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The Honorable Ricardo Lara, Author
The Honorable Toni Atkins, Author
State Capitol
Sacramento, CA 95814

**Re: SB 562 (Lara/Atkins) – Support in Concept
As amended March 30, 2017**

Dear Senators Lara and Atkins,

Health Access California, the statewide consumer advocacy coalition committed to quality, affordable health care for *all* Californians for over thirty years, supports in concept SB 562 which as amended March 30, 2017, would create a single payer system that would cover all residents of California, regardless of immigration status, age, or income. We strongly support universal coverage, including the concept of a single-payer "Medicare for All" system. The measure acknowledges that further work needs to be done on financing. We suggest other clarifications and adjustments as well.

SB 562 envisions a comprehensive reform of the health care system, replacing employer-based coverage as well as current public programs including Medi-Cal, Medicare, Covered California and other public programs with a single payer system in which the State of California funds health care for every Californian. SB 562 would provide every Californian comprehensive benefits including the benefits provided under existing public programs. The Healthy California system set up in SB 562 requires no cost sharing, no deductibles, and no premiums. SB 562 would also include long term care and supports as well as regional center services for persons with disabilities: these services, including long term care now provided only to low-income individuals through public programs, would be available to all Californians regardless of income or assets.

For our over thirty years, Health Access California has long supported a single-payer system, as an effective means to achieve multiple goals that would improve our current health system. In supporting SB 562 and other single-payer proposals, we seek:

- **A universal system**, that offers coverage and care to everybody, rather than leaving millions uninsured, and more at risk of becoming uninsured—living sicker, dying younger, and one emergency away from financial ruin. The Institute of Medicine has documented in detail the negative health and financial consequences

not just to the uninsured individuals, but to their families and their communities as well. Our health system is stronger and more financially sustainable if everyone is included—regardless of age, geography, employment situation, income, immigration status, or other factors.

- **A progressively financed system**, where what we pay for health care is based on what we can afford, and where the tax structure is also progressive, capturing unearned income. Health care is expensive, and health benefits are notably regressive, especially in high deductible plans where the sick by definition pay more than the healthy. In addition, the cost of a health plan is thousands of dollars, which can be a third or a half of a low-income worker's annual income. The ACA made strides in this regard, to provide Medi-Cal to all legal residents below or around the poverty level, and to provide significant, but for some insufficient, income-based subsidies to those under 400% of the poverty level. Depending on how the taxes to finance this are structured, a single payer system could finally complete this commitment that no individual, on a sliding scale, pay more than a percentage of their income for health care and coverage.
- **A comprehensive system**, where people can count on a basic standard of benefits, rather than wonder if their coverage will actually cover them when they need it. The ACA and existing California law now puts a minimum standard for benefits and a maximum ceiling on cost-sharing, but more work is needed.
- **A cost-effective system**, which pools patients together and leverages their purchasing power to negotiate the best prices from providers and to drive improvements in quality and reductions in health disparities as well as reduced costs from other system improvements such as greater efficiency and effectiveness. A well-managed single-payer system has tools for managing and streamlining costs far greater than any individual insurer or provider.
- **A simpler and more efficient system**, which streamlines some of the bureaucracy associated with the marketing, administration, and profit-taking of multiple private insurance companies. Our current fragmented system creates confusion, and while the ACA filled in many gaps, having a "single payer" would avoid the continuing complications with regard to the churn between coverage types, as people shift from one employer to another work situation, between Medi-Cal income levels and those of Covered California, and age from their parents' coverage or into Medicare. The administrative costs of so many payers include not just the overhead of the insurance industry, but the imposed burden on providers of navigating the many billing systems of multiple insurers and payers.
- **A system focused on patients not profits**, which cuts out some of the middlemen of the insurance industry, and particularly the adverse impacts of insurers geared to avoid the sick, rather than a proactive, mission-driven focus on keeping people well. The ACA stopped or limited the worst abuses of the old marketplace—the denial of care for pre-existing conditions—but we need an additional stage of health reform not just to prevent the worst

practices but to encourage the best practices—goal that a well-managed single-payer system would give policymakers the tools to advance toward.

- **A prevention-oriented system**, which has the right incentives in place to invest in wellness and that moves away from false incentives for insurers to avoid risk to encouraging health and the social determinants of health. A single-payer system would have the incentives to invest in prevention and public health generally—rather than simply disease management on issues like asthma, diabetes, obesity, or the opioid epidemic.

Health Access California has long worked on, helped develop, and advocated for single payer proposals in California, from our founding 30 years ago and subsequent policy and advocacy work leading up to the Proposition 186 campaign in 1994, through our work actively organizing to support bills by Senators Kuehl and Leno, including SB 921, SB 840, and SB 810. We support SB 562 in that tradition, as well as from our history strongly supporting multiple and complementary approaches to coverage expansion and steps to a universal health system-- from employer requirements to public program expansions, from local efforts like Healthy San Francisco and My Health LA to federal reform through the Affordable Care Act. We have been proud of California's implementation and improvement of the ACA which has brought us significantly closer to many of the goals listed above, while recognizing that there is more work to do to improve access, affordability, and more under the Affordable Care Act. We were proud to work with the author to co-lead the #Health4All effort to expand Medi-Cal to cover all children regardless of immigration status as one additional step, and hope to continue this progress in California.

SB 562 as currently amended includes elements of the framework of a single payer system. We do have questions about the current version because of the lack of specifics, or provisions that may run counter to goals for a universal coverage system that improves quality and equity while reducing system costs and providing universal coverage:

- *Financing:* The current version does not detail how this single-payer system would be financed. A single-payer system should save money in the aggregate by reducing administrative overhead. Financing would include raising tax revenue to replace the money currently spent by the federal government, employers and consumers on premiums and cost-sharing. We would seek those revenues to be raised through progressive and sustainable means.
- *Federal approvals:* Some of the resources to fund a state single-payer system must be reclaimed from Medicaid, Medicare, the employer health benefit tax exemption, and other parts of the federal government. The current draft is vague about the process for seeking federal approval to reclaim this significant amount of money—some would require federal waivers, others may need an act of Congress and change in federal law.
- *Transition:* The move to a simple health system from a complex one is necessarily a complex undertaking. Consumers will want the security of knowing how a transition would take

place for various populations in employer-based coverage; union trusts; Medicaid; Medicare; Covered California and the individual market; CALPERS; and other sources of coverage.

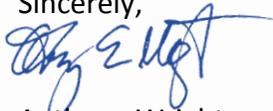
- *Governance*: The current draft would place the governance of this system in an appointed but unelected board, raising questions about the appropriate role of oversight by elected officials, including the Governor and the legislative budget process. The Advisory Committee should have more consumer, patient and community representation and should not be provider and industry dominated as proposed.
- *Consumer Protections*: It is unclear if the Healthy California program would be subject to existing consumer protections, including that medically necessary care should be covered, that consumers have the right to timely access to care, language access, or other protections; existing Medicaid due process rights and other Medicaid protections as well as the consumer protections to which seniors and others are entitled under Medicare. It is unclear whether the federal waivers would waive or preserve existing consumer protections under Medicaid and Medicare. While the statutes would stay in place, it is unclear if Healthy California would need to abide by the state standards developed over many decades.
- *Quality Improvements, Delivery System Reform, and Integrated Care*: The bill allows for integrated and team-based care but seems to discourage it. No mention is given to the delivery system reform work of the last few decades or of the work to reduce health disparities. And although the measure as amended allows integrated delivery systems, it does not require that such entities be licensed and subject to financial solvency requirements or other basic consumer protections.
- *Purchasing for Cost and Quality*: One of the real promises of a single-payer system is to have the state use its purchasing power to obtain the best price—but using that bargaining power needs mechanisms to determine which health services provide the best quality at the lowest costs, and to then use that leverage effectively. Without formularies, it may be difficult to successfully negotiate with providers that are out-of-state. If a drug or medical device is covered whenever a doctor orders it, there is no bargaining leverage—even with 40 million Californians covered—to get a drug company or medical device manufacturer to provide a discounted rate. Without preferred provider networks, how does the system reward quality and reduce cost?
- *Cost Control*: Another mechanism for a single-payer system saving money is global budgeting, but this does not seem to be contemplated as a strategy of the Healthy California program.
- *Information Technology*: Another potential benefit of a single-payer system is to streamline all providers onto one common computer system for data tracking and the like. But the required use of electronic health records is expressly prohibited, which would make it hard to achieve those benefits.

Fundamentally, we believe our health system works best for everyone when everyone is included. Californians with coverage are better able to get the care they need, without fearing financing repercussion—which has an economic toll on the family and the community’s economic vitality. Providers are able to get paid for all patients, and thus be better staffed and

better serve all patients in return. Diseases don't discriminate because of age, job type, income, or immigration status, and neither should our health system. We look forward to working with you to assure that not only is everyone included in coverage, as in the current version, but that any universal health system has the capacity and the direction to better provide primary and preventive care, to track diseases and public health issues, to drive delivery system reforms and systemic improvements.

While aware of the significant political, policy, and practical hurdles this effort faces, we are enthusiastic about the main intent of this bill, to advance our primary goal of quality, affordable health care for all. We support this bill and the goal of reaching a universal health system in California. We will look forward to working with you to advance this historic effort.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony Wright", is placed over a light blue rectangular background.

Anthony Wright
Executive Director

CC: Senate Health Committee, Members