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Chief Administrative Officer

August 11, 2005

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To: Supervisor Gloria Molina, Chair
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From: David E. Janssen,
Chief Administrative Officer

**MOTION TO SUPPORT SB 840 (KUEHL) -- UNIVERSAL HEALTH CARE COVERAGE
(ITEM NO. 8, AGENDA OF AUGUST 16, 2005)**

Item No. 8 on the August 16, 2005 agenda is a motion by Supervisor Yaroslavsky to support SB 840 (Kuehl) and instruct the County's legislative advocates in Sacramento to pursue the County's position. SB 840 would create the California Health Insurance System, a single-payer health care system to provide health insurance coverage to all California residents, which would replace the current system of private health insurance and public health care programs.

SB 840 would establish the California Health Insurance Agency to administer the new health insurance system. The Agency would be headed by a newly created State-wide elected official, the Health Insurance Commissioner, who would be elected to an eight-year term and would be limited to two terms. The Commissioner would be responsible for setting system goals and priorities, including negotiating and setting fees for health care services provided through the system, and would be required to seek Federal approval to use all current Federal (e.g. Medicare and Medicaid) payments for health care to fund the single-payer system.

SB 840 would require the Commissioner to oversee the establishment of several boards and committees including: 1) the Health Insurance Policy Board to determine the scope of services provided and when a change in premium structure is needed; 2) the Office of Consumer Advocacy to represent consumer interests; 3) the Office of Health Care Planning to plan for the short and long-term health needs of Californians; 4) the Office of Health Care Quality to support the delivery of high quality care and promote provider and patient satisfaction; 5) the Public Advisory Committee to advise on all matters of health insurance system policy; 6) the Payments Board to establish and supervise a uniform payments system and compensation plan for providers and managers; and, 7) Partnerships for Health to improve health through community health initiatives, support the development of innovative means to improve care quality, promote efficient care delivery, and educate the public.

SB 840 would provide a comprehensive benefit package including, but not limited to, the following: inpatient and outpatient health facility services; licensed professional health care provider services; diagnostic imaging; laboratory services; durable medical equipment including prosthetics, eyeglasses and hearing aids; rehabilitative care; emergency transportation; immunizations and preventive care; health education; hospice care; mental and behavioral care; substance abuse treatment; and prescription drugs. It would exclude certain benefits such as cosmetic services, private rooms in inpatient facilities, services or facilities not licensed by the State, and services which the Commissioner determines have no medical indication.

To finance the California Health Insurance System, the State would redirect funds from existing health programs. SB 840 specifies procedures and responsibilities for moving from the current system to a single-payer model over a two-year transition period, and requires the transition to be funded by a loan from the State General Fund and from unspecified private sources. There is no appropriation included in the measure, which would become operative only when a financing stream is enacted.

An analysis by the Lewin Group of SB 921 (Kuehl), a similar single-payer bill introduced in the 2003-04 session, estimated that the bill would have resulted in an additional \$17 billion in health care utilization costs, but that the increased costs would have been offset by savings of as much as \$25 billion due to administrative simplification and bulk purchasing of prescription drugs and medical equipment. SB 921 included Legislative intent language to generate revenue for the measure from a payroll tax to be paid by employers and employees, a self-employed earnings tax, and a tax on non-wage income. SB 840 does not include such language.

According to the author, SB 840 is needed because existing law has led to a fragmented health insurance and delivery system that is administratively complex and that annually diverts billions of dollars in health care spending from direct health care services to administrative costs and provides care based on income and insurance status rather than medical need. Further, there is no mechanism in existing law for stabilizing the growth in health care spending that is quickly outpacing growth in the gross domestic product.

Opponents contend that SB 840 is based on two flawed premises: 1) that government systems are more efficient than private business, and 2) that a single-payer system would cost less than the current private system. Opponents assert that patients in Canada and England, both of which have single-payer health insurance systems, face lengthy waiting times for services and their medical outcomes are poor compared to those in the United States. They further object to the bill because it would limit consumer choice of health care coverage and because costs will escalate as the system attracts new residents to California seeking health care coverage.

The County Department of Health Services (DHS) indicates that SB 840 would streamline administration of the health care industry and lead to savings from efficiencies that can be reinvested in expanded coverage and better health care. As the uninsured population in California continues to swell, it will rely more heavily on the County's already compromised safety net. Because SB 840 would stabilize the County health care system by providing permanent funding for all California residents, including the uninsured and underinsured, DHS recommends that the County support SB 840, and we concur. **Support for SB 840 is consistent with Board support on April 29, 2003 for SB 921 (Kuehl), a similar single-payer health care bill which died in the Assembly Appropriations Committee. It is also consistent with existing Board policy to support proposals that decrease the number of uninsured persons being treated in DHS facilities and decrease the cost to treat the uninsured.**

SB 840 is supported by hundreds of organizations including the American Civil Liberties Union, Southern California; American Federation of State, County and Municipal Employees, AFL-CIO; American Nurses Association, California; Alameda County Board of Supervisors; Marin County Board of Supervisors; California Physicians Alliance; California Teachers Association; City of Santa Monica; City of West Hollywood; Gray Panthers, California; Health Access, California; League of Women Voters, California; Mental Health Association, California; National Organization for Women, California; Physicians for Social Responsibility, Los Angeles; Planned Parenthood, Los Angeles; Service Employees International Union, California State Council; and United Teachers Los Angeles, among many others.

It is opposed by America's Health Insurance Plans; American Electronics Association; Association of California Life and Health Insurance Companies; California Association of Health Plans; California Chamber of Commerce; California Chiropractic Association; California Family Alliance; California Healthcare Institute; Health Net; Insurance Brokers and Agents of the West; Kelly's French Bakery; National Federation of Independent Business; South Bay Association of Chambers of Commerce; and Western Growers, among others.

SB 840 passed the Assembly Health Committee on July 11, 2005 by a vote of 9 to 4, and is currently in the Assembly Rules Committee.

DEJ:GK
MAL:JF:MS:ib

c: Executive Officer, Board of Supervisors
County Counsel
Department of Health Services
Department of Human Resources
Department of Mental Health