

# Single-Payer Health Care

## Government-Run Health Care Reduces Choice, Increases Costs

Over the last several sessions, California legislators have introduced and reintroduced bills attempting to overthrow the entire state health care system and install a government-run, single-payer health care model. Although these bills were light on details regarding how the system would run, they were completely devoid of a funding plan. That changed in 2022 with the introduction of ACA 11, which outlined how the exorbitant new bureaucracy would be paid for. Not surprisingly, even assuming the new model could be put into place, its perpetual and behemoth expenses would overwhelm California's employers with new taxes and fees.

### **SINGLE-PAYER HEALTH CARE DEFINED**

In an authentic single-payer health care system, private and employer-provided health insurance is nonexistent. Rather, health care is delivered through public or private hospitals and health care providers, and paid for by public financing, which is derived from taxing employers, employees, and individuals. Although the health care typically is delivered at low-to-no cost at the point of use, it is in no sense “free” because higher taxes and consumer copays foot the bill for the care.

### **SINGLE-PAYER HEALTH CARE IS NOT FREE HEALTH CARE**

Single-payer health care must not be confused with free health care — there's nothing free about a government-run health plan. ACA 11 proposed increasing Californians' taxes by hundreds of billions of dollars to fund the government-run health care system. The Healthy California for All

Commission determined single-payer health care would cost California approximately \$400 billion annually, with a large amount of that funding derived from employers. ACA 11's proposal would have been the biggest tax increase in state history, punishing Californians by increasing personal income taxes, payroll taxes, and gross receipts taxes.

It is indisputable the potential tax revenue ACA 11 would have produced would have been in the hundreds of billions of dollars. SB 562 was a similar proposal introduced in 2017 and its analysis anticipated \$200 billion could be available through federal, state and local funding and the state would need at least an additional \$200 billion annually from taxpayers to fund a single-payer system.

Vermont attempted to enact a single-payer system in 2011, but the efforts were derailed in 2014 when the Legislature failed to approve an accompanying 11.5% payroll tax on all employers and an individual income tax increase of up to 9.5%. Vermont's plan would have doubled the state budget and Governor Peter Shumlin (D) said the burden would have posed “a risk of economic shock.” When asked about the failed single-payer effort, Governor Shumlin said, “What I learned the hard way, is it isn't just about reforming the broken payment system. Public financing will not work until you get costs under control.”

California employers and employees spent \$144 billion on health care in 2019 — employees spent \$27 billion on premiums while employers spent \$100 billion on premiums. The 2020 Kaiser Family Foundation Employer Health Benefits Survey indicated that for job-based coverage, the average annual premium for single coverage rose 4%, to \$7,470. The average annual premium for family coverage also rose 4%, to \$21,342, which is nearly one-third of the state's median family income. ACA 11 would have done nothing to address the cost or trajectory of health care spending; instead, it simply would have morphed the health care affordability problem into a tax affordability problem.

The kinds of tax increases needed to finance a single-payer system would have a detrimental impact on California

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businesses and certainly discourage companies from growing or relocating here. The tax hikes would likely lead to significant layoffs or relocations as existing businesses and employers would be forced to cut costs to sustain the added new tax burden.

### HEALTH CARE COVERAGE ALREADY AVAILABLE

When health care data is examined, it is clear that coverage is available to Californians. In 2019, data released from the California Department of Managed Health Care and the California Department of Insurance showed that 32.7 million Californians were enrolled in health care coverage. Of this number, more than 10 million Californians had Medi-Cal coverage. As of October 2020, 6,439,998 California residents had Medicare coverage. Covered California reported that 1.6 million people enrolled in its plans in 2021.

According to data from the U.S. Census Bureau, 7.1% of Californians were without health care coverage in 2020. The Legislative Analyst's Office stated that undocumented immigrants represented 40% of California's remaining uninsured individuals. However, California has been expanding Medi-Cal coverage for undocumented residents over the last several years: 536,000 undocumented people aged 25 and under have enrolled as full-scale beneficiaries while approximately 345,000 undocumented adults are receiving limited coverage. The state's latest expansion of coverage for this population just last year qualifies all income-eligible residents age 50 and older for full-fledged benefits and is expected to enlarge Medi-Cal demographics by about 235,000 people.

### CONSTITUTIONAL AND FEDERAL CHALLENGES

The state constitutional barriers to a single-payer system include the Proposition 4 appropriations limit and the Proposition 98 education finance guarantee. The Proposition 4 limit

constrains overall state spending to growth based on population and inflation factors. The large tax increase required by a single-payer system would push spending above the limit.

Proposition 98 creates a school finance formula that requires a portion of any new general revenues to be dedicated to schools. The tax increases necessary to pay for single-payer health care would require a companion amendment to the California Constitution that exempts the new revenues from both the Proposition 4 appropriations limit and the Proposition 98 school finance formula. The constitutional amendment would require voter approval.

Even if constitutional amendments were approved, California would have to obtain approval from the federal government to allocate federal Medicare and Medicaid funding to a California government-operated, single-payer health care system. Without the necessary federal funding, California could not afford to proceed with a single-payer system.

### CALCHAMBER POSITION

Californians need to have affordable health care coverage when they access their quality health care providers. Although Californians experience premium increases on an annual basis, a \$200 billion tax increase and complete restructuring of the health care system is not the answer to insuring the uninsured and improving affordability. A single-payer system abrogates the freedom individuals have to pursue health care coverage of their choosing.

Single-payer health care does not equate to free health care, and the exorbitant taxes and costs associated with this system will systemically eradicate new jobs while driving out existing industries. The consequences associated with adopting a single-payer health care model should discourage the Legislature from pushing forward any such proposal in California.



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