \$500 million in new funding for public hospitals, in addition to the \$1 billion counties and county and UC hospitals will retain for outpatient services and federal Disproportionate Share Hospital funds respectively.

This new proposal removes the previously proposed requirement that doctors contribute towards subsidizing the state purchasing pool for low-income residents. However, doctors would now have additional responsibilities and incentives to care for many newly insured individuals.

#### *Fiscal Analysis*

According to a February 2007 study conducted by MIT economist Dr. Jon Gruber, the Governor's health care proposal will provide health insurance for an additional 4.1 million Californians out of the 4.8 million uninsured Californians at any given time. (According to a recent U.S. Census Bureau report, approximately 6.7 million Californians are uninsured.) The study also states that the reforms will have little impact on how many employers cover their workers. Legislative staff have not yet completed their analysis of the bill, thus there is no current estimate on how much this bill may cost to implement.

#### *Major Supporters*

According to a June 2007 statewide survey conducted by the Public Policy Institute of California (PPIC), 72% of Californians support the Governor's health care proposal. While many groups have indicated their support for the Governor's plan, unconditional support is difficult because the proposal is still the subject of intense negotiation and sufficient change. Many local chambers of commerce, including the Long Beach Chamber, LA Chamber and San-Jose/Silicon Valley Chamber, are supporting the Governor's approach.

#### *Current Status*

This bill is currently being considered in the First Extraordinary Session called by the Governor to address comprehensive health care reform. The bill ABX1 2 is

currently without an author, and has been referred to the Assembly Health Committee. The Governor has requested that his bill not be taken up for a vote in committee, thereby making it available to be used as a benchmark by which other proposals will be compared against in negotiations, which are currently ongoing in the Legislature.

**SB 840: The California Universal Healthcare Act (State Senator Kuehl)**

The California Universal Healthcare Act seeks to provide, affordable healthcare to all Californians, provide every Californian the right to choose his or her own physician and control health cost inflation. The Act will create the California Healthcare System (CHS), a single-payer health care system, administered by the California Healthcare Agency, to provide health insurance coverage to all California residents. This Act will also prohibit any health care service plan or health insurance policy, other than CHS, from being sold in California for services provided by CHS. Thus, this bill would create one universal health care system run by the State California. The bill's author contends that under the current fractured system of health care, 20 to 30% of the health care dollar is spent on administration (excluding profit).

This bill will become operative when the Secretary of Health and Human Services determines the Healthcare Fund has sufficient revenues to begin implementation, and CHS will be required to be operative within two years of the operative date of this bill. The California Healthcare Premium Commission (CHPC) will become operative on January 1, 2008.

*Highlights*

Key elements of the Act include:

- Establishing a Commissioner, appointed by the Governor and confirmed by the Senate, to serve as the chief officer of CHS and to administer all aspects of the California Healthcare Agency.
- Establishing up to ten health care regions, each with its own regional planning director and 13-member regional health planning board.
- Creating a systematic approach to measuring and managing care quality.
- Ensuring that state purchasing power achieves the lowest possible prices for CHS without adversely affecting needed pharmaceutical research.
- Assessing projected revenues and expenditures to assure the financial solvency of the system.
- Ensuring that all income earners and all employers contribute a premium amount that is affordable and consistent with existing funding sources for health care.
- Maintaining the current ratio for aggregate health care contributions among the traditional health care funding sources, including employers, individuals, government, and other sources.

Regarding eligibility and benefits:

- All California residents would be eligible for CHS, with residency based on physical presence in the state with the intent to reside.
- CHS would also provide coverage to state residents who are temporarily out of state, and would bill visitors to the state for health care services received under CHS.
- Eligible residents would receive services from any willing professional CHS health care provider.
- Covered benefits would include all care determined to be medically appropriate by the consumer's health care provider.
- Copayments and deductibles would be prohibited for preventive care.
- State residents in a family whose income does not exceed 200% of the federal poverty level would be eligible for no-cost Medi-Cal.

*Funding*

Once enacted, the transition to CHS would be funded from a loan from the General Fund and from other sources (including private) identified by the Commissioner. Funds currently held in reserve by state, county, and city health programs, and federal funds for health care held in reserve in federal trust accounts would be transferred to the state health care reserve account when the state assumes financial responsibility for health care under this bill that is currently provided by those programs. The Commissioner would also establish formulas for equitable contributions to CHS from counties and other local government agencies.

Additional funding requirements under this bill include:

- When the state budget has not been enacted by June 30<sup>th</sup> of any year, funds in the reserve account must be used to implement this bill.
- The Commissioner must limit the growth of spending on a statewide and regional basis by reference to average growth in state domestic product across multiple years, population growth, and other factors.
- Limits administrative costs on a system-wide basis to 10 percent of system costs within five years of completing the transition to the CHS and to 5 percent of system costs within 10 years.

*Fiscal Analysis*

An actuarial analysis of a prior version of this legislation found that the total health spending for California residents under the current system was about \$184.2 billion for 2006, and that the single-payer program would achieve universal coverage while reducing total spending in the state by a net \$7.9 billion. These savings would be realized by reducing administrative costs and increasing

savings from the bulk purchase of prescription drugs and durable medical equipment. These savings would amount to an estimated \$20 billion in administrative costs, and an estimated \$5.2 billion in bulk purchasing savings.

This Act would constrain growth in future spending to match growth in the state gross domestic product, which is expected to be about 5.14 percent annually through 2015. By 2015, health care spending under the single payer program would be about \$68.9 billion less than currently projected (\$343.6 billion). Total savings over the 2006 through 2015 period would be \$343.6 billion. Savings to state and local governments over this ten-year period would be about \$43.8 billion.

#### *Major Supporters*

According to the legislative bill analysis, key supporters of this bill include the California Nurses Association, the California Federation of Teachers, the California Public Interest Research Group, the California Senior Legislature – State of California, and the League of Women Voters, Long Beach Area.

#### *Current Status*

SB 840 was amended on July 10, 2007 and re-referred to the Assembly Committee on Appropriations. This bill is now a two-year bill, and would be eligible for consideration next year. A similar bill passed the Legislature last year, but was vetoed by the Governor. As this bill does not have the support of the Governor or Legislative Leadership, it is not being considered during the current Special Session.

#### **ABX1 1: The California Health Care Reform and Cost Control Act (Assembly Speaker Nuñez & Senate President Pro Tem Perata)**

On November 6, 2007, Assembly Speaker Nuñez and Senate President Pro Tem Perata announced a new Democratic health care plan entitled “The California Health Care Reform and Cost Control Act” (ABX1 1). This new bill includes the core principles of AB 8 (the Democratic plan vetoed by the Governor on October 12, 2007), while meeting the Governor halfway on other key elements of health care reform.

#### *Highlights*

Key elements of this new health care plan include:

- Establishing an individual mandate for most Californians, but exempts those who cannot afford to purchase insurance. Affordability is met when the total cost of health insurance is 6.5 percent or less of a family income.
- Covers all children and parents up to 300 percent of the federal poverty line.

- Covers all single adults through Medi-Cal up to 250 percent of the federal poverty line.
- Provides individuals with incomes 250-450 percent of the federal poverty line not eligible for public programs with an advanceable, refundable tax subsidy to help purchase coverage.
- Ensures that no one earning between 0-150 percent of the federal poverty line will be required to pay premiums, co-payments, or deductibles.
- Requires the Managed Risk Medical Insurance Board (MRMIB) to establish the minimum benefits package suitable for coverage in California.
- Contains significant cost-containment measures, including allowing the state to pursue bulk purchasing of pharmaceuticals and requiring transparency from hospitals.

#### *Funding*

AB 1 would be financed through a combination of fees and taxes including:

- A \$2 per pack increase in the tobacco tax. (The Cigarette Tax Initiative approved by voters in 2006 increased the tax rate per pack of cigarettes to \$3.47).
- An employer fee assessed on a sliding scale.
  - Employers with payrolls up to \$100,000 would be expected to contribute at least 2 percent of payroll.
  - Employers with payrolls from \$100,000 to \$250,000 would be expected to contribute at least 4 percent of payroll.
  - Employers with payrolls above \$250,000 would be expected to contribute at least 6.5 percent of payroll.
  - Employers would also be expected to offer insurance to part-time employees or contribute to the public purchasing for those employees.
- A hospital fee assessed at 4 percent of revenue.

#### *Major Supporters*

According to the legislative analysis, the California Public Interest Research Group supports the bill as stands, while the American Federation of State, County and Municipal Employees, the California Hospital Association, the California Medical Association, Congress of California Seniors, Latino Issues Forum, and Planned Parenthood Affiliates of California are some of the key supporters of the bill if amended.

#### *Current Status*

The Assembly Health Committee approved ABX1 1 on November 14, 2007, with Democrats voting in favor and the bill and Republicans voting in opposition. The

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Assembly was scheduled to vote on the bill on November 26, 2007, but the date has been moved to December 5 or 6, 2007.

Attached please find a matrix that helps explain the differences between the two plans currently being discussed in the Special Session. For more information, please contact Tom Modica, Manager of Government Affairs, at 8-5091.

cc: Mayor and Members of the City Council  
Christine Shippey, Assistant City Manager  
Reginald Harrison, Deputy City Manager  
Ron Arias, Director of Health and Human Services  
Tom Modica, Manager of Government Affairs  
Jyl Marden, City Council Liaison  
Mike Arnold and Associates

Attachment  
TM: jb  
M:\IGR\State\State Leg Comm\Memos2008\State Health Care Proposals\_11-21-07.doc

**Differences Between Speaker Núñez and Gov. Schwarzenegger Health Care Reform Proposals**

|                      | <p align="center"><b>Assembly Speaker Núñez<br/>AB 8<br/>(As amended – 9/7/07)</b></p>   | <p align="center"><b>Assembly Speaker Fabian Núñez<br/>AB X1X<br/>(As Proposed to be Amended on<br/>November 8, 2007)</b></p>  | <p align="center"><b>Governor Schwarzenegger<br/>Legislative Language</b></p>   |
|----------------------|--|--|---|
| <p>“Pay or Play”</p> | <p>Employers would be required to spend at least 7.5% of payroll on employee health care expenditures or pay an equivalent amount to a state fund. Employers must elect to “pay or play” for their full-time employees, and “pay or play” for their part-time employees.</p> | <p>Sliding scale based on employer payroll. Employers with payrolls at or above \$350,000 annually would be required to spend at least 6.5% of payroll on employee health care expenditures or pay an equivalent amount to a state fund. Employers with payrolls below \$100,000 would pay % and employers of payroll between \$100,000 and \$250,000 would pay %.</p> <p>Employers must elect to “pay or play” for their employees with wages above \$25,000/year, and “pay or play” for their employees below \$25,000 per year.</p> | <p>States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include employer fees that range from 0% to 4% for employers not expending an equivalent amount for health care services, with employers of 10 or more full-time equivalent employees required to pay 4%.</p> |



|                                  | Assembly Speaker Núñez<br>AB 8<br>(As amended – 9/7/07)   | Assembly Speaker Fabian Núñez<br>AB XIX<br>(As Proposed to be Amended on<br>November 8, 2007)  | Governor Schwarzenegger<br>Legislative Language   |
|----------------------------------|---|--|---|
| Individual<br>Mandate            | None. Employees would be required to accept coverage (a “take up” requirement) unless they have other group or public program coverage, or if the cost of coverage meeting specified criteria exceeds 5% of wages paid by their employer. | <ul style="list-style-type: none"> <li>• All Californians must enroll in and maintain minimum coverage.</li> <li>• The Managed Risk Medical Insurance Board (MRMIB) would define what constitutes minimum coverage.</li> <li>• The minimum health coverage would be required to include the same scope of services as required under the Knox-Keene Act (the body of law regulating health plans in California), plus prescription drugs.</li> <li>• MRMIB would be required to exempt individuals for whom coverage is not affordable, or who have a financial hardship.</li> </ul> | <ul style="list-style-type: none"> <li>• All Californians must enroll in and maintain minimum health coverage.</li> <li>• The Secretary of Health and Human Services Agency determines the minimum health coverage.</li> <li>• The minimum health coverage would be required to include hospital, medical and preventive services.</li> </ul> |
| County Funding<br>Shift to State | None.   | States legislative intent that the bill be financed in part by revenues from counties to support the cost of state assumption of covering medically indigent adults that are currently county financial liability.   | States legislative intent that the bill be financed by revenue from counties to support the cost of enrolling people otherwise entitled to county-funded care.  |

|                                      | Assembly Speaker Núñez<br>AB 8<br>(As amended – 9/7/07)  | Assembly Speaker Fabian Núñez<br>AB XIX<br>(As Proposed to be Amended on<br>November 8, 2007)   | Governor Schwarzenegger<br>Legislative Language  |
|--------------------------------------|--|---|--|
| Medi-Cal Coverage Expansion          | Expands health plan coverage using Medicaid funds to parents and caretaker relatives with family incomes at or below <u>300% FPL</u> (at or below \$51,510 for a family of 3 in 2007). | Expands coverage to parents and caretaker relatives with family incomes at or below <u>300% FPL</u> (at or below \$51,510 for a family of 3 in 2007) and expands coverage to <u>single adults</u> with incomes less than 250% FPL (at or below \$42,925 for a family of 3 in 2007). | Expands coverage to parents and caretaker relatives with family incomes at or below <u>250% FPL</u> (at or below \$42,925 for a family of 3 in 2007) and expands coverage to single adults with incomes less than 250% FPL.                  |
| Hospital Fee                         | None.  | Agreed to include on ballot.  | States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include fees paid by hospitals at a rate of 4% of patient revenues.           |
| Leasing the State Lottery            | None.  | None.   | States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include additional public funds obtained through licensing the State Lottery. |
| Tobacco Tax Increase                 | None.  | Increases the tax on a package of cigarettes by \$2 per pack, and an equivalent amount for other tobacco products.  | None.  |
| Tax Credit/Subsidy for Affordability | None.  | 250-450% FPL  | 250-350% FPL   |