

December 18, 2007

California Moves Toward Universal Health Care

By [KEVIN SACK](#)

SACRAMENTO — [California](#) moved significantly closer to enacting a broad expansion of [health insurance](#) coverage Monday when the Democratic-controlled Assembly passed legislation that has the backing of the Republican governor, [Arnold Schwarzenegger](#).

But it is far from certain that the Legislature will give final approval to the measure, which would provide coverage to an estimated 70 percent of the 5.1 million persistently uninsured Californians.

The bill must first gain passage in the Senate, also controlled by Democrats, where there are deep concerns about the measure's impact on the state's widening budget gap. And even if the Senate ultimately joins with Mr. Schwarzenegger and the Assembly, state leaders then must persuade California voters to support billions of dollars in new taxes and fees in a November referendum.

The Senate president pro tem, Don Perata, has said he will not bring his members back to Sacramento until the 2008 session begins on Jan. 7.

Though Mr. Perata, a Democrat from Oakland, has endorsed the plan's general concept, he is worried that the state's budget problems make it impractical. On Monday, he asked legislative fiscal analysts to study the Assembly bill's long-term fiscal implications, particularly in light of any cuts in social services that may be made to bring next year's budget into balance.

Nonetheless, Monday's passage by the Assembly, on a party-line vote of 46 to 31, culminated nearly a year of negotiation that began in January, when Mr. Schwarzenegger proposed an audacious plan to insure all Californians. Three other states — Massachusetts, Maine and Vermont — had passed similar plans in recent years, but all are significantly smaller than California, which is the country's largest state, and have lower proportions of uninsured residents.

Assembly Speaker Fabian Núñez, in the floor debate Monday afternoon, called the bill "truly a historic effort" and rejected Republican assertions that its passage was "more for public relations than for policy," as it was put by the Assembly Republican leader, Michael Villines.

"There is hope through this bill," Mr. Núñez said, "that never again in California will someone be kicked to the curb by an insurance company."

The plan created by Mr. Schwarzenegger and Mr. Nuñez, first during the regular legislative session and then in a special session called by the governor in September, draws from both Democratic and Republican ideas.

Its fundamental structure mimics the plan adopted last year by Massachusetts and embraced by several Democratic presidential candidates. Like that state, California would force insurers to offer policies regardless of a consumer's age or health status, and it would require most individuals to obtain basic health coverage. Senator [Hillary Rodham Clinton](#) and former Senator [John Edwards](#) support such a mandate, and Senator [Barack Obama](#) has proposed mandatory coverage for children.

As in Massachusetts, some Californians would be granted exemptions if their income is too low to afford premiums but too high to qualify for heavy government subsidies. Assembly aides said that about 15 percent of those left uninsured by the plan would be illegal immigrants, though children in the country illegally would be offered coverage.

A major sticking point in the negotiations, and a major concern for the labor unions that provide California Democrats with their most reliable support, has been whether the mandated policies would be affordable for middle-income workers. The California plan would offer state subsidies to purchasers with incomes below 250 percent of the federal poverty level, or \$51,625 for a family of four.

A number of large unions ultimately supported the bill, including the state's largest, the [Service Employees International Union](#), whose president, Andrew L. Stern, attended a buoyant news conference after the vote with Mr. Schwarzenegger and Mr. Nuñez.

But the plan also would use tax credits, a concept backed by President Bush and the leading Republican presidential candidates, to make policies more affordable for the middle class. Those earning between 250 percent and 400 percent of the poverty level (\$82,600 for a family of four) would be able to deduct premium costs that exceed 5.5 percent of their incomes.

The cost of the plan, which would take effect in 2010, is pegged at \$14.4 billion. But none of the financing mechanisms were included in the bill passed Monday. California requires a two-thirds vote of both chambers to approve tax increases, and it became apparent last summer that the Republican minority would not provide the votes needed to reach that threshold.

That left Mr. Schwarzenegger and Mr. Nuñez, a Democrat from Los Angeles, to devise a two-step approach: legislative approval of the mechanics of the health care plan, followed by a November 2008 referendum with voters asked to approve tax increases to pay for it.

Among the taxes is a \$1.50 increase in the 87-cent levy on tobacco products, which would raise

about \$1.5 billion, and a 4 percent levy on hospital revenues, which would raise \$2.3 billion. The hospital dollars are one component that would help the state leverage an additional \$4.6 billion in federal financing.

Mr. Schwarzenegger has promised repeatedly not to raise taxes, but he has said that passage of the referendum would equate to voters raising taxes on themselves.

In addition to the tax changes, employers would either have to spend a fixed percentage of their payrolls on health coverage for employees or pay a comparable amount into a state insurance pool that would provide subsidized coverage.

During negotiations over the bill, Mr. Nuñez dropped his initial opposition to Mr. Schwarzenegger's insistence that individuals be required to have insurance. The governor, meanwhile, demonstrated flexibility concerning revenue sources, dropping proposals to tax doctors and to use lottery proceeds before agreeing to the tobacco tax increase.

Because it can take months to collect the more than 700,000 signatures needed to place the revenue measures on the ballot, aides to Mr. Schwarzenegger and Mr. Nuñez said it was critical that the bill win Senate approval quickly.

But Mr. Perata poured cold water on the emerging health care compromise last week by announcing that "it would be imprudent and impolitic to support an expansion of health care" before the state addressed a wide gap that has opened in next year's budget.

The governor's office projects the budget gap, which has worsened because of the housing slump, could reach \$14 billion, or nearly 13 percent of the state's estimated \$111 billion general fund for 2008-09.

Mr. Schwarzenegger argues that the health plan is intended to bring down costs by encouraging [healthy habits](#), better management of chronic diseases and electronic record-keeping. That, he says, should help California fix its structural budget problems.

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