

# Single-Payer Health Care

## Government Mandate Would Remove Choice, Add Even Higher Costs

If Governor Gavin Newsom's campaign statements are an indication of his top priorities as Governor, there is no doubt that health care will be among those top issues. The fact that his first two and most senior staff appointments to his administration both have a background in health care policy further confirms that focus. Early in his campaign, as he was fighting for supremacy among Democrats, Candidate Newsom supported a single-payer health care system. More recently, however, his focus has changed to expanding care to those who are currently uninsured. Yet, some of his early supporters will likely continue to push for single-payer health care this session, forcing the debate.

### SO WHAT EXACTLY IS SINGLE-PAYER HEALTH CARE?

A true single-payer health care system prohibits all private or employer-provided health insurance. Health care could be delivered through either public and/or private hospitals and health care providers, but the payment for the health care must be made by a single entity, usually the government. Often the health care in such a system is free at the point of use, but in reality is paid via heavy taxation. Because cost-sharing by the consumer usually is eliminated, there is a false belief by consumers that health care is free.

### CHALLENGES WITH SINGLE-PAYER HEALTH CARE

A single-payer health care system inherently has multiple problems. First, since there is no cost to the consumer, the "free" health care services often are overutilized. This leads to long wait times for patients and can lead to government rationing of health care services.

A single-payer model also abrogates personal freedom and choice, forcing every resident to use an assigned system or

physician rather than a health plan or physician of their choosing. A single-payer health care system also can result in decreased quality of care since competition is eliminated. Under such a system, each type of health care provider is designated a set payment amount; thus there is no incentive to provide higher quality of care or be innovative in the care provided.

### CALIFORNIA LEGISLATION—SB 562

In 2017, advocates of a single-payer health care model introduced legislation in California. SB 562 proposed the creation of a massive new government bureaucracy to take over health care in California. It would have eliminated private and employer-sponsored insurance. This government-run health care system would have covered every California resident, including undocumented immigrants, and would have provided every conceivable health care service and benefit with no premiums and no cost sharing by the consumers. The bill required the government to provide 34 different categories of service, including acupuncture, chiropractic care, dental, vision, and alternative medical care.

In theory, the idea of free health care of any and every kind sounds wonderful if all these services were truly free, if we had an abundance of medical providers who were willing to accept deep cuts in pay, if care wouldn't and couldn't be rationed, if choice wasn't reduced and if overutilization wouldn't increase health care costs. But, none of that is true. Health care has a huge cost and single-payer government-run health care is even more costly because it eliminates consumer awareness of the true cost of health care. Yet SB 562 never officially acknowledged costs or the source of revenues to fund such a system, likely because surfacing the cost would have sunk the bill. SB 562 passed out of the Senate without any explanation of how it would be funded. While senators were promised an opportunity to hear and debate the financing mechanism, that promise was never fulfilled.

An estimate by the Senate Appropriations Committee found that the cost of a single-payer system under SB 562 would be about \$400 billion. To put this in perspective, at the time SB 562 was pending, that amount was more than double California's state budget and almost triple its General Fund revenues. Of the \$400 billion, approximately \$200 billion accounts for money that is currently devoted to

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health care by state and federal programs. The additional \$200 billion of funding that is needed could be met with a new 15% payroll tax.

Almost a year after SB 562 was first proposed, proponents of the measure released a funding study that recommended significant increases in taxes. The study recommended a sales tax that would increase California's already-highest state sales tax in the country by another 2.3% and would be the biggest sales tax increase in the entire history of California. In addition to this massive sales tax, which would not alone be sufficient to fund this program, they proposed a 2.3% gross receipts tax or a 6.6% payroll tax. A gross receipt tax is not a tax on profit, but rather a tax on total sales revenue without consideration of operating costs, expenses or profit. Gross receipt taxes result in a disproportionately high tax on low profit margin industries, in some cases completely eliminating businesses because the tax is greater than the profit margin. Low profit margin industries such as restaurants, airlines, grocery stores and pharmaceutical distributors are unfairly impacted by this tax.

SB 562 was never heard in the Assembly because Speaker Anthony Rendon shelved the bill, calling it “woefully incomplete.” Then-Lieutenant Governor Newsom stated that he did not support SB 562 in its introduced form in 2017 without amendments. Both leaders presumably were aware of financial and legal hurdles the state would have to overcome both in terms of cost to the state and obtaining constitutional amendments and federal waivers.

In an interview with the *San Francisco Chronicle* early in 2018, Candidate Newsom stated that it would take years to transition from the multi-payer system we have now. “First of all, you will deal with litigation. You’ll deal with setbacks. You’ll have constitutional questions that have to be addressed by the voters. You’ll have propositions on the ballot—maybe multiple.” He went so far as to say that it’s a “myth” to believe that the next governor’s actions would bring about a single-payer health care system in California. “It is not an act that would occur by the signature of the next governor.”

#### **CONSTITUTIONAL AND FEDERAL CHALLENGES:**

The 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 requiring that a portion of any new general revenues be dedicated to schools.

The tax increases necessary to pay for the single-payer proposal envisioned by SB 562 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 those federal dollars, California simply would not have the money to fund a single-payer system. Yet, getting approval from the current administration in the federal government would be highly unlikely.

In 2018, the administrator of the Centers for Medicare and Medicaid Services flatly rejected California’s efforts to pursue a single-payer system. “I think a lot of analysis has shown it’s unaffordable,” she stated. “It doesn’t make sense for us to waste time on something that’s not going to work.” There also are other federal waivers that California would need to obtain, but without the federal funding, California could never proceed with a single-payer system.

#### **CALCHAMBER POSITION**

Ensuring all Californians have access to quality, affordable health care is an admirable goal, but a single-payer model will not move California any closer to that goal. A single-payer health care system strips individuals of the freedom to pursue their health care as a matter of choice. It denies them the option to pay for health care outside of public sources. It interferes with their freedom to choose their health care provider and denies them the ability to access care without having to suffer lengthy waits for their care. The high taxes required to fund a system that has no cost-containment measures and will likely result in future increased taxes, will likely crowd out other state social services.

Rather than upending the health care system with which Californians have repeatedly expressed their satisfaction (except for costs), any reform to the system should focus on those who cannot access affordable health care.



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