

2007 Essay #1: Healthcare
Wednesday, January 10, 2007
By State Senator Sheila Kuehl (D-Santa Monica)

This is my first essay for 2007. It addresses the topic that seems to be on everyone's minds, lips and agenda this year: healthcare. These essays are my presentation of facts not generally reported or summarized by the press. You can read my previous essays on this website.

First, A Few Factoids about California and Healthcare

One in five Californians has no health insurance at all and most of these people are average working people.

Usually, their employer is one of the many who does not provide healthcare coverage and they don't make enough to pay for an individual policy for them and their family.

Of those Californians who do have insurance, many are underinsured and are very surprised to discover that their insurance doesn't cover a large chunk of their costs if they get sick or injured. In fact half of all the personal bankruptcies in America are caused by medical costs and three-quarters of those bankrupted had insurance at the time they became ill or injured.

People are also very worried about losing the insurance they might get at work because employers are, more and more, cutting back on health insurance and other benefits and, of course, losing or changing your job means losing your insurance.

Plenty of money is being spent on healthcare-one out of every six dollars spent in America, it's just not spent to cover everyone. And, while spending generally has risen by 7.5%, insurance premiums have gone up by double-digits every year for the last five. Wages have increased only 1.7%. Costs are getting shifted to patients, physicians who are not getting reimbursed for their work, workers.

Insurance companies deny claims and treatments in order to save money, narrow provider networks, exclude more and more people for "pre-existing conditions" or because they take certain kinds of prescription drugs (most of the most popular ones) or work in a particular field.

A Field Poll commissioned by the California Wellness Foundation revealed that 80% of Californians want the government to guarantee access to affordable healthcare coverage. When asked why healthcare costs are increasing, the majority pointed to excessive insurance company profits, followed by waste, fraud and inefficiency.

Four Healthcare Plans In Legislature

Finally, this year, healthcare is getting a lot of attention in Sacramento. As Chair of the

Senate Health Committee, I am committed to working with all stakeholders: the Governor, the Legislature, medical professionals, labor, business and consumers--to work out whatever incremental reform measures can be developed for this session, at the same time as the Legislature and I continue to work on the universal healthcare bill I have authored for the past four years.

In February, I will reintroduce the most comprehensive solution to the current health care crisis, Senate Bill 840. SB 840 is the only proposal that establishes universal, affordable, comprehensive health insurance for all Californians and that guarantees the right of each patient to choose his or her own doctor. SB 840 replaces insurance companies with a state-wide trust fund that collects premiums paid by employers and individuals, sharing the responsibility for funding. This reduces the administrative portion of California's healthcare costs from nearly 30% to under 10%. With everyone in one risk pool, no one is denied coverage for a so-called pre-existing condition. Consumers are free to change jobs; start a business; go to school or start a family without losing the doctors they trust. The Governor says currently that he will not sign a universal insurance bill. Nevertheless, the Legislature will continue to develop the plan as the only long-term, universal solution to the health crisis that is going to quickly outgrow any short term incremental reform.

There are three other developing short term plans to be considered this session. Each has its virtues and a number of problems. The outstanding questions that must be resolved by any meaningful short term reform proposal are: will middle-class consumers who cannot now afford health insurance or qualify for Medi-Cal get the quality coverage they need; and will hospitals and doctors see any relief from the burdens that are putting so many of them out of business?

Proposal by President of the Senate

State Senate President pro tem Don Perata's Senate Bill 48 would cover Californians who are employed, as well as their dependants. Employers could either spend a percentage of their payroll toward employee health insurance or pay an equivalent amount into a health care trust fund. The fund would then buy a few insurance plans from private insurance companies, and uninsured employees would be required to pick one. Insurance companies wanting to offer coverage through the fund would be required to restrain administrative expenses and provide a basic level of benefits. Working individuals would be required to purchase coverage for themselves and their dependants. The plan also expands children's eligibility for existing public programs. The bill does not indicate if all employees must be covered when employers provide the insurance, nor what basic coverage is required, which could leave many workers without coverage and mandated to buy it themselves. The bill is still sketchy and will be worked on throughout the year, along with the two set out below.

Proposal by the Speaker of the Assembly

Assembly Bill 13, by Assembly Speaker Fabian Nunez, covers employees and their

dependents through a purchasing pool of fees paid by employers that have two or more employees and do not offer health care coverage. This pool buys healthcare coverage from private insurance companies. Workers offered coverage from their employers would be required to accept coverage for themselves and their dependants unless premiums and out-of-pocket costs exceed a certain level of income, in which case they can buy their insurance from the pool. The money paid for premiums would be pre-tax dollars. Individuals and the self-employed could buy in to the pool, which would offer a choice among several plans, each of which must provide at least a minimum set of benefits. Lately, there has been a proliferation of so-called "basic" plans, so minimal they are really a sham, requiring huge deductibles; offering no pregnancy coverage, and offering very low hospital reimbursement rates. Both legislative proposals would try to set a floor for benefits from employers and from the pool. Again, affordability, funding and coverage issues remain to be worked out.

Proposal by the Governor

The foundation of the Governor's plan is a mandate requiring every Californian to have health insurance. The proposal would allow, and even encourage, the proliferation of bare-bones plans with deductibles as high as \$5,000 as well as requiring patients to spend an additional \$7500 for procedures refused by their insurance company. This very troubling proposal does not at all address how plans will be affordable or adequate for Californians who are mandated to buy them, nor who will pay for uncovered procedures about the \$12,500 ceiling. In addition, every employer is required to spend 4 % of payroll to buy insurance, either from insurance companies directly or through a state fund. This percentage of payroll is not actually sufficient to purchase insurance for the working uninsured and there is no limit to what employees would pay, no cost control and therefore, no premium control.

The Governor, like Sen. Perata and Speaker Nunez, would use public monies to cover all children living in families earning less than 300% of the Federal Poverty Guidelines (about \$39,000 for a single parent with one child or \$60,000 for a family of four) by buying insurance, again from private companies. No plan details exactly how the rest of California's uninsured children would be covered. He also calls for significantly increasing reimbursements paid to providers under public programs by billions of dollars.

Under the Governor's proposal, a portion of the funding for all of this would come from a tax on providers such as doctors and hospitals, as well as hoped for increases in federal monies. Additionally, the Governor would take money now paid to hospitals to treat indigent people and redirect it to private insurers to buy insurance for the poor. This creates an immediate problem for hospitals which are already closing at alarming rates due to inadequate reimbursements from private insurance companies along with the cost of caring for the uninsured.

Finally, the Governor would adopt President Bush's plan for individual "Health Savings Accounts" by requiring employers to "allow" employees to put away money, pre-tax, to pay for unreimbursed medical expenses. Health Savings Accounts effectively enable insurance companies to shift the costs and liability of healthcare away from them and on to consumers. Such a plan will not benefit people who are already too strapped to meet current expenses and it does nothing to expand coverage or affordability.

Actions in 2007

This year, and perhaps the next, the Legislature will work out some compromise measures as between Sen. Perata's plan, the Speaker's plan and the Governor's plan. At the same time, we will continue to work on the long-term solution which must be universal, affordable, comprehensive in its coverage and protect choice of providers and quality. So far, that's only SB 840. Any incremental legislation must surely move us in that direction and, at the very least, Do No Harm.