



# Tidbits from Sacramento

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October 31, 2007 – Issue #15

## **KEEPING HEALTHCARE REFORM ALIVE**

The Assembly Health Committee held an Information Hearing on the Governor's healthcare proposal on Wednesday, October 31<sup>st</sup>. It was an incredibly lengthy hearing, over 5 hours. As you may recall, the Governor's original health care proposal released in January was a 10 page document setting forth three major concepts; Prevention, Health Promotion and Wellness, Coverage for All Californians and Affordability and Cost Containment.

In the second week of October, the Governor's Office released a 200 page draft of legislative language which incorporated the concepts from his original proposal as well as a number of additional concepts from various sources. During the last couple of months the Governor's staff had been meeting with many healthcare and business organizations as well as individuals in an effort to reach agreements on specific issues.

During the hearing, Kim Belshe, the Governor's Secretary of Health & Human Services was the lead presenter for the Governor's revised legislative plan entitled Health Care Security & Cost Reduction Act. The Secretary did an admirable job during the more than 2 hours of presenting the revised plan to the Committee and in answering a myriad of questions from the Members. Some of those questions were very challenging. Ms. Belshe's command of her subject was obvious and her style very professional as usual.

One of the more controversial components of the Plan is the financing, not a surprise. The Governor's plan will defer the financing to a ballot initiative to be voted on in November, 2008. One of the financing issues from the original proposal was changed significantly. Under the revised language, physicians would no longer be required to contribute two percent of their revenue to the financing effort. The Governor has proposed that the State Lottery be leased to the private sector to pay for that portion of the proposal.

The hospital association has been working non-stop on their portion of the financing mechanism. As first proposed, the cost was set at approximately \$12 billion. However, under the original proposal, they were required to pay four percent of their revenues into the system without much assurance of any financial benefit. Recently language that has been vetted a number of times appears to be gaining some ground. Under the recent revisions of the hospital language, the hospital would still pay into the system, but would be eligible for additional monies including rates that would be fairly close to the rates Medicare pays for inpatient and outpatient services. Some hospitals believe there will be a financial benefit when all is said and done; others are concerned that their contribution to the system will still leave them in a negative position.

Some of the more vocal opposition continues by those who believe the employer community should shoulder more of the burden, up to 7.5 percent of their payroll. Under the Governor's

proposal, the employer mandate is limited to 4 percent of payroll which would be paid into a state-run insurance pool.

The individual mandate requirement brought strong opposition from many of the Democratic members who are concerned about the ability of families to pay for the insurance. Under the Governor's proposal, individuals who do not have health insurance provided by their employer and whose income is no more than 350 percent of the federal poverty level would be eligible for a tax credit to offset the premium.

Meetings are expected to continue in an effort to reach some agreements with various stakeholders in both the healthcare, labor and business communities. It is clear from the hearing that many issues still need to be resolved if health care reform is to succeed in 2008.

On a more positive note, it does appear that legislators and advocates do understand that the system as it is currently is not sustainable – change is necessary. It appears that developing the appropriate formula to bridge the competing interests will take more time and energy to resolve some of the more difficult issues.

This hearing was a step forward in light of the discussion and sometimes debate about the various issues. The challenge will be getting all the parties to the negotiating table, which may not occur until January.