Date of Hearing: May 15, 2024

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 2200 (Kalra) – As Amended April 30, 2024

Policy Committee: Health Vote: 9 - 4

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill establishes the policy framework for the California Guaranteed Health Care for All program, or CalCare, a health care service plan, to provide comprehensive, universal, single-payer health care coverage and a health care cost control system for all residents of the state.

FISCAL EFFECT:

No cost estimates are available for this bill. Analyses of previous universal health care bills have suggested costs in the hundreds of billions of dollars, but lower than overall spending under the existing system. For example, the University of Massachusetts, Amherst, Political Economy Research Institute (PERI) conducted an economic analysis of SB 562 (Lara), of the 2017-18 Legislative Session. The authors of the PERI study estimated that implementation of SB 562, could reduce overall costs of providing full health care coverage to all Californians by about 18% relative to spending under the existing system. The PERI analysis suggested that although SB 562's single-payer system would be expensive, its cost in taxes would ultimately be lower than what Californians were paying to private insurers. "The overall annual costs of this single-payer system for California would be $331 billion as of 2017," equivalent to $392 billion in 2024 dollars (based on health care inflation rates from 2018 through 2024).

More recently, the Healthy California for All Commission (Commission), in its report, "Key Design Considerations for Unified Health Care Financing System in California, Final Report, April 2022," (report) provides estimates for changes in health spending for different scenarios and design decisions, all predicated on the state being able to achieve the necessary federal and state-level approvals. Variables in spending estimates were:

1) Cost sharing – options considered no cost sharing or income-related cost sharing.

2) Use of intermediaries – options were:

    a) No intermediaries - the unified financing (UF) authority would make direct payments to hospitals and health care providers.
    b) Californians would be required to enroll in a health plan or health system, and the UF authority would make payments to, the health plan or system.

3) Long term services and supports (LTSS) – expanded LTSS or status quo, with a continuation of Medi-Cal coverage for LTSS, including nursing home care and in-home supportive services.

The analysis estimated that with no changes, total health care spending would be $517 billion in 2022. The following are example scenarios and associated total spending estimates:

1) No cost sharing, direct payments to providers, and no LTSS expansion: $501 billion ($16 billion savings over status quo).

2) Income-related cost sharing, no LTSS expansion: $482 billion ($35 billion savings compared to status quo).

3) Income-related cost sharing, LTSS expansion: $508 billion ($9 billion savings compared to status quo).

4) Including an intermediary increases estimated spending for the above scenarios by $4 billion to $5 billion.

COMMENTS:

1) **Purpose**. This bill is sponsored by the California Nurses Association. According to the author:

> Today's U.S. health care system is a complex, fragmented multi-payer system that leaves wide gaps in coverage and access to care, poses significant issues of affordability, and has growing health disparities. Despite health care spending in the U.S. far exceeding other high-income, industrialized countries that offer a publicly financed single-payer system, we consistently report worse health outcomes and disparities among vulnerable populations.
>
> AB 2200, the California Guaranteed Health Care for All Act, will begin the process of creating a universal single-payer system of health care for every California resident. AB 2200 would enact a comprehensive framework of governance, benefits, program standards, and health care cost controls, and will allow California to begin consolidating existing health care programs, obtain necessary federal waivers and determine any future public financing. Also known as CalCare, this is a meaningful step towards building a transformative and equitable health care payment system that will guarantee comprehensive health care and achieve health care justice for all.
>
> We cannot afford to let our health care status quo persist and CalCare would actually save money. The Healthy California for All Commission found that under a single-payer model California would save between $32 billion to $213 billion over 10 years compared to our current system. With a single-payer system, these savings will be redirected to patients and allow the state to make strategic investments in our health care to improve access to care and dismantle health inequities.
>
> By guaranteeing health care for all Californians and establishing a payment system that eliminates waste and aligns reimbursements with the actual cost of care, we can make tremendous progress on health

> care as a human right. Transforming our complex, inequitable health care system will not be easy and will not happen overnight. AB 2200 is the first necessary step that will lay the policy foundation for single-payer so the state can submit federal waivers and determine a just financing plan that puts the health of California before profits.

2) **Background.** SB 104 (Committee on Budget and Fiscal Review), Chapter 67, Statutes of 2019, established the Commission and charged it with developing a plan that includes options for advancing progress toward a health care delivery system in California that provides coverage and access through a unified financing system, including, but not limited to, a single-payer financing system, for all Californians. The Commission's report was the final deliverable required by SB 104. The report provided an endorsement of a rationale for a system of unified health care financing that is accessible, affordable, equitable, high-quality and universal, among other things.

3) **UC Labor Center Analysis**. A presentation made to the Healthy California for All Commission by the UC Labor Center on November 17, 2021, asserted that by 2031, total health spending in California was projected to grow by $158 billion in 2021 dollars. Under the current system, the 2022 estimate for health care expenditures in California would be $517 billion, broken down as follows: employer and household spending at $222 billion, federal spending at $204 billion, state and local spending at $45 billion and other spending at $45 billion. According to this presentation, California would need to replace the $222 billion of employer and household spending. However, the presentation also pointed out that there would be substantial savings related to administrative overhead, significant drug cost reductions and reduced provider payments reflecting billing- and insurance-related savings for providers but otherwise assumed that doctors, hospitals and other providers would be paid, in aggregate, what they are currently paid. Additionally, under unified financing, there would be increased use of services associated with the expansion of coverage and reduction in consumer cost-sharing. Reduced health spending growth could be achieved by various means, including payment reforms, systems accountability and care coordination. The estimate indicated that the $222 billion in employer and household spending could be replaced by $207 billion in more progressive financing under a single-payer scenario with no cost sharing and no expansion of LTSS. Under an assumption with no cost sharing and with LTSS expansion, the estimate indicates California would need to raise $233 billion.

4) **Prior Legislation.** Since 2007, five single-payer bills have been introduced:

   a) AB 1400 (Kalra), of the 2021-22 Legislative Session, died on third reading.
   b) SB 562 (Lara), of the 2017-18 Legislative Session, died in Assembly Rules Committee.
   c) SB 810 (Leno), of the 2011-12 Legislative Session, failed passage on the Senate Floor.
   d) SB 810 (Leno), of the 2009-10 Legislative Session, was not taken up on the Assembly Floor.
   e) SB 840 (Kuehl), of the 2007-08 Legislative Session, was vetoed by Governor Schwarzenegger, who cited a Legislative Analyst's Office analysis that estimated the bill to cost $210 billion in its first full year of implementation and cause annual shortfalls of $42 billion.

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