



Some Responses to Questions About SB 2 (Burton) September 18, 2003

Isn't this a tax on business?

- **The vast majority of employers won't be impacted at all.** Over 95% of businesses are under 50 employees, and are exempt from the fee. (EDD) Over 90% of businesses over 50 provide health care to their workers, and have the fee waived. (Kaiser Family Foundation)
- Thus, less than 2% of all employers would even be affected directly by the potential of a fee. **Most employers would actually benefit from the bill, getting tools to deal with the cost, administration, and competitive disadvantage of offering coverage.**
- Unlike a tax or inflationary cost increases imposed by the marketplace, **those small number of employers impacted would get, in return, the real benefit of an insured workforce**, which will be more healthy, more productive, less transient, less likely to use sick leave, and more financially secure.

Isn't this the wrong time?

- **There is a health care crisis NOW.** We have over six million people uninsured, with that number growing. The system of hospitals, clinics, trauma centers that we all rely on is in financial distress. We need mechanisms to help control the costs that threatens the health coverage of the insured.
- **The "status quo" is not an option**, given the unraveling of the system. Our public officials are usually critiqued for NOT anticipating crises around energy or other issues.
- **SB 2 is part of the solution to the state budget crisis.** This is projected to provide \$620-900 million dollars in state budget savings, since many of those on Medi-Cal or Healthy Families are in working families. If we don't pass SB 2, we either have to raise taxes by that much money, or actually make the devastating Medi-Cal cuts to deny coverage to hundreds of thousands more Californians--which both parties rejected in the past year.

Isn't this imposing society's problem on employers?

- Society already assumes that people who work hard and play by the rules should get health coverage through their employer. This just helps make that assumption a reality. **Over 18 million Californians already get health coverage through their employer today.** Over two-thirds of employers, large and small, provide such coverage. For fairness, this merely brings large employers that don't provide coverage into the system.
- Right now, **everybody in society already pays into our health care system except for employers that don't provide health care to their workers.** These "free riders" get off the hook while employers, workers, consumers, and taxpayers now pay into the system, and unwittingly subsidize those that don't.

What about the mom-and-pop store that can't afford it?

- Even though most provide health coverage to their workers, **small employers are exempt.** The bill as written doesn't affect businesses with under 50 employees.

Won't this be a "job-killer" that hurts the economy?

- **This argument has been falsely used for every reform that benefits workers, from child labor laws to the minimum wage.** The impact of SB 2 would be similar to an increase in the minimum wage, a broad-based requirement on all businesses, but that would only affect a small portion of actual businesses, those that have the low end of wages and benefits.

- **Studies indicate that increases in the minimum wage have not resulted in significant job losses.** As a broad-based requirement, businesses absorbed the cost. In fact, the increased spending of these low-income workers may have had a positive economic effect. (Card, 1991; Brown, 1999; Card and Krueger, 1995; Kim and Taylor, 1995)
- **When asked directly, employers themselves say they would not reduce jobs.** The California Establishment Survey in 2003 asked businesses and nonprofits of five or more employees how they would respond to a hypothetical five percent increase in operating costs that affected all employees in the state. Given a range of choices, the two most popular responses were to improve efficiency and to increase prices, totaling 59% of all establishments, and 69% of those that don't provide health insurance to most of their employees. Only 2% said they would relocate outside of California. The jobs that are most likely to relocate, such as in manufacturing, are those that are most likely to already provide health insurance, and thus be unaffected by the bill. Jobs that would be affected most are those least likely to be relocated, such as in retail.
- **SB 2 creates real economic benefits,** including the provision of economic security in our communities. Nearly half of all personal bankruptcies are because of medical problems and medical bills.

Why can't we have health reform that everybody supports?

- **This is a rare moment when one bill has gotten the support of organizations representing doctors, labor, consumers, hospitals, some insurers, and some employers.** In the long history of health reform, SB 2 has the most broad-based support of stakeholders.
- The California Establishment Survey in 2003 asked 766 employers of five or more workers the question, "Suppose all employers were required to either offer health insurance or pay into a fund that would provide health insurance for uninsured workers. Would you be strongly in favor, somewhat in favor, somewhat opposed, or strongly opposed to such requirements?" **The framework of SB 2 was supported by 64% of employers.**

Why take away the savings from worker's comp?

- It doesn't. **Worker's comp savings will be an economic boost to all employers. SB 2 would at most impact 2% of employers—just those that don't pay into the system now—and provide them with the real benefit of an insured workforce.**
- **The costs to employers from this bill are a fraction of the savings from worker's comp reform.**
- SB 2 would provide additional help with worker's comp. **The more people are insured, the less likely they have to rely on the worker's compensation system to get health care services.**

Shouldn't we be trying to help employers that provide health coverage?

- This helps employers. Surveys of employers indicate that they want to provide health care to their workers, but they face three barriers: cost, the administration of managing a benefit, and the fear of agreeing to an ongoing cost that competitors may not be bearing. **SB 2 gives employers the tools to overcome these barriers.**
- Employers could pay the fee into a state purchasing pool, which would use the bargaining power to negotiate with insurers for better rates on health insurance that they might be able to get on the open market. **The option of this "volume discount" may have effect on lowering the price of health care overall.**
- Employers that don't provide coverage would pay a fee, and workers would get health benefits through the Managed Risk Medical Insurance Board (MRMIB), which now runs Healthy Families. **Employers can choose to be relieved of the administration of a health benefit, including negotiating with insurers.**

- **Employers would also be secure that their competitors would also have to provide coverage.** Like the minimum wage, it would set a standard that prevents employers that do the right thing from being undercut by competitors that don't.

What does this bill do about health costs?

- **SB2 limits the share of premium paid by workers** to 20% of the cost or for low- and moderate-income workers, 5% of their wages.
- SB2 tightens regulation of co-pays and deductibles by requiring the Department of Managed Health Care, the Department of Insurance and MRMIB to review copays and deductibles for **affordability for workers and employers.**
- A companion measure, AB1528, creates a commission to look at how to control costs while improving quality through such steps as disease management and evidence-based medicine—and to sort this out before SB2 goes into effect in 2006.

Isn't this new? Historic?

- This is a significant step of covering a million more working Californians, using modest means. **Over 18 million people get their health care through their employer, this uses existing agencies and expertise to extend such coverage to another million.**
- This isn't a new idea, having been proposed twice by California Republicans: Governor Earl Warren in 1953, and President Richard Nixon in 1972.

Why rush this? Isn't this passage related to the recall?

- What rush? **The bill had the same principles and framework at the start of the year.** The sponsors and other organizations made this bill their top priority at the beginning of the year. This isn't a gut-and-amend. SB 2 has had thorough debate in both houses, in multiple policy committees, and in conference committee. Recent amendments are either technical in nature, or make the bill more modest.
- The biggest impact of the recall is that that has taken media attention away from the glaring health care crisis that this bill attempts to address.
- This is an appropriate response to fix an ailing health care system. Nationally, we have virtually every presidential candidate proposing some measure of health care reform. We had multiple health care proposals introduced in the legislature, well before the recall was proposed.

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