

The Progressive Caucus of the California Democratic Party

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Defining the Crisis

The Progressive Caucus of the CDP asserts that healthcare is a right, not a privilege for those people living in the United States. As the richest country in the world, we have the ability to provide healthcare to everyone, yet we choose not to. The World Health Organization acknowledges that: "Healthcare can be catastrophically costly and much of the need for care is unpredictable, so it is vital for people to be protected from having to choose between financial ruin and loss of health." They add: "Mechanisms for **sharing risk** and **providing financial protection** are more important even than in other cases where people buy insurance," and "medical care as well, can threaten people's dignity and their ability to control what happens to them more than most other events to which they are exposed." Currently in the United States, 46 million people have no health insurance. Last year **two million Americans** – 75% of who had health insurance – were forced to declare personal bankruptcy because of their medical bills. Lack of insurance is the **7th** leading cause of death in the United States.

California is the fifth largest economy in the world, yet nearly seven million Californians lack health insurance during all or part of the year. Most **insured** Californians are "**under-insured**," which means that they have health insurance but procedures or benefits are not covered or are only partially covered. About 70% of uninsured Californians are employed but do **not** receive employer-based insurance. As joblessness and homelessness increases, so does the number of uninsured, posing an increasing public health crisis throughout the state. The World Health Organization, in its assessment of "Overall Health System Performance" found the United States to be 37th in rank, and 54th in fairness of healthcare dollars spent. In terms of dollars spent per capita, the United States is number one, spending on average \$6000 per person each year on healthcare. Why then, do so many Americans remain unable to access healthcare? Currently, California (like the majority of states in the US) has both private and a public healthcare sector. The public sector consists of Medicaid and Medicare. Medicaid (called MediCal in California) is a joint federal-state program that provides health insurance coverage to low-income children, seniors and people with disabilities. Medicare is a federal insurance program for people age 65 and older and certain disabled people. The Centers for Medicare & Medicaid Services (CMS) is the part of the United States Department of Health and Human Services that operates Medicare. Both public healthcare programs will contract with either private physicians or HMOs to provide medical care for patients eligible under these programs. The private sector that delivers medical services is primarily designed as a "middle manager" structure, whereby the patient and/or their employer pays a third party entity which in turn contracts with groups of practitioners to provide the medical services. There are over 135 "HMO" entities just in California. In the public sector, the administrative costs are between 3 and 5% of every dollar. In the private sector, the administrative costs are 25% of every dollar. Most Californians get their insurance through their employers, and usually are responsible for paying all or a portion of the premium, in addition to subsidizing the cost by paying co-pays, and other out of pocket expenses. Many Californians who are students, or self-employed are unable to afford the premiums, and are forced to go without health insurance. Large portions of the population without access to healthcare pose a serious public health hazard. Individuals who are denied preventive care services for chronic illnesses such as asthma and diabetes are left to seek tertiary care intervention at the Emergency Room, further stretching a system that already cannot bear the stress.

Addressing the Crisis

President Bill Clinton was the first president in fifty years who made a serious effort at alleviating the healthcare crisis by allotting 50 billion dollars for access to healthcare for children. Since then, there have been suggestions to increase coverage for Americans in a benchmark fashion, expanding Medicare to include more and more people. None of these ideas has taken flight, outlined a comprehensive approach to the healthcare crises, or addressed the issue of sustainability.

The idea of a single payer healthcare system has been around for more than two decades, but has recently been spotlighted with the introduction and State Assembly passage of Sheila Kuehl's SB 840. SB 840 calls for a single payer system in California that funnels funding through a single source, while

keeping the structure of the healthcare system essentially intact. An independent study by the Lewin Group of a single payer system in California similar to the one proposed by Senator Kuehl determined that not only would such a system be feasible, but would save California at least 5 billion dollars in the first year alone. Savings would be realized in two ways:

1. The Act would replace the current system of multiple public and private insurers with a single, reliable insurance plan. This saves about \$20 billion in administrative costs.
2. California would buy prescription drugs and durable medical equipment (e.g., wheelchairs) in bulk.

In addition, state and local governments would save about \$900 million, in the first year, in spending for health benefits provided to state and local government workers and retirees. Aggregate savings to state and local governments from 2006 to 2015 are estimated at about \$43.8 billion. Employers who currently offer health benefits would realize average savings of 16% compared to the current system. Average family spending for health care is estimated to decline to about \$2,448 per family, which is an average savings of about \$340 per family. By 2015, health spending in California under the Act would be about \$68.9 billion less than currently projected. Total savings over the 2006 through 2015 period would be \$343.6 billion. Savings to state and local governments over this ten-year period would be about \$43.8 billion. Families with under \$150,000 in annual income would, on average, see savings ranging between \$600 and \$3,000 per family under the program in the first year.

The Lewin Report assumes an insurance plan that covers medical, dental and vision care; prescription drug; emergency room services, surgical and recuperative care; orthodontia; mental health care and drug rehabilitation; immunizations; emergency and other necessary transportation; laboratory and other diagnostic services; adult day care; all necessary translation and interpretation; chiropractic care, acupuncture, case management and skilled nursing care. The Lewin Report model assumes the consumer's freedom to choose his or her own care providers. This means that each Californian will be free to change jobs, start a family, start a business, continue education and or change residences, secure in the knowledge that his or her relationships with trusted caregivers will be secure. The private system of HMOs would be eradicated, along with the most important goal of health and wellness being the "bottom line." Healthcare would be removed from the voracity of the free market, and negligent profiteering of stockholders and CEOs. The Progressive Caucus asserts that the adoption and implementation of a single payer healthcare plan such as the one described in SB 840 and the Lewin Group study is the one and only reasonable option for solving California's healthcare crisis. Healthcare costs will only continue to escalate as the current generations age, and the medical technology becomes ever more complex.