

# Single payer universal health care

## In-Depth Questions and Answers

### What is a single payer universal health care system?

SB 810 (Leno) provides for a single payer universal health care system that is financed and administered by the state. It will replace California's current system of multiple public and private insurers, which excludes nearly 6.6 million Californians from health coverage.[1] The health care system provides all residents with comprehensive health care regardless of their age, health or employment status. While controlling health care costs, the state pays for all health care charges for care provided to residents by private doctors, hospitals, clinics, pharmacies and other providers that continue to operate as independent entities.

This health care system is not socialized health care because the state will not run the health care delivery system. Instead, it will manage how the system is financed and provide coverage for all residents based on a single standard of care for everyone.

This publicly financed health care system replaces most current government funded health programs and hundreds of private insurance companies that administer thousands of different policies. These private insurers waste health care dollars on excessive and inefficient spending on health care administration instead of providing needed health care.

The Lewin Group, a premier national health care and human services consulting firm with more than 35 years providing analytical services for public, non-profit and private sectors, finds that several single payer financing models similar to SB 810 reduce costs significantly enough to provide a basis for single payer universal health care for all Californians.[2]

### Public universal health care versus private health insurance

#### Why should anyone who is now privately insured support a change to a public single payer universal health care system?

Every Californian is at risk and has a stake in supporting a solution to the health care crisis. Under the current system, few can be secure that they will always have access to enough health care or quality care when they need it. Now, there are many factors that threaten the health security of those fortunate enough to actually have health coverage.

According to a Kaiser Family Foundation survey, premiums for employer-sponsored family health coverage have increased by 73 percent since 2000, while wages increased only 15 percent concurrently.[3] Nationally, the number of employers offering health coverage dropped 13 percent between 2000 and 2005, which leaves only 60 percent of all employers that still offer health insurance.[4] Many employers are shifting premium costs to their employees and/or selecting policies with higher co-pays or policies with high deductibles. These deductibles must be met before the insured are provided care that is paid for by the insurer.[5]

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[1] The State of Health Insurance in California: Findings from the 2003 California Health Interview Survey, Los Angeles, CA: UCLA Center for Health Policy Research, 2005, 11-12.

[2] Cost and Coverage Analysis of Nine Proposals to Expand Health Coverage in California, *Final Report*, Falls Church, VA: The Lewin Group, 2002, vi-vii.

John F Shields and Randall A Haught, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii-iii.

[3] Ron French, "How General Motors and the nation are losing an epic battle to tame health care beast," *The Detroit News*, 2006.

[4] Ibid.

[5] John Garamendi. "Crisis in Health Insurance: Paying More for Reduced Coverage," *Priced Out: Health Care in California*, 14, 2005. Accessed 01/24/06 from <http://www.insurance.ca.gov/0400-news/0100-press-releases/0080-2005/upload/Priced-Out-Health-Care-in-California.pdf>

Billions of dollars are diverted each year from health care by the current fragmented health insurance and delivery system that wastes 20 to 30 percent of health care dollars on administration--excluding profit.[6] Californians pay about 50 percent more than Europeans, Australians, Japanese, and Canadians do for the same prescription drugs manufactured by the same companies.[7]

Often, overcrowded emergency rooms have long waiting times, routine diversions of ambulance drivers and are not available to all patients who need them.[8] A national study finds that both insured and uninsured patients are responsible for much of the increased usage. Visits to emergency departments by the uninsured increased by about 10 percent despite a smaller percent change in the overall number of uninsured.[9] During the same period, visits to physician offices by uninsured persons declined by 37 percent. Higher caseloads and lower reimbursements from public and private payers compelled many medical practices to limit care provided to uninsured patients.[10]

The study also finds that although emergency room use by the uninsured did increase, most of the increase in usage was from those insured by Medicare and private plans. Together, these insured patients accounted for about two-thirds of the overall increase in emergency room visits. The number of privately insured people alone accounted for more than half of the increase in usage during this same period.[11]

The Institute of Medicine finds that Americans are experiencing an epidemic of sub-standard care, which they term a "quality chasm"—a wide gulf between the care needed and the care actually delivered to patients.[12] Each year an estimated 150,000 to 200,000 hospitalized people die from preventable medical errors and from infections acquired while in the hospital.[13] Deaths from misapplication of technology in all settings are estimated to be as high as 400,000, of which about two-thirds are preventable.[14]

The United States ranks lower in overall population health compared to countries that have universal health care systems. In a comparison of health trends among 30 developed countries from 2004-2005, the Organisation for Economic Cooperation and Development finds the US ranks ninth in life expectancy and 28th in infant mortality. Of these countries, only Turkey and Mexico experience more infant deaths per 1000 live births than the US.[15]

Nearly two million Americans filed for bankruptcy in 2001 because of medical bills, and 76 percent these people had health insurance when they became ill.[16]

Being insured under the current multi-payer system affords no promise of health care security or care quality. SB 810 saves health care dollars that can be spent on providing care instead of administrative waste that occurs in the current multi-payer health insurance system. In contrast, SB 810 provides for a single payer

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[6] John Gilman, Assembly Health Committee, Bill Analysis, SB 810 (Kuehl), Source: Author, 2006, 13. Accessed 08/22/06 from [http://www.leginfo.ca.gov/pub/bill/sen/sb\\_0801-0850/sb\\_810\\_cfa-20060822\\_201054\\_asm...](http://www.leginfo.ca.gov/pub/bill/sen/sb_0801-0850/sb_810_cfa-20060822_201054_asm...)

[7] Ibid.

[8] Who is the blame for the health crisis? *San Francisco Chronicle*, 2006, B-6. Accessed 03/04/07 from <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/07/31/EDGOBIPU011.DTL>

[9] Peter J Cunningham and Jessica H. May, Insured Americans Drive Surge in Emergency Department Visits, Issue Brief No. 70, Washington, DC: Center for Studying Health System Change, 2003, 2. Accessed 12/17/07 from <http://www.hschange.com/CONTENT/613/?PRINT-1>

[10] Ibid. 3

[11] Ibid. 2

[12] Building a Better Health Care System: Specifications for Reform, Washington, DC: National Coalition on Health Care, 2004, 10. Accessed 01/24/06 from <http://www.nchc.org/materials/studies/reform.pdf>

[13] Ibid., 11

[14] Ibid.

[15] OECD Health Data 2006, Paris, France: Organisation for Economic Co-operation and Development, 2006, 8, 10. Accessed 03/06/07 from [www.oecd.org/document/16/O,2340,en\\_2649\\_37407\\_2085200\\_1\\_1\\_137407,00](http://www.oecd.org/document/16/O,2340,en_2649_37407_2085200_1_1_137407,00).

[16] David U Himmelstein, Elizabeth Warren, et al, MarketWatch: Illness And Injury As Contributions to Bankruptcy, *Health Affairs* Web Exclusive, (Feb. 02, 2005): W5-63 – W5-73. Accessed 04/30/07 from <http://content.healthaffairs.org/cgi/content/full/hlthaff.w5.63/DC1>

health care system that eliminates or diminishes most of the above problems. Every resident will receive affordable and comprehensive health care based on a single standard of care. When everyone has health coverage and can choose his or her primary care doctor, long waits and overcrowded emergency rooms will no longer be the norm. The publicly financed universal health care system will provide for mechanisms such as system-wide health care planning and evidence-based care standards to improve care quality and prevent medical and technology errors. When everyone has comprehensive health care, no one will be at risk of financial ruin because of high health care bills.

## **Provided health care coverage**

### **1. What services would be covered?**

SB 810 provides comprehensive benefits with a single standard of care for every resident. They include, but are not limited to preventive, primary, specialty, emergency, hospice, adult day, and home health care; diagnostic and evaluative services; hospitalization; surgery; mental and behavioral health care; substance abuse treatment; prescription drugs and medical equipment; blood and blood products; dialysis; rehabilitative care; chiropractic care; podiatric care; acupuncture; dental, vision and hearing care; health education; language translation for health care services; and emergency transportation and necessary transportation for health services for disabled and indigent persons.

### **2. Would Kaiser still exist under the new system?**

SB 810 provides that the current health care delivery system remains private. All providers will continue as private entities. However, SB 810 prohibits health care service plans and insurance policies from being sold in California for any services provided under the California Universal Healthcare System.

Kaiser and other providers can choose to provide health services under the new health care system. Then Kaiser will negotiate with the Payments Board for a capitated rate, which the Universal Healthcare Fund will pay for covered services provided for Kaiser members. All other licensed and accredited providers who choose to participate under the health system also can negotiate with the Payments Board to set rates of reimbursement for the services they provide.

### **3. Would retirees continue to get the same health benefits they have now?**

Under the current trend, many retirees are at risk of having health benefits reduced or eliminated. Companies like General Motors and IBM as well as some public retirement systems are backing away from commitments they have made to retirees because of the economic burden of costly health care premiums.[17] According to a 2006 Kaiser Family Foundation and Hewitt Associates survey, three out of four firms raised premiums for those under age 65 while 58 percent increased premiums for those 65 and older; one in three firms raised cost-sharing requirements for younger retirees while one in four raised the requirements for those 65 and older.[18] SB 810 provides that retirees who receive health care benefits from collateral sources such as previous employers, employee benefit contracts and pension plans will be eligible for the same health care from the publicly financed health care system. The above sources have an obligation to pay retirement premiums under retiree contracts. In turn, the health care system will collect costs for health care services from these sources that are provided to retirees under contract.

Retirees, whose health care is covered by contracts or plans, also will be eligible for wrap-around benefits from the health care system. These benefits will include all the benefits provided by the health care system, which are superior to the benefits retirees have under any current contracts or plans.

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[17] Porter, Eduardo, and Walsh, Mary Williams, "Benefits Go the Way of Pensions," New York Times, 2006. Accessed 02/09/06 from <http://www.nytimes.com/2006/02/09/business/09pension.html>

[18] Tony Pugh, "Retirees' Health Benefits Cost Keep Climbing in '07," McClatchy Newspapers, 2006. Accessed 05/02/2007 from <http://www.timesfreepress.com/absolutenm/templates/health-beat.aspx?articleid=8463&zoneid=118>

Most retirees cannot be assured that their benefits will continue unchanged or at all. In contrast, SB 810 provides affordable and secure comprehensive benefits for all Californians--from birth to death.

#### **4. Would undocumented residents be covered?**

SB 810 provides that undocumented residents are covered. It costs less to insure them than to exclude them. Most undocumented Californians are employed in essential jobs, which pay low wages and do not provide insurance. People without health insurance do not get ongoing primary or preventative care. They often do not seek care until their illnesses have progressed to a stage where it costs more to treat them or they die prematurely. Providing primary and preventative care to all residents reduces health care costs.[19]

Also, providing coverage to the entire population helps control epidemics or outbreaks that expose everyone to disease. It not only saves money to cover the undocumented, it is good public health policy.[20]

#### **5. Would workers' compensation be covered?**

The workers' compensation system is not covered under SB 810. Current state and federal law requires that workers' compensation costs be paid by funds that are collected by employers. This system covers more than medical care. It also administers indemnity claims such as work time lost, disability, and survivor's benefits. Residents receive comprehensive coverage under the publicly financed health care system. However, individuals that are required to file worker's compensation medical claims will have those claims processed by the worker's compensation system instead of the new health system. Additional legislation would be required to change the complex worker's compensation system.

#### **6. Does SB 810 provide coverage for abortions?**

Federal law protects a woman's right to an abortion. As it is now, abortion is covered if determined to be medically appropriate by a health care provider.

#### **7. Would anyone lose benefits they now have?**

SB 810 provides that no one who currently has coverage will lose his or her benefits. The publicly financed health care system provides individuals and families, including retirees, comprehensive coverage that is better than most have at this time.

Individuals who have coverage under existing collateral sources such as health insurance policies, health care service and pension plans, employers, employee benefit contracts and government benefit programs will receive full comprehensive coverage under the health care system. In turn, the health care system will collect costs for providing health care services from the collateral sources.

Individuals covered by a contract or plan that is preempted by federal law must continue to seek benefits from that contract or plan. Providers contracted under the new system will provide covered health care services to these individuals and would seek payment for their services from the preempted contracts and plans instead of the health care system. This condition would remain in effect until the role of these contracts or plans has been terminated or they release the funds that pay for provided benefits to the health care system.

However, individuals covered by preempted contracts and plans also will be eligible for wrap-around benefits from the health care system. These benefits will include all the other benefits provided by the system, which are superior to the benefits individuals have under any current contracts or plans.

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[19] John F Shields and Randall A Haught, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii. <http://www.healthcareforall.org/summary.pdf>

[20] J.Harrell and E.Baker, The Essential Services of Public Health, Washington, DC: American Public Health Association. Accessed 07/25/06 from <http://www.apha.org/ppp/science/10ES.htm> [Source not currently available online]

## 8. Why does SB 810 provide for religious healing?

SB 810 provides for coverage for healing by prayer or spiritual means by a practitioner of a bona fide church, sect, denomination, or organization. Existing federal and state statutes require religious healing, and Medicare covers it.

## Quality of care issues

### 1. What are the causes of crowded emergency rooms?

Overcrowded emergency rooms have long waiting times, routine diversions of ambulance drivers and are not available to all patients who need them.[21] More than 65 emergency rooms have closed in California during the last decade.[22] There are multiple reasons for these problems. A national study finds that uninsured visits to emergency departments increased by about 10 percent despite a smaller percent change in the number of uninsured.[23] During the same period, visits to physician offices by uninsured persons declined by 37 percent. Higher caseloads and lower reimbursements from public and private payers compelled many medical practices to limit care provided to uninsured patients.[24]

The study also finds that even though uninsured visits did increase, they did not account for most of the increase in emergency room use. Instead, those insured by private plans and by Medicare together accounted for about two-thirds of the overall increase in emergency room visits. The number of privately insured people alone accounted for more than half of the increase in usage during this same period.[25] One complaint compelling the insured to seek emergency room treatment is the frustration many of the insured have with the current outpatient system. Unable to get in to see their primary care doctor in a timely manner, people with insurance go to the emergency room and are diagnosed, tested and treated in one visit.[26]

In contrast, SB 810 provides comprehensive health care for every resident and a system that eliminates or diminishes most of the above problems. When everyone has health coverage and can choose his or her primary care doctor, long waits and overcrowded emergency rooms will no longer be the norm.

### 2. How does SB 810 improve care quality?

Studies show Americans get only 54 percent of the medical treatments they need, even if they have good insurance and go to a good doctor and an accredited medical center. The National Academies' Institute of Medicine finds that Americans are experiencing an epidemic of sub-standard care that they term a "quality chasm"—a wide gulf between the care needed and the care actually delivered to patients.[27]

SB 810 creates a publicly financed health care system that provides comprehensive health coverage based on one standard of care for all residents. At minimum, the new system provides methods to improve care quality that include primary and preventative care, evidence-based standards of care to help doctors make accurate decisions, mandatory reporting of errors, teams that evaluate the effectiveness and safety of new technology, and funding for development of electronic medical records and compatible computer systems.

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[21] Who is the blame for the health crisis? *San Francisco Chronicle*, 2006, B-6. Accessed 03/04/07 from <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/07/31/EDGOBIPU011.DTL>

[22] Governor Arnold Schwarzenegger, Governor's Health Care Proposal, 2007, 3. Data obtained from the California Office of Statewide Health Planning. Accessed 05/07/07 from <http://www.stayhealthycalifornia.com/>

[23] Peter J Cunningham and Jessica H. May, *Insured Americans Drive Surge in Emergency Department Visits*, Issue Brief No. 70, Washington, DC: Center for Studying Health System Change, 2003, 2. Accessed 12/17/07 from <http://www.hschange.com/CONTENT/613/?PRINT-1>

[24] *Ibid.* 3

[25] *Ibid.* 2

[26] Who is the blame for the health crisis? *San Francisco Chronicle*, 2006, B-6. Accessed 03/04/07 from <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2006/07/31/EDGOBIPU011.DTL>

[27] *Building a Better Health Care System: Specifications for Reform*, Washington, DC: National Coalition on Health Care, 2004, 10. Accessed 01/24/06 from <http://www.nchc.org/materials/studies/reform.pdf>

### **3. Can individuals choose their own doctor?**

SB 810 provides that every resident can choose his or her own primary doctor and dentist. Women also can choose their obstetrician-gynecologist as well as a primary care doctor. Restrictions by HMOs and insurance companies on who can provide health care to patients are eliminated. SB 810 allows residents to choose a fee-for-service doctor or a doctor employed by a health care system like Kaiser. Primary care providers and emergency doctors will make referrals to specialists. However, a patient also can see a specialist without a referral, but in this case, they will have to pay out of pocket.

### **4. Would SB 810 stifle innovation?**

SB 810 would stimulate innovation. Lack of money and markets stifles innovation.

The market for health care innovations would expand because 36 million Californians would have access to quality health coverage and would get medical care as needed. The expansion of the new health care system would create the demand for more goods and services that would result in more state revenue, some of which could be invested in well-funded budgets for research and development.

SB 810's Partnerships for Health provides health care grants for communities to develop innovative programs. SB 810 provides for a statewide database of information about what is needed to provide care quality. This information could be a source of new ideas.

### **5. How does SB 810 decrease medical errors?**

Errors would decrease as the new system implements human and computerized error-check systems on a statewide basis. Such systems are now used successfully in the Veterans' health system, Kaiser, and in other countries that have universal health care systems. Also, errors due to understaffing, the lack of readily accessible medical information, poorly coordinated medical services, and inadequately coordinated care would decrease.

### **6. Does SB 810 address the nursing shortage?**

The nursing shortage cannot be solved overnight. Lack of funds for training nurses is a major part of the problem. SB 810 provides for a publicly financed health care system that can set priorities, which can include investing in nursing education. As overall functioning of the new health care system improves, working conditions and factors contributing to the shortage of nurses can be removed.

## **Affordability issues**

### **1. How can the universal health care system cover every resident without spending more than California now spends on health care?**

A 2005 Lewin Group analysis estimates that total spending for health care in California under the current system would be \$184.2 billion in 2006. This includes spending for administration and benefits currently covered by all payers including governments, employers and families. This amount would have been more than enough to provide all California residents with universal coverage.[28]

Other developed countries find it more efficient and cost effective for their governments to provide universal coverage and control their health care costs. Current health care spending for the United States' market-driven system at \$6,100 per person is more than double the amount that is spent by Canada (\$2,980 per person) or France (\$2,740 per person) to provide universal coverage.[29]

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[28] John F Shields and Randall A Haight, *The Health Care for All Californians Act: Cost and Economic Impacts Analysis*, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii.

[29] Spyros Andreopoulos, *Critical Condition: Health Care for All Californians Is Good Medicine for All that Ails the State and Its Leadership*, *San Francisco Chronicle*, 2005.

Without increasing the current amount in the aggregate that is spent on health care in California, an efficiently administered and publicly funded universal health care system could direct current health care spending into comprehensive coverage and improved care quality for all residents.

## **2. How can the universal health care system provide comprehensive benefits with no co-pays and deductibles without increasing spending?**

The total operating cost of the universal health care system would be less than the cost of maintaining the insurance agencies and policies that it would replace. Further, the publicly financed health care system could save billions in spending during the first year even as utilization of health services increased.[30]

A study by Boston University researchers finds that the current health care insurance system now spends nearly 50 percent of each health care dollar on administrative and clinical waste, excessive drug prices, and fraud.[31] Instead, SB 810 provides for a single payer universal health care system with streamlined administration that uses its purchasing power to negotiate price discounts for pharmaceuticals and medical equipment. It also establishes an Inspector General for Health Care and strong investigative tools to deal with fraud. When all bills are submitted to a single payer system, patterns of fraud would be easier to detect than they are under the current multi-payer system.

## **3. How can the universal health care system provide pharmaceutical benefits with no co-pays?**

SB 810 provides a mechanism for the state to achieve large discounts by using its purchasing power to negotiate the cost of drugs for 36 million residents. Californians would no longer have to pay nearly 50 percent more than Europeans, Australians, Japanese, and Canadians now pay for the same pharmaceuticals produced by the same companies.[32]

## **4. How can California afford major health care reform during this period of budget deficits?**

Budget deficits are caused in part by health care misspending in California's dysfunctional health care system. SB 810 provides for a publicly financed health care system that is a major step toward deficit reduction and a balanced budget. The Lewin Group finds that over the 2006-2015 period, a single payer model similar to SB 810 would save California \$345.6 billion in overall health costs. This includes state savings of \$43.8 billion on public employees' health insurance costs.[33]

A 2005 Lewin Group analysis estimates that total spending for health care in California under the current system would be \$184.2 billion in 2006, which would have been more than enough to cover every resident.[34] Health care dollars should be spent on providing health care and not on inefficient administration and waste. Uncontrolled costs in the current multi-payer system are causing an unsustainable burden on government budgets.

## **5. How can the General Fund provide SB 810 transition costs while budget deficits threaten existing health care programs?**

SB 810 provides that the General Fund lend the California Universal Healthcare System money to cover the transition costs. The General Fund is to be repaid from the Universal Healthcare Fund and any available private sources, which also could contribute to the transition costs. First year budget savings under the publicly financed health care system could provide enough funds to reimburse the loan from the General fund.[35]

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[30] John F Shields and Randall A Haight, *The Health Care for All Californians Act: Cost and Economic Impacts Analysis*, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii.

[31] Alan Sager, Ph.D and Deborah Socola, M.P.H., *Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005*, Data Brief No. 8, Boston, MA: Boston University School of Public Health. 2005. Accessed 02/08/06 from <http://dcc2.bumc.bu.edu/hs/Health%20Costs%20Absorb%20One-Quarter%20of%20Economic%20Growth%20%202000-05%20%20Sager-Socola%207%20February%202005.pdf>

[32] John Gilman, Assembly Health Committee, Bill Analysis, SB 810 (Kuehl), Source: Author, 2006, 13. Accessed 08/22/06 from [http://www.leginfo.ca.gov/pub/bill/sen/sb\\_0801-0850/sb\\_810\\_cfa-20060822\\_201054\\_asm...](http://www.leginfo.ca.gov/pub/bill/sen/sb_0801-0850/sb_810_cfa-20060822_201054_asm...)

[33] John F Shields and Randall A Haight, *The Health Care for All Californians Act: Cost and Economic Impacts Analysis*, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ix.

[34] Ibid. ii

[35] Ibid.

## 6. Would costs increase for individuals and families who are already insured or who become seriously ill?

Overall, the insured could save on health care costs. A 2005 Lewin Group analysis estimates that under a bill similar to SB 810, the average savings per family in 2006 would be \$340 while receiving full comprehensive benefits.[36] The savings reflect the elimination of out-of-pocket costs for health services and high insurance premiums that would be replaced by affordable premiums under the publicly financed health care system. However, other factors currently exist that could increase what the insured now pay for health care. Out-of-pocket costs are not the only cost they could incur. Multiple treatments, expensive prescriptions and ongoing office visits could become a financial burden if they were to become seriously ill. Insurance companies place a cap on how much they pay in total annual benefits, which could be reached quickly. Under SB 810, health care costs do not increase for someone who becomes ill. This benefit is a safeguard from financial ruin. Funding under the publicly financed health care system would be more equitable than current market system funding that does not provide secure comprehensive benefits for all residents. Age, race, employment status, pre-existing conditions, high inflation of health care cost and the type of coverage one needs or could afford would not affect the amount of coverage or premium cost under SB 810.

Also, the publicly financed health care system could control future cost increases and save money on an ongoing basis. The Lewin Group finds that under a bill similar to SB 810, health care spending between 2006-2015 is about \$68.9 billion less than the current system's projected spending of \$345.6 billion.[37] The current health care system is unstable and trending toward repeated increases in premiums, co-pays and deductibles. Many employers are dropping coverage altogether or passing on more of the cost to their employees.[38]

## 7. Would seniors pay more under SB 810 than they do now?

Based on analysis of a bill similar to SB 810, a Lewin Group report finds savings on average for a family headed by a person 65 or older to be about \$1,275 annually.[39] Out-of-pocket health care costs could be lower for seniors because SB 810's publicly financed health care system provides comprehensive coverage including prescription drugs, vision, dental, and other benefits that often are not covered under the current. However, seniors could be required to pay premiums into the Universal Healthcare Fund on earned income greater than their non-taxable Social Security income.

## Health insurance issues

### 1. How many Californians have no health insurance?

According to 2003 statistics, 6.6 million Californians did not have health insurance for the year. Of these, 3.7 million had no insurance for the entire year, and nearly one million children were uninsured for all or part of the year.[40]

### 2. Who does not have health insurance?

More than 80 percent of Californians who lack health insurance are in families where at least one person works. A disproportionate number are from Black and Hispanic communities, and more than 20 percent of children have no health insurance. The uninsured are both low-wage workers and workers with higher incomes.[41]

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[36] Ibid. v

[37] Ibid. ix

[38] John Garamendi. "Crisis in Health Insurance: Paying More for Reduced Coverage," Priced Out: Health Care in California, 14, 2005. Accessed 01/24/06 from <http://www.insurance.ca.gov/0400-news/0100-press-releases/0080-2005/release073-05sf.cfm>

[39] John F Shields and Randall A Haight, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ix. Note: two of three consecutive pages each numbered "ix" are incorrect; this page should be numbered "vii."

[40] The State of Health Insurance in California: Findings from the 2003 California Health Interview Survey, Los Angeles, CA: UCLA Center for Health Policy Research, 2005, 11-12. Accessed 01/24/06 from [http://www.healthpolicy.ucla.edu/pubs/files/SHIC03\\_RT\\_081505.pdf](http://www.healthpolicy.ucla.edu/pubs/files/SHIC03_RT_081505.pdf)

[41] Ibid. 16

### 3. Do most people who work have health insurance?

Working adults and/or their dependents make up 76 percent of California's uninsured residents.[42] Employment-based coverage is declining as employers find they can no longer afford the rapidly rising costs of insurance premiums. More employers who do offer insurance are passing on more of the cost to their employees.[43]

### 4. How do the uninsured get health care?

Many uninsured get limited health care in emergency departments. A study finds that uninsured visits to emergency departments increased by about 10 percent while visits to physician offices by uninsured persons declined 37 percent.[44] Higher caseloads and lower reimbursements from public and private payers have compelled many medical practices to limit care provided to uninsured patients.

Further, the uninsured do not get the care they need on a regular basis, which includes primary and preventive care and prescription drugs. The uninsured with chronic illnesses cannot get regular monitoring and the medication adjustments that they need to stay as healthy as possible. Those with diabetes or asthma often end up with unnecessary, expensive and often tragic complications. Without proper disease management, diabetes can lead to heart disease, blindness, kidney failure and amputation of limbs.

### 5. What is meant by "under-insured"?

When people who have health insurance need treatment that is excluded as a pre-existing condition, they are under-insured. When expensive pharmaceuticals, which are life giving or necessary for care quality, are not covered by insurance, the insured is under-insured. Insurance companies also place an annual cap on the amount they will pay per person or family for covered services. Those with extensive medical expenses often do not have enough insurance coverage for the entire year and can become financially overwhelmed with health care expenses. They also are under-insured.

Almost half of all personal bankruptcies in the United States are the result of high medical bills.[45] These bills were not covered because these people did not have insurance or enough insurance or the right kind of insurance. Nearly two million Americans experienced medical bankruptcy in 2001 because of health care bills incurred when they or a family member became seriously ill.[46] Further, 76 percent of people who had a medically related bankruptcy had health insurance when they first became ill.[47]

Bankruptcy due to medical costs for treating illness is a rare occurrence in other developed countries.

## Stakeholder issues

### 1. How would SB 810 affect seniors who already have Medicare health coverage?

Medicare recipients will continue with their current coverage until Medicare funding is transferred to the Universal Healthcare Fund. However, SB 810 provides that Medicare recipients will receive all their health care from the publicly financed universal health care system. This means seniors can choose their own primary care

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[42] Ibid., 18

[43] John Garamendi. "Crisis in Health Insurance: Paying More for Reduced Coverage," Priced Out: Health Care in California, 14, 2005. Accessed 01/24/06 from <http://www.insurance.ca.gov/0400-news/0100-press-releases/0080-2005/release073-05sf.cfm>

[44] Peter J Cunningham and Jessica H. May, Insured Americans Drive Surge in Emergency Department Visits, Issue Brief No. 70, Washington, DC: Center for Studying Health System Change, 2003, 3. Accessed 12/17/07 from <http://www.hschange.com/CONTENT/613/?PRINT-1>

[45] David U Himmelstein, Elizabeth Warren, et al, MarketWatch: Illness And Injury As Contributions to Bankruptcy, *Health Affairs* Web Exclusive, (Feb. 02, 2005): W5-63 – W5-73. Accessed 04/30/07 from <http://content.healthaffairs.org/cgi/content/full/hlthaff.w5.63/DC1>

[46] Ibid.

[47] Ibid.

doctor. The system's providers will bill Medicare directly for Medicare covered services that they provide to Medicare recipients.

In addition, Medicare recipients will be eligible for wrap-around benefits from the health care system. These benefits will include all the other benefits provided by the system that are superior to the benefits they have under Medicare, including prescription drug and dental coverage.

Seniors are now filing for bankruptcy at a higher rate than any other age group although they accounted for only five percent of filings as of 2001.[48] Coverage provided by SB 810 can save seniors from financial hardship due to high health care costs. The Lewin Group finds that a system similar to SB 810 provides the greatest savings among families headed by someone age 65 and older.[49]

## **2. How would SB 810 affect doctors and other providers?**

SB 810 provides that doctors and other providers can remain independent for-profit or non-profit entities. However, instead of dealing with numerous insurance companies and hundreds of different policies, they can choose to work with the health care system and have one set of rules for coverage and one set of procedures for payments. This will give doctors and other providers relief from excessive administrative costs and the burden of dealing with a myriad of insurance plans.

All providers will be paid for all covered services because all residents are covered under the publicly financed health care system. SB 810 provides that the Universal Healthcare Fund reimburses doctors and other providers within 30 days from the date the service is provided. Also, bonus payments are provided for doctors who meet performance standards and outcome goals established by the system.

Doctors also can see private patients whom they can bill directly. Specialists can bill residents who are not referred to them by a primary care or emergency room doctor. However, doctors who accept payment for services from the state's Universal Healthcare Fund are prohibited from billing residents for any covered services. Also, the California Universal Healthcare System does not cover visitors to California. Doctors and providers will need to charge them for provided health care services.

SB 810 allows doctors who participate in the publicly financed health care system to choose to be compensated either as fee-for-service providers or salaried providers. Fee-for-service providers must choose representatives to negotiate their rates with the Payments Board. Doctors who are employed by health care systems will have their rates determined by their employers through rate negotiations. The Payments Board can set binding rates for the providers if reimbursement rates are not agreed upon according to a specified timeline. Under SB 810, payment schedules remain in effect for three years, but adjustments can be made at the discretion of the Payments Board. After the three-year period, reimbursement rates would be renegotiated.

## **3. How would SB 810 affect essential community providers and other health care facilities?**

Health care facilities would not need to go through the costly process of negotiating payment rates every year. Under SB 810, payment schedules will be in effect for three years and then could be renegotiated. And, payment adjustments can be made at the discretion of the Payments Board to meet system's goals.

These providers will no longer have to bill hundreds of insurance companies for payments. SB 810 provides for enough funding for all facilities, including those in inner cities and rural areas that now provide high levels of non-reimbursed services. When all residents have health coverage and their own primary care doctor, all provided care will be reimbursed in a timely manner and long waits and overcrowding in emergency rooms will no longer be the norm.

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[48] Chu, "Medical Bills Contribute to Senior's Debt," USA Today, California Healthline, 01/23/07. Accessed 04/30/07 from <http://www.californiahealthline.org/articles/2007/1/23/Medical-Bills-Contribute-to-Seniors-Debt.aspx?topicId=37>

[49] John F Shields and Randall A Haight, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ix. Note: two of three consecutive pages are numbered "ix" incorrectly; this page should be numbered "vii."

#### **4. How would SB 810 affect employers?**

SB 810 provides for system cost controls, which will stabilize health care costs. Employers will be relieved from negotiating new premium rates each year as well as managing complex health care plans. Under the new system, all businesses will be on a level playing field when it comes to health care costs.

Employer payrolls are expected to be the basis of employer contributions under SB 810. Further, the bill provides that individuals, businesses and governments share fairly in the costs of providing health care under the publicly financed health care system. Health care costs are expected to be significantly less for employers who currently provide health insurance.[50] In addition, the new premium costs will be more affordable than current market insurance premiums for businesses that do not provide insurance.

SB 810 provides that health care budget increases are tied to the rate of growth in the state's Gross Domestic Product. The competitive position of California products in global markets will improve when their prices no longer reflect steep increases in health care costs.

#### **5. Does SB 810 provide assistance for people who lose their jobs under the new system?**

SB 810 provides for the Universal Healthcare Commissioner to implement the means to assist persons who are displaced from their jobs. For a period of five years from the date the California Universal Healthcare System becomes operative, support in retraining and job placement will be provided.

There will be both job loss and job creation under SB 810. Providing 36 million Californians with health care will increase the need for health care jobs like drivers, interpreters, nurses, home health aides, and therapists. There also will be new jobs in health care education and in quality and health planning programs. There will still be a need for jobs involving administration, billing and similar functions. Another job generator that could occur at the state level would be outsourcing claims and payments, similar to the federal government's outsourcing of Medicare's claims and payments to Blue Cross.

#### **6. Why should anyone pay into a universal health system that also provides health coverage for people who are not paying into the system?**

The dominant reasons to support a publicly financed health care system is that all residents, both those able and unable to pay into the system, would have affordable comprehensive health coverage, improved care quality and choice of doctor and hospital. First, businesses, individuals and families who purchase insurance under the current multi-payer system, have added costs imposed on them annually--not by so-called "hidden taxes,"--but by insurance companies that increase their premiums to cover their losses from non-reimbursed health care. Instead, SB 810 provides comprehensive care to all residents while reducing costs and saving money. The Lewin Group finds in a system similar to SB 810 that most individuals, families and businesses will pay less than they now pay for health care while state and local government agencies will save money under the state health care system.[51]

The publicly financed health care system would eliminate dramatic increases in health care costs for individuals who have serious or chronic illnesses. In 2001, nearly two million people experienced bankruptcies from medical bills for services not covered by insurance.[52] Nearly 80 percent of those declaring these bankruptcies had health insurance, but were under-insured.[53] Eliminating the risk of financial ruin due to health care costs is an incentive to support a state administered health care system.

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[50] Ibid.

[51] Ibid., vii, ix

[52] David U Himmelstein, Elizabeth Warren, et al, MarketWatch: Illness And Injury As Contributions to Bankruptcy, *Health Affairs* Web Exclusive, (Feb. 02, 2005): W5-63 – W5-73. Accessed 04/30/07 from <http://content.healthaffairs.org/cgi/content/full/hlthaff.w5.63/DC1>

[53] Ibid.

Secondly, care quality would improve under the publicly financed health care system. According to the Office of Statewide Planning and Development, 65 emergency rooms have closed in California in the past decade because of non-reimbursed care.[54] When an emergency room is not available in a community, both those who pay for insurance and those who do not are in harm's way. SD 810 provides that all emergency room health care services are reimbursed.

Thirdly, there are other factors that impact care quality. A 2005 international survey on sicker adults finds that the United States leads other advanced countries in medical mistakes, medication errors, and inaccurate or delayed lab results.[55] Each year, as many as 600,000 people die in the US from preventable errors in both hospitals and outpatient facilities, infections acquired in hospitals, and misapplications of technology.[56]

Furthermore, the US ranks lower in overall population health compared to countries that have universal health care systems. Data compiled by the Organisation for Economic Cooperation and Development that compared health trends among 30 developed countries from 2004-2005, indicates the US ranks ninth in life expectancy and 28th in infant mortality. Of these countries, only Turkey and Mexico experience more infant deaths per 1000 live births than the US.[57]

## **7. Could California be overwhelmed with people coming here to get care?**

This is not likely to happen because uprooting a family for a major move and finding new jobs is not easy. If it were to happen, stringent fees and waiting periods could be imposed to protect the financial integrity of the new system. Non-residents visiting California for health care would be charged for all provided services.

## **Myths and misconceptions**

### **1. Would SB 810 create problems like those Medicare has experienced over time?**

Medicare, which is a national single payer health care system, is a program that brings peace of mind to millions of elderly Americans. Most believe their coverage will not be taken away and that doctors will accept Medicare patients.

Historically, Medicare's problematic issues have been lack of necessary funding and fraud prevention. SB 810 provides for ample funding of the new system. A recent Lewin Group analysis finds that the aggregate monies now spent on health care by individuals, families, employers and state and local government agencies are more than enough to finance a single payer universal health care system that can fund comprehensive benefits for all residents.[58]

SB 810 provides for fraud prevention through the Office of Inspector General. The Inspector General has authority to inspect public and private business records, a key to detecting providers and vendors who are bent on cheating the system.

In addition, flexibility would be built into the publicly financed health care system's decision-making process so that it could respond to problems in a timely manner. For example, most decision-making would take place at the regional level where people actually get their care. Regional decision-making would allow the public, doctors and others who work within the health care system to be a part of the decision-making process.

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[54] Governor Arnold Schwarzenegger, Governor's Health Care Proposal, 2007, 3. Data obtained from the California Office of Statewide Health Planning. Accessed 05/07/07 from <http://www.stayhealthycalifornia.com/>

[55] Cathy Schoen, M.S., Robin Osborn, M.B.A., et al, Taking the Pulse of Health Care Systems: Experiences of Patients with Health Problems in Six Countries, *Health Affairs* Web Exclusive, (Nov. 03, 2005): W5-509 – W5-525. Data from the 2005 Commonwealth Fund International Health Policy Survey of Sicker Adults. Accessed 04/03/2006 from [http://www.cmwf.org/publications/publications\\_show.htm?doc\\_id=313012](http://www.cmwf.org/publications/publications_show.htm?doc_id=313012)

[56] Building a Better Health Care System: Specifications for Reform, Washington, DC: National Coalition on Health Care, 2004, 11. Accessed 01/24/06 from <http://www.nchc.org/materials/studies/reform.pdf>

[57] OECD Health Data 2006, Paris, France: Organisation for Economic Co-operation and Development, 2006, 8, 10. Accessed 03/06/07 from [http://www.oecd.org/document/16/0,2340,en\\_2649\\_37407\\_2085200\\_1\\_1\\_137407,00.html](http://www.oecd.org/document/16/0,2340,en_2649_37407_2085200_1_1_137407,00.html)

[58] John F Shields and Randall A Haught, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii.

## 2. Would SB 810 create an inefficient big government bureaucracy?

The federal government manages the publicly financed single payer program Medicare more efficiently than the current market-based insurance system is managed. Medicare has an overhead of about two percent.[59] The current health care insurance system now spends nearly 50 percent of each health care dollar on administrative and clinical waste, excessive drug prices, and fraud.[60]

Currently, a number of different state programs involve duplication, overlap and gaps in coverage. SB 810 incorporates them into one program thereby creating new efficiencies. The public health care system also replaces other fragmented programs and permits better coordination. In addition, outsourcing some of the new system's administrative functions is a possibility. An example is the administration of Medicare's payments and claims by Blue Cross.

## 3. How can SB 810 be passed against powerful insurance and pharmaceutical industry opposition?

SB 810 offers advantages and benefits for many stakeholders. A Lewin Report on a system similar to SB 810 finds positive benefits for individuals, businesses, employers, physicians, hospitals and other providers.[61] Several recent polls find that Americans are ready for government action to fix the broken health care system. It is clear to most that our current approach is not working. A 2007 New York Times/CBS News Poll finds the following:

- There is widespread concern about health care costs, and nearly half of those with insurance said an employer had cut back on benefits or required them to pay more for their benefits in recent years;
- An overwhelming majority said the health care system needed fundamental change or total reorganization;
- Nearly 8 in 10 thought it was more important to provide universal access to health insurance than to extend the tax cuts of recent years;
- Sixty percent across party lines, including 62 percent of independents and 46 percent of Republicans, said they would be willing to pay more in taxes to provide every American access to health insurance, and half said they would be willing to pay as much as \$500 a year more;
- Given a choice between the current system and a national health system that covers everyone, is administered by the government and financed by taxpayers: forty-seven percent said they preferred the government-run approach while 38 percent said they preferred the current system; and
- Sixty-four percent said the government should guarantee health insurance for all.[62]

The business community is now keenly aware of the burden that health insurance places on them and the need to reform the system. American automobile manufacturers wrote a joint letter in 2006 urging the Canadian government to keep their single payer health care system.[63]

When enough stakeholders understand the problems that SB 810 solves, a massive movement to pass universal, single payer health care can beat down the arguments from vested interests.

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[59] A Data Book: Healthcare Spending and the Medicare Program, Medicare Payment Advisory Commission, 2005. Accessed 02/04/06 from [http://www.medpac.gov/publications/congressional\\_reports/Jun06DataBook\\_Entire\\_report.pdf](http://www.medpac.gov/publications/congressional_reports/Jun06DataBook_Entire_report.pdf)

[60] Alan Sager, Ph.D and Deborah Socola, M.P.H., Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005, Data Brief No. 8, Boston, MA: Boston University School of Public Health. 2005. Accessed 02/08/06 from <http://dcc2.bumc.bu.edu/hs/Health%20Costs%20Absorb%20One-Quarter%20of%20Economic%20Growth%20%202000-05%20%20Sager-Socolar%207%20February%202005.pdf>

[61] John F Shields and Randall A Haught, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ix. Note: two of three consecutive pages each numbered "ix" are incorrect; this page should be numbered "vii."

[62] Robin Toner and Janet Elder et al, "Most Support U.S. Guarantee Of Health Care," *The New York Times*, 2007. Accessed 03/29/07 from <http://www.nytimes.com/2007/03/02/washington/02poll.html?ex=1330578000&en=0265ea7c947d89e9&ei=5124>

[63] General Motors, Ford, DaimlerChrysler and Canadian Auto Workers Union, Joint Letter on Publicly Funded Health Care. Accessed 12/21/05 from [www.caw.ca/campaigns&issues/ongoingcampaigns/jointletter.asp](http://www.caw.ca/campaigns&issues/ongoingcampaigns/jointletter.asp)

#### **4. Would SB 810 cause waiting lists like those in Canada?**

Canada uses waiting lists to manage their limited resources. The “queues” in Canada can result in delays in non-emergency care. However, they could be shortened with relatively small increases in funding.[64] The United States spends nearly \$6,100 per person for health care annually, compared to Canada's \$2,980 per person.[65]

This problem would be unlikely in the United States. The amount California already spends on health care is more than enough per capita to avoid waiting lists. SB 810 provides for an adequate level of health care spending to provide comprehensive coverage for all residents. It also provides for a mechanism to maintain an adequate level of funding.

#### **5. Do people refuse to get insurance to avoid paying for it?**

A national survey in 2004 finds that more than one half of persons under 65 years of age did not have health insurance because of cost and one fourth did not have coverage because of loss of a job or a change in employment. Another 14 percent did not have coverage because their employer did not offer it or an insurance company refused coverage.[66] People who don't have insurance most often can't afford it. The average cost of annual premiums for family coverage is now \$10,880 -- more than the \$10,712 in gross earnings a full-time federal minimum wage worker would make in a year.[67] Given the need and cost of paying for other necessities, the high cost for health insurance is both stressful and a burden for most of the uninsured and underinsured.

#### **6. Is SB 810 such a radical reform that it will create even more problems?**

SB 810 is a major reform that goes to the roots of the problems causing our health care crisis: inefficient use of health care dollars that leaves millions uninsured and underinsured, uncontrolled costs, and a fragmented system of health care delivery. Every developed country in the world except the United States has universal health insurance and their governments control health care prices.

SB 810's publicly financed health care system solves the biggest problem—the lack of affordable health insurance for all residents. Moreover, residents could expect to have better health. People in most countries with universal health care systems have better overall health than people in the United States. The US is ranked ninth in life expectancy and 28th in infant mortality out of the top 30 developed countries.[68]

Since Medicare was first enacted in 1965, health care activists have been using the "small-step" approach to cover different segments of the population. Other important programs like Medi-Cal and Healthy Families have been enacted. However, this incremental approach has not addressed the health system's underlying structural problems as SB 810 does.

The health care sector is interconnected in great detail. Partial or piecemeal reforms can produce unanticipated adverse consequences. An example would be a large expansion of access that was implemented without measures to improve quality and manage costs.[69]

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[64] John Abramson, Healthcare Code Blue, Los Angeles Times, 2006. Accessed 11/05/06 from <http://www.latimes.com/news/opinion/la-oe-amramson3nov03,0,4576432,print.story/coll...>

[65] Spyros Andreopoulos, Critical Condition: Health Care for All Californians Is Good Medicine for All that Ails the State and Its Leadership, *San Francisco Chronicle*, 2005.

[66] P F Adams and P M Barnes, Summary Health Statistics for the US Population: National Health Interview Survey, 2004. Hyattsville, MD: National Center for Health Statistics, Vital Health Stat 2006;10 (229). Accessed 03/03/07 from [http://www.cdc.gov/mmwr/preview/mmwrhtml/mmm5549a5.htm?s\\_cid=mm5549a5\\_e](http://www.cdc.gov/mmwr/preview/mmwrhtml/mmm5549a5.htm?s_cid=mm5549a5_e)

[67] Ron French, “How General Motors and the nation are losing an epic battle to tame health care beast,” *The Detroit News*, 2006.

[68] OECD Health Data 2006, Paris, France: Organisation for Economic Co-operation and Development, 2006, 8, 10. Accessed 03/06/07 from [http://www.oecd.org/document/16/O,2340,en\\_2649\\_37407\\_2085200\\_1\\_1\\_137407,00.html](http://www.oecd.org/document/16/O,2340,en_2649_37407_2085200_1_1_137407,00.html)

[69] Building a Better Health Care System: Specifications for Reform, Washington, DC: National Coalition on Health Care, 2004, 13. Accessed 01/24/06 from <http://www.nchc.org/materials/studies/reform.pdf>

The Lewin Group analyzed the cost effectiveness of three types of reforms in California's health care study of 2002. Both the incremental and employer-employee mandate approaches were found to be more expensive, to provide fewer benefits, and to cover fewer people.[70] The single payer approaches designed to cover everyone were found to provide comprehensive benefits and to save the state large sums of money.[71]

When problems in our health care system are not addressed, they become more difficult and the symptoms of the crisis become more severe. Staying with the status quo will continue to hurt more people than it will help.

### **7. Would access to new drugs be reduced if pharmaceutical companies curtailed research due to lower drug prices?**

The pharmaceutical industry is one of the most profitable of all industries. Their vast advertising and marketing expenditures are much greater than their spending on research, which is a relatively small part of their budgets.[72] However, much of their research is on "me too" drugs that are designed to capture market share on profitable drugs or to produce a new patent on a drug that is expiring. Usually there are no improvements in the therapeutic value of these drugs. If this research is successful, it will maintain a high level of revenue for the drug company.[73]

SB 810 provides for prescription drugs for all California residents. The large increase in pharmaceutical purchases under SB 810 will offset the decrease in drug prices. Pharmaceutical companies will have money to fund research. Reducing administrative and clinical waste will result in more money to spend on providing health care, including research. Research is expected to flourish under the cost-effective single payer health care system.

### **8. Would SB 810 create the same problems some countries have experienced?**

Every developed country in the world except the United States has universal health care with government price controls. All of these nations spend less and some spend half as much per person as the United States spends to provide health care. When some countries have problems like waiting lists for non-emergency medical procedures, it is because they do not spend enough money to meet all the needs of their people. Even so, they provide universal coverage and many of their health outcomes are better than those in the United States. The US is ranked ninth in life expectancy and 28th in infant mortality out of the top 30 developed countries.[74]

Over time, all large health systems most likely will have problems that would need to be addressed. SB 810 provides for a governance structure that enables problems to be addressed promptly and systematically in a holistic rather than a piecemeal manner.

SB 810 solves the major problems caused by the state's current multi-payer system. Lack of health insurance will no longer be a problem. Closed emergency rooms, trauma centers, and hospitals will no longer be problems. Personal bankruptcy from medical bills will no longer be a problem. Instead, every California resident will receive secure comprehensive benefits and be able to choose his or her own doctor. SB 810 keeps the best parts of California's health system and changes the basic flaw that causes its current problems--how health care is financed.

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[70] Cost and Coverage Analysis of Nine Proposals to Expand Health Coverage in California, *Final Report*, Falls Church, VA: The Lewin Group, 2002, vi-vii.

[71] John F Shields and Randall A Haught, *The Health Care for All Californians Act: Cost and Economic Impacts Analysis*, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ix.

[72] Marcia Angell, "The Truth About the Drug Companies," *The New York Review of Books* 51-12, 2006, 2. Accessed 07/26/06 from <http://www.nybooks.com/articles/17244>

[73] *Ibid.*, 3

[74] OECD Health Data 2006, Paris, France: Organisation for Economic Co-operation and Development, 2006, 8, 10. Accessed 03/06/07 from [http://www.oecd.org/document/16/O,2340,en\\_2649\\_37407\\_2085200\\_1\\_1\\_137407,00.html](http://www.oecd.org/document/16/O,2340,en_2649_37407_2085200_1_1_137407,00.html)

## 9. Would SB 810 cause rationed health care?

Under the current system, health care is rationed by one's ability to pay. The questions should be, "What is the basis for health care rationing?" and "Who makes these decisions?" Currently, HMOs and insurance and pharmaceutical companies ration care and medications by excluding those who cannot afford to pay for them. Insurance companies decide what is covered and what is not. They deny care to the uninsured, the underinsured and to many insured because of preexisting conditions. Health care is rationed to secure profits. About 50 percent of the money spent on health care is wasted under the current system.[75] SB 810 provides for a publicly financed health care system that reorganizes the allocation of health care dollars, implements improvements in care quality, uses purchasing power to negotiate for lower prices, and increases primary and preventive care to minimize the need for expensive emergency and hospital care. Patients and their doctors--not insurance companies--make the final decisions about what care is needed and provided.

## 10. Should government have a role in health care?

Government already has a significant role in health care. It licenses providers like doctors, nurses, and hospitals and regulates drugs and medical devices. The National Institute of Health and the Center for Disease Control are examples of government entities that provide critical services. Every county has a public health department that provides essential services. Government-funded programs like Medicare, Medi-Cal, and Healthy Families provide health coverage to large segments of the population.

As individuals, we cannot provide for our common essential services such as police, fire protection, national defense, or the highway system. Our resources, in the form of taxes, enable our government to provide these services for all of us. Health care is also a critical essential service.

Health insurance companies have no business motive to provide comprehensive and affordable health care coverage to residents who are likely to require health care services. This for-profit industry treats health care as a commodity and focuses on making profits. Insurance companies maintain their profits in several ways: increasing premium costs, excluding needed coverage and denying payment for services. In contrast, SB 810 ensures that health care financing is equitable and meets the needs of everyone.

## 11. Would SB 810 create socialized medicine?

SB 810 creates a publicly financed health care system, not so called "socialized medicine." In socialized health care systems, the government employs all the workers and owns all the facilities. Under SB 810, the state will not employ doctors and nurses nor own hospitals and other facilities. As now, these providers will continue to deliver private health care, but will receive payment for their services from the state's Universal Healthcare Fund instead of the current for profit insurance system.

## Funding the health care system

### How would the publicly financed health care system be funded?

SB 810 provides for the single payer universal health care system to be funded by a combination of federal, state and local funds currently spent on health care programs and by revenues collected for the Universal Healthcare Fund. The new state revenues replace what businesses and individuals now pay to HMOs, insurance companies and other providers. These funds will provide for comprehensive health coverage based on a single standard of care for all residents. This is more coverage than most private insurance and government programs now provide.

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[75] Alan Sager, Ph.D and Deborah Socola, M.P.H., Health Costs Absorb One-Quarter of Economic Growth, 2000 – 2005, Data Brief No. 8, Boston, MA: Boston University School of Public Health. 2005. Accessed 02/08/06 from [http://www.bu.edu/dbin/sph/departments/health\\_services/health\\_reform.php](http://www.bu.edu/dbin/sph/departments/health_services/health_reform.php)

SB 810 is the policy bill that provides for the publicly financed universal health care system. However, it does not specifically identify all the funding sources for the system.

Instead, it establishes a California Health Insurance Premium Commission to develop an equitable and affordable premium structure for all income earners and employers.

The Commission also must satisfy criteria that maintain the current system's ratio for aggregate health care contributions from employers, individuals, state and local governments and other sources.

## Cost management

### 1. Would the new system be sound from an actuarial standpoint?

SB 810 provides for a universal risk pool that spreads the risk over the entire population, simplifying administration and saving billions of dollars. In 2003, 20 percent of the population used 80 percent of the health services.[76] Everyone, including the young and the healthy, must be included in the universal risk pool so that funds are available to provide care for every resident as needed for accidents, illness or infirmities of age. Actuarial soundness is designed into the new system.

### 2. How can growth in spending be controlled?

SB 810 provides for many tools to control spending: primary and preventive health care, referral policy for specialty care, streamlined administration, provisions for establishing provider reimbursement, capital investment management, consolidated budgetary authority, statutory spending limits, the state's power to negotiate for lower prices, system-wide health care planning and evidence-based care standards to improve care quality and prevent medical errors.

Also, cost constraints will be applied to the system's budget if necessary to prevent total system spending on health care from exceeding the rate of growth of the state's Gross Domestic Product (GDP). Runaway health care costs would no longer out-pace economic growth.

### 3. How can money be saved when covering undocumented residents?

Providing everyone with health care would help prevent epidemics and reduce the spread of contagious diseases like HIV/AIDS, tuberculosis or worse.[77] It is cost effective to provide health care to the entire population. Providing primary and preventive care helps prevent serious illnesses and to detect them earlier when it is less costly to treat them. It is estimated that the state would save more than \$3.4 billion per year by providing primary care to the entire population.[78]

### 4. Could costs be managed as "baby boomers" reach retirement age?

It is likely that an aging population would use more services, which would increase spending. However, the overall negative impact would be less under SB 810 than under the current for-profit insurance system. It is expected that some of the increased spending would be offset by new cost-saving technologies, bulk purchasing of pharmaceuticals and medical equipment, system-wide planning and other cost control tools that are absent in the current multi-payer insurance system.

SB 810 also provides for other ways to help deal with this issue. For example, all seniors will have health care and prescribed drugs when they are needed. With access to primary, preventative and timely care, health

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[76] Paul Krugman and Robin Wells, "The Health Care Crisis and What to do About It," The New York Review of Books 53-5, 2006, 2. Accessed 03/07/06 from <http://www.nybooks.com/articles/18802>

[77] J.Harrell and E.Baker, The Essential Services of Public Health, Washington, DC: American Public Health Association. Accessed 07/25/06 from <http://www.apha.org/ppp/science/10ES.htm>  
[http://ca.lvw.org/lwvc/action/healthcare/sb810\\_ga-j.html](http://ca.lvw.org/lwvc/action/healthcare/sb810_ga-j.html) - ednref3

[78] John F Shields and Randall A Haight, The Health Care for All Californians Act: Cost and Economic Impacts Analysis, Executive Summary, Falls Church, VA: The Lewin Group, 2005, ii.

problems can be detected in their early stages when treatment is less costly. This reduces the money spent for needed acute care and complex treatment of illnesses. The fast-growing aging population could become healthier seniors.

## **5. Would fraud be a problem for the publicly financed universal health system?**

SB 810 provides for strong fraud protection measures. Fraud is an issue that needs to be challenged. Bills submitted for unneeded services and for care that is not provided are motivated by greed. Another motivating factor can be frustration when compensation is not fair or reimbursed in a timely manner.

SB 810 provides for a fair and just compensation for health care providers and requires payment for all services within 30 days of delivery of service. Fair compensation and prompt settlement of claims could reduce the motivation to submit some fraudulent claims.

In addition, SB 810 provides within the Office of Attorney General, an Office of Inspector General with the authority to inspect public and private business records. This is a key to fraud detection of system providers and vendors who are bent on cheating the system. It will be easier to spot fraudulent billing when all payment requests are made to one payer instead of hundreds of different payers.

## **6. Does SB 810 require referrals for specialist care?**

Referrals are an important part of controlling costs. They help to ensure that patients use the primary care system and see the right doctor at the right time for the right reason. SB 810 provides that patients can see any appropriate specialist. Primary care physicians, who have been chosen by their patients, and emergency care providers will refer patients to specialists. Primary care physicians will coordinate and track patient care, help insure that treatments are not in conflict and that the most appropriate specialist is selected.

When the new system goes into effect, patients can continue seeing the specialist who is already providing care for them. Also, patients can choose to see a specialist without a referral and pay the specialist directly for their service.

## **Governance of the system**

### **1. How would the health care system be governed?**

SB 810 provides for a Universal Healthcare Commissioner, who is appointed by the governor and approved by the senate. The commissioner establishes the California Universal Healthcare System and the California Universal Healthcare Agency that is designated as the single state agency with full power to administer every phase of the health care system.

The commissioner has broad powers that include but are not limited to, establishing the system's budget, goals, standards and priorities; hiring, firing and fixing compensation of agency personnel; determining the scope of provided services and setting their rates of reimbursement; making allocations and reallocations to health planning regions and any and all matters related to the implementation of the health care system.

The commissioner establishes and oversees the Universal Healthcare Policy Board comprised of the deputy commissioner, chief medical officer and other agency health officers and directors who oversee the agency boards and offices. These include the Universal Healthcare Fund, Office of Patient Advocacy, Office of Health Planning, Office of Quality Health Care, Partnerships for Health, Payments Board, Public Advisory Committee and State Office of Public Health. The policy board works with the commissioner to establish system goals and priorities that include research and capitol investment priorities.

The commissioner establishes an Inspector General's office within the Attorney General's office. The inspector general has broad powers to investigate and audit financial and business records of those providing services and products and receiving reimbursement from the Universal Healthcare Fund.

The commissioner establishes an accessible process to receive resident's concerns, opinions, ideas and recommendations regarding all aspects of the system.

The commissioner appoints a transition advisory group that will make recommendations to the commissioner, governor and legislature on how to integrate health care delivery services and responsibilities into applicable state departments and agencies. The advisory group will make recommendations to the commissioner relative to how the system should be regionalized to provide local and community-based planning for delivery of high quality cost-effective care and efficient service delivery.

The commissioner appoints regional directors for up to 10 Health Care Regions that are comprised of contiguous counties. Regional directors will administer the regions with respect to differences in cost-of-living, population and facilities and provider needs. The regional directors will appoint regional medical officers and planning boards. Regional health boards will allow for residents to participate in health planning.

### **How would the system be funded?**

SB 810 provides that the California Universal Healthcare System replace private and employer-based insurance with new revenues and transfer government funding for Medicare, Medi-Cal, Healthy Families, and other government programs into the Universal Healthcare Fund. The new state revenues will replace what businesses and individuals now pay to HMOs, insurance companies and other providers. These revenues will provide for comprehensive health coverage based on a single standard of care for all residents. This is greater coverage than most private insurance and government programs now provide.

SB 810 provides for a California Universal Healthcare Premium Commission to develop an equitable and affordable premium structure for all income earners and employers within specified guidelines. The commission must satisfy criteria that maintain the current system's ratio for aggregate health care contributions from employers, individuals, state and local governments and other sources.

The premium commission will be comprised of health economists, legislators, stakeholder representatives, relevant state department officers, legislative analyst, controller, treasurer, and lieutenant governor. The commission is required to present a premium structure to the legislature and governor within two years after the enactment of SB 810.

### **2. Would the new system be accountable and transparent?**

SB 810 establishes conflict-of-interest rules for the commissioner and system officers, who also are subject to impeachment for malfeasance in office.

SB 810 provides that the commissioner establish an accessible process to receive concerns, opinions, ideas, and recommendations regarding all aspects of the health care system from all residents. State and regional health planning board meetings are open to the public, and the public has access to all but privacy-protected documents.

The Office of Patient Advocacy protects the interests of patients. The patient advocate establishes and maintains the grievance process, helps residents secure the health care services and benefits to which they are entitled, represents the interests of consumers in governing entities of the health care system and establishes a toll-free telephone number to receive complaints regarding the agency and its services. SB 810 also provides for an Internet web site to furnish information about public meetings, information that supports choice of provider and facilities, and activities for Partnerships in Health.

### **3. Could the commissioner close a hospital over the objections of the community?**

A hospital could be closed if providers and patients choose not to use it or if the hospital fails accreditation under California law. The commissioner could hold back funds if a hospital fails to meet care quality standards.

#### **4. Who determines what medical benefits would be provided under the new system?**

SB 810 provides for affordable and comprehensive benefits with a single standard of care for every resident. The Chief Medical Officer identifies safe and effective treatments, evaluates existing benefit packages, seeks feedback from health care providers about needed benefits, receives feedback from patients or through the Office of Patient Advocacy, and identifies complementary and alternative modalities that have been shown to be safe and effective. After evaluation, the Chief Medical Officer recommends a benefits package based on clinical efficacy to the commissioner. The commissioner has the final approval of the benefits package.

#### **5. Who determines compensation for physicians and other providers?**

The Payments Board determines compensation through negotiations with representatives of physicians and other providers. The board is composed of designated representatives of the commissioner, the Universal Healthcare Fund and regional planning directors as well as experts in health care finance and insurance systems.

SB 810 provides for actuarially sound payments that include just and fair compensation for physicians and other providers in the fee-for-service sector and for providers working in health systems where comprehensive and coordinated services are provided to residents.

Payment schedules remain in effect for three years, but adjustments can be made at the discretion of the Payments Board. Bonus payments are made for meeting performance standards and outcome goals.