

**CaliforniaSpeaks and the Evolution of the
California Health Reform Debate
Harbage Consulting**

Executive Summary

At a key moment in middle of California’s expansive health reform debate in 2007, thousands of ordinary Californians had an opportunity to make their voices heard by policymakers. A diverse group of 3,500 Californians spent a day organized by *AmericaSpeaks* and California healthcare foundations learning about the general health reform options available to their state, and then offering their preferences for fixing the system.

Although it is not possible to know the exact impact of the *CaliforniaSpeaks* findings on health reform, this paper analyzes the extent to which the debate evolved to better reflect the preferences expressed by participants. The chart below can be considered a “cheat sheet,” showing whether health reform evolved closer to or further from a Reform Option or Reform Value identified by *CaliforniaSpeaks* participants as a priority. In cases where the evolution was not that simple, we give a general description of how policymakers treated the concept over the course of reform. A more detailed analysis is contained in the full text of the paper.

Overall, the health reform debate changed over time to better reflect the priorities expressed by *CaliforniaSpeaks* participants. Of all 33 Reform Values and Options, the reform debate moved to more closely reflect 21, or 64 percent of the *CaliforniaSpeaks* priorities. The reform debate moved closer on three out of four of the 28 Reform Values and Options that were considered in the mainstream reform proposals – everything but the conditions calling for a government-based, single payer system. An additional three Reform Options had constant support from policymakers in their health reform plans. The one area where the reform debate did not closely match the *CaliforniaSpeaks* was with regard to creating a government-based health system.

Chart One: Health Reform Debate Moved Closer to the CaliforniaSpeaks Priorities

	Policy Movement Relative to Starting		
	Closer	Further	Other
REFORM VALUES			
Affordability	X		
Accessibility	X		
Keep Greed Out of System	X		
Make Wellness and Prevention a Priority	X		
REFORM OPTIONS			
Cost Control	X		
a) Includes wellness and prevention.	X		
b) Streamline administrative procedures.	X		
c) Chronic disease management.			<i>Constant Level of Support</i>
Employer Mandate			<i>Mixed</i>
a) Addressed part-time, seasonal employees.			<i>Mixed</i>
b) Employers could not reduce existing coverage.	X		
c) Contains a cost cap.			<i>Mixed</i>
d) Provides protections for small business.			<i>Constant Support</i>
Expansion of Public Subsidies & Public Programs	X		
a) Includes wellness and prevention.	X		
b) Fully pays medical providers.	X		
c) Provides care through a government-run program; no insurance companies.			<i>No Change, Not in Mainstream Debate</i>
d) Taxes and costs are controlled.	X		
Guarantee Issue	X		
a) Ensures everyone is covered; there is oversight and accountability.	X		
b) There is a cap on insurer profit.	X		
c) Healthcare professionals decide intervention.			<i>Constant Support</i>
d) Premiums are affordable.	X		
Individual Mandate	X		
a) There are adequate standards for quality care.	X		
b) Coverage includes prevention and wellness.	X		
c) Caps on insurance premiums and profits.	X		
d) Coverage is affordable to middle-income Californians.	X		
Government-Based System			<i>Not in Mainstream Debate</i>
a) Controls costs and minimizes bureaucracy.			<i>Mixed</i>
b) Maintains choice of doctors and coverage levels; ensures additional coverage can be purchased.			<i>Mixed</i>
c) Ensures quality of care for all.			<i>Included</i>
d) Doctors are paid for performance and allowed to make medical decisions.			<i>Included</i>

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Introduction

In 2007, California's policymakers engaged in an unprecedented discussion and effort to comprehensively reform the state's healthcare system. In August of that year, *AmericaSpeaks* worked with several California healthcare foundations to give the public an opportunity to participate. Unique in California history, the event linked a diverse group of 3,500 Californians in eight venues from San Diego to Humboldt by satellite. The event, called *CaliforniaSpeaks*, allowed the public to learn about the issues and then offer their preferences for reform.

The event occurred at a key moment to influence the health reform debate. The first round of original proposals from Governor Arnold Schwarzenegger, both Democratic legislative leaders as well as the Republic caucus, was coming to a close. Policymakers were looking ahead to what would become a special session of the legislature focused on this issue.

The discussion and electronic voting at *CaliforniaSpeaks* identified basic elements of health reform that had widespread support among participants. (See Appendix A for information on the *CaliforniaSpeaks* discussion framework and format for collecting public input.) This paper analyzes the extent to which the healthcare reform debate in California moved closer to or further from reflecting the most important of the health reform elements identified as priorities by *CaliforniaSpeaks* participants. While it is not possible to know the exact reasons why a certain policy changed over time, it is clear that that the policy debate overall did move to reflect more closely the preferences found by *CaliforniaSpeaks* by the time the debate ended in January 2008.

California's Health Reform Plans

This analysis considers a total of nine different health plans introduced by California policymakers between December 2006 and the end of 2007.²

The First Wave of Reform Plans

Governor Arnold Schwarzenegger assembled a bipartisan team of healthcare experts to work on his reform plan all through the fall of 2006, but did not finally release his detailed proposal until January of 2007. While the Democratic leaders of the Assembly and Senate released their plans

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² SB 840, the single payer proposal from Senator Sheila Kuehl has a longer history in the Legislature. Originally introduced in February of 2005, it was vetoed by the Governor in September of 2006. The bill was reintroduced with the same number in February of 2007, and that is the version discussed in this paper.

earlier, in December of 2006, their initial proposals were much less extensive than the Governor's. These three plans were to establish the baseline for the health reform debate and are each included in this analysis:

- Senate President Pro Tempore Don Perata, announced December 12, 2006;
- Assembly Speaker Fabian Núñez, announced December 21, 2006; and,
- Governor Arnold Schwarzenegger, announced January 8, 2007.

The Second Wave of Reform Plans

As discussions between the Republican governor, Democratic legislative leadership and key healthcare stakeholders continued through 2007, compromises were reached and plans evolved. The compromise plan from Assembly Speaker Fabian Núñez and Senate Pro Tem Don Perata was the first in a "Second Wave" of reform proposals. After that bill, AB 8, was vetoed, the Governor submitted a revised version of his plan to the legislature as ABx1 2. The ultimate health reform proposal, ABx1 1, represented the compromise between the Governor's and the Democrats' legislation. For purposes of this analysis, the following version of each bill is used:

- AB 8 (Núñez), the Democrat Legislative Leadership's plan, passed by the Legislature on September 10, 2007.
- ABx1 2, the Governor's Revised Plan, introduced in Special Session on November 8, 2007; and,
- ABx1 1 (Núñez/Perata), the final compromise legislation, introduced in special session in November 8, 2007 and filed as an initiative on December 28, 2007.

Other Reform Plans

Although the plans from the Governor and Democratic legislative leadership were at the center of California's 2007 health reform debate, three other plans were discussed in 2007 and are analyzed here. These include two Republican proposals and one single payer proposal:

- ABx1 8 (Villines), the November 8, 2007 version of the Assembly Republican proposal;
- CalCare Plus, the Senate Republican proposal introduced October 10, 2007; and,
- SB 840 (Kuehl), July 10, 2007 version of this single payer proposal.

A brief description each plan can be found in Appendix B. The analysis of the First Wave of reform plans is based on a side-by-side prepared by the California Senate Office of Research, dated January 11, 2007. The analysis of the Second Wave and other reform plans is based on a side-by-side analysis prepared by the California HealthCare Foundation, January 4, 2008, unless otherwise footnoted.

Health Reform Plans and the CaliforniaSpeaks Findings

CaliforniaSpeaks asked the public a series of questions to gauge their overall opinions of various reform options, not specific health reform plans. From that discussion, CaliforniaSpeaks identified major health reform elements the public would support in a comprehensive effort to overhaul the healthcare system.

Analytic Approach

For purposes of this paper, we have grouped the nine most critical reform elements identified by *CaliforniaSpeaks* into one of two groups:

- Reform Values, the principles that should guide reform; and,
- Reform Options, the policies to implement reform.

For each element, this section analyzes the degree to which, over the course of the debate, the health reform plans moved closer to or further from reflecting the priorities identified by *CaliforniaSpeaks* participants, as summarized in the *AmericaSpeaks* in a November report.³

Before the detailed analysis in each section and subsection, this report will briefly identify whether the debate moved further from or closer to reflecting the priorities identified by *CaliforniaSpeaks* participants. Where neither of those categories is appropriate, the report will indicate if the debate did not include that priority, or if the debate's approach to that priority was mixed or remained the same overtime. For the Government-Based System Reform Option section, the report indicates if each of the priorities is reflected in the only plan which comprehensively addressed this option, rather than how the overall debate evolved closer or further from each priority.

Where possible, our analysis makes a direct comparison between the plans and the reform priorities identified by *CaliforniaSpeaks* participants. For example, one of the findings from *CaliforniaSpeaks* states a preference for health plans to include "wellness and prevention." For such a question, the assessment is binary yes or no. However, in several cases, the Reform Values and Reform Options include general statements of principle and are sometimes subjective. For example, it can be difficult to directly assess if insurance offered under a plan is "affordable," as called for in several elements. In these cases, the analysis seeks to show how a reform proposal developed over time in relation to the *CaliforniaSpeaks* priorities.

Reform Values

We have analyzed the extent to which California's 2007 health reform plans reflected four key values that *CaliforniaSpeaks* participants indicated should guide health reform. Those values are affordability, accessibility, putting patients before profits and cost control. More specifics on each of these proposals are discussed as they apply in the Reform Options section below.

Value 1: Affordability (Debate Moved Closer to CaliforniaSpeaks Priorities)

CaliforniaSpeaks participants identified affordability as a top value in their discussions, asserting that quality care should be available despite an individual's ability to pay. Affordability means different things to different people and finding a compromise on what constituted "affordable" coverage was a central issue in the 2007 debate. Over time, the health reform plans did move to make coverage more affordable for individuals and families.

First Wave. All three First Wave plans included subsidies to make coverage more affordable for lower-income Californians, as well as measures designed to help control costs.

³ *CaliforniaSpeaks*. "Comparing Health Care Reform Proposals to Public Priorities." November 20, 2007. Available online at: http://www.californiaspeaks.org/_data/n_0002/resources/live/compare112007.pdf

Second Wave. The Second Wave of plans represented significant movement towards comprehensive reform designed to lower healthcare costs both in the system and for Californians. In the final compromise bill, that meant a sliding scale of fees for employers based on the size of their business and a sliding scale of subsidies for families based on their income.

Other Plans. SB 840's single payer approach to affordability involves creating greater efficiencies of scale by centralizing health care, and then passing those savings on to consumers by funding the system through taxes rather than premium dollars. The Republican plans used tax deductions and a consumer-driven, free market approach to improving affordability, as well as some cost containment measures.

Value 2: Accessibility (Debate Moved Closer to CaliforniaSpeaks Priorities)

At CaliforniaSpeaks, participants agreed that “everyone should have access” to the healthcare system, regardless of their ability to pay, because all life is precious.⁴ Accessibility was addressed in some form by every health reform plan proposed in 2007, but few achieved the high bar of universal health coverage. It is clear that from the First Wave to the Second Wave of plans, there was clear movement in policy to make health coverage more accessible.

First Wave. In the First Wave of reform, the Governor went the furthest towards universal access to coverage by calling for an individual mandate, the requirement that every Californian obtain health insurance. No other First Wave reform plan took this step.

Second Wave. During the course of the debate, the plans from the Democratic legislative leadership expanded to cover more Californians. AB 8 originally covered just 3.4 million or two-thirds of the state's uninsured. Ultimately, the final compromise reform bill, ABx1 1, closely reflected the findings of CaliforniaSpeaks and included an individual mandate that would have covered nearly all the uninsured.

Other Plans. The only other reform bill that sought to achieve universal coverage was SB 840, the single payer bill. This plan would cover all Californians through the creation of a government run health plan. The Republican-sponsored plans did not seek to expand coverage, but sought to incrementally increase access through expanding low-cost healthcare options like quick clinics.

Value 3: Keep Greed Out of the Healthcare System (Debate Moved Closer to CaliforniaSpeaks Priorities)

CaliforniaSpeaks participants indicated that keeping greed out of the system and putting “people before profit” was an important value for health reform.⁵ Over time, the health reform debate did evolve with growing support for limiting profits for insurance companies by instituting medical loss ratios. The only plan which would have taken all profit out of the system by replacing health insurance companies with government-based healthcare did not, however, increase in relevance over the debate.

⁴ CaliforniaSpeaks, “Highlights of the August 11, 2007 Statewide Conversation.”

⁵ Ibid.

First Wave. In the First Wave Plans, only the Governor proposed a medical loss ratio. The proposal would have capped the percentage of premium dollars health plans could claim for profits and administration at 15 percent.

Second Wave. The Second Wave of health reform plans reflected a movement towards better limiting profits in health insurance with broader support for the Governor's medical loss ratio of 15 percent. The final reform bill, ABx1 1 included this measure.

Other Plans. The SB 840 single payer approach would have gone the furthest to limit profits in the system by replacing private health insurers with a government-based system. However, this approach was not included in the mainstream debate.

Value 4: Make Wellness and Prevention a Priority (Debate Moved Closer to CaliforniaSpeaks Priorities)

Promoting prevention and wellness was clearly a priority for CaliforniaSpeaks participants not just as a tool to control costs, but also as a function of health coverage that should be available to all. Wellness and prevention was not a priority in all of the First Wave plans, but over the course of the debate reform, plans were expanded to reflect this health reform value.

First Wave. Only the Governor's First Wave plan had a well-developed, major focus on wellness and prevention. Neither of the Democratic leadership plans went as far to develop specific wellness and prevention programs.

Second Wave. The Governor continued his support for these programs into the Second Wave, and they were ultimately included in the final compromise bill, ABx1 1. This bill had stronger wellness and prevention language than any of the Democratic proposals.

Other Plans. Although both Republican plans envision that consumer-driven health plans would encourage healthy lifestyles,⁶ thereby promoting prevention and wellness, the Republican plans did not comprehensively address creating wellness programs.

Reform Options

CaliforniaSpeaks participants also discussed six options to reform the healthcare system. In those discussions, participants identified the conditions necessary for them to support the proposed Reform Option methods, which are cost control, employer mandate, expansion of public subsidies, guarantee issue, individual mandate, and a government-based system. For each concept, we have analyzed whether the evolving health reform debate in California moved closer to or further from reflecting those conditions.⁷

⁶ Despite the Republican plan, there is evidence to suggest that consumer-directed health plans will not improve chronic care and may even make such care more difficult to obtain. Please See: Jeanne Lambrew, "The Conservative Critique," Center for American Progress, 2008.

⁷ For this section, SB 840 is excluded from the discussion of several reform options that don't apply to a single payer system, such as an individual or employer mandate.

Reform Option 1: Cost Control (Debate Moved Closer to CaliforniaSpeaks Priorities)

Healthcare costs have been climbing at a dramatic rate and putting financial pressure on California families. CaliforniaSpeaks participants universally agreed on the importance of cost containment, with 96 percent indicating it was important to control costs in the health care system. A full two-thirds of participants indicated this issue is “critically important.”

CaliforniaSpeaks participants identified a number of cost control approaches. The three top cost containment approaches that the largest percentages of participants identified as being “most important to be implemented now” are:

- a) Prevention and wellness: establish incentives and programs for wellness and fitness, for example targeting obesity and tobacco use reduction (62 percent);
- b) Streamline administrative procedures: simplifying billing, eligibility process, electronic medical records, and other aspects of program administration (51 percent); and
- c) Chronic disease management: using “evidence-based care standards” to better coordinate care and create lower costs for patients with better outcomes (40 percent).

Given the distinct nature of the cost control provisions, each one is analyzed separately to show how each evolved over the course of the health reform debate. All three of these cost containment issues were ultimately addressed in significant detail in the final health reform bill, ABx1 1, showing movement towards the importance of cost control, as found by CaliforniaSpeaks.

a) Prevention and wellness. (Debate Moved Closer to CaliforniaSpeaks Priorities) Of the First Wave plans, only the Governor’s had a well-developed, major focus on wellness and prevention. Support for these programs continued, and they were also included in the Governor’s Second Wave bill, as well as the final compromise bill, ABx1 1. The final bill had much stronger language than any of the Democratic proposals. For example, the final bill required all health plans to offer “Healthy Action Incentive/Rewards Programs” to encourage enrollees to make healthier choices. The proposal also included specific programs to address obesity and diabetes prevention.

b) Streamline administrative procedures. (Debate Moved Closer to CaliforniaSpeaks Priorities) In the First Wave plans, the Pro Tem and Governor’s plans included provisions aimed towards streamlining administrative processes, including standardized billing practices, promotion of health information technology and the use of electronic health records. As the discussions progressed, AB 8 included provisions encouraging e-prescribing and ABx1 2 included provisions promoting electronic health records. Both included provisions creating a state commission to comprehensively measure and report on health plan and provider performances. Ultimately, ABx1 1 included a wide number of those provisions, reflecting the growing support for streamlining administrative procedures.

c) Chronic disease management. (Debate Moved Closer to CaliforniaSpeaks Priorities) Of the First Wave plans, both the Speaker’s and the Pro Tem’s plans promoted chronic disease management. The Pro Tem’s plan had the strongest language, directing state agencies to develop best practice standards for the treatment of chronic conditions. The Governor’s original plan did not specifically address chronic disease management, but support for disease management

continued in the Second Wave. The final compromise bill, ABx1 1, ultimately required state agencies to develop best practice standards for high cost chronic diseases for state health care programs to implement.⁸

Although both Republican plans envision that consumer-driven health plans would encourage healthy lifestyles,⁹ thereby promoting prevention and wellness, the Republican plans did not comprehensively address disease management.

Reform Option 2: Employer Mandate (Debate Contained Mixed Reflection of CaliforniaSpeaks Priorities)

An employer mandate would require all employers in the state to spend a minimum amount on employee healthcare. Employers can meet the mandate by either offering their employees coverage or by paying a fee towards a state-run insurance pool.

CaliforniaSpeaks participants were more likely to support an employer mandate if certain conditions were included in the reform proposal. The conditions identified by the greatest number of participants as necessary for supporting an employer mandate are:

- a) If it addresses part-time, seasonal and other non-traditional employees (identified by 53 percent of participants);
- b) If there was an assurance that employers would not be encouraged to reduce existing coverage or benefits (49 percent);
- c) If there was some type of cost cap to prevent costs from skyrocketing out of control (48 percent); and
- d) If protection was provided for small businesses, such as a sliding scale based on size (45 percent).

As the health reform debate moved through 2007, no single proposal met all four conditions. However, several of the important issues in building compromise around the employer mandate through the debate did reflect the concerns outlined by the CaliforniaSpeaks participants. The Republican plans did not include an employer mandate and therefore are not addressed here.

a) If it addresses part-time, seasonal and other non-traditional employees. (Debate Contained Mixed Reflection of CaliforniaSpeaks Priorities) These issues were not addressed in the First Wave of plans. Of all the plans, only AB 8 specifically included an employer mandate that required coverage for part-time, seasonal and other nontraditional employees. However, this provision was not included in ABx1 1. In fact, the final reform bill treated part-time and lower wage employees the same as full-time employees even if they received just limited health benefits from their employer. Employers were even prohibited from dropping

⁸ ABx1 1 (Núñez/Perata). Available online at: http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0001-0050/abx1_1_bill_20080116_amended_sen_v95.html

⁹ Despite the Republican plan, there is evidence to suggest that consumer-directed health plans will not improve chronic care and may even make such care more difficult to obtain. Please See: Jeanne Lambrew, "The Conservative Critique," Center for American Progress, 2008.

coverage for those employees, which would have otherwise made them eligible for the purchasing pool and tax credits to help subsidize their coverage.¹⁰

b) If there was an assurance that employers would not be encouraged to reduce existing coverage or benefits. (Debate Moved Closer to CaliforniaSpeaks Priorities) The phenomenon of employers dropping health benefits when their employees become eligible for public coverage is known as “crowd out.” None of the First Wave of health reform plans addressed the difficult policy question of how to discourage employers from dropping their coverage. The evolving discussion on the appropriate level of employer mandated contribution included the question of making the fee higher than the cost of providing insurance, to create an incentive for employers to keep coverage. However, none of the Second Wave of reform bills sought to tie the employer contribution level to the actual costs of providing coverage.

The final compromise bill, ABx1 1 did include language that prohibited employers from referring employees to the state insurance pool. It also prohibited employers from otherwise encouraging employees to drop employer coverage, such as changing share-of-cost ratios or modifying coverage.¹¹ This marks clear movement towards the CaliforniaSpeaks provision.

c) Contains a cost cap. (Debate Moved Closer to CaliforniaSpeaks Priorities) None of the plans specifically include a hard cost cap for employers. However, both the First and Second Wave health reform plans set employer contributions to the insurance pool, if they did not directly offer coverage, at a percentage of payroll. Both of the Governor’s proposals required less from employers than the Democratic legislators’ combined AB 8. The ultimate reform plan reflected a compromise between the two by requiring a sliding scale of contributions from 1 to 7.5 percent, based on payroll.

d) Provides protections for small business. (Debate Contained Constant Level of Support for CaliforniaSpeaks priorities) Protections for small businesses appear both in First and Second Wave plans. The Governor was the most consistent proponent of limiting the impact on small businesses, exempting businesses with fewer than 10 employees from the mandate in his first plan, and some small businesses in his second. The Speaker’s original plan exempted firms with fewer than two employees and a payroll of less than \$100,000. In the Second Wave, the Democratic compromise bill, AB 8, moved away from small business protections by dropping that exemption. The final reform bill, ABx1 1 reflected a compromise, where employer contributions as a percentage of payroll started at one percent for the smallest businesses, and then increased on a sliding scale.

Reform Option 3: Expansion of Public Subsidies and Public Programs (Debate Moved Closer to CaliforniaSpeaks Priorities)

CaliforniaSpeaks participants were also asked whether the government should play a larger role in helping more Californians access health care. Participants discussed the conditions under

¹⁰ ABx1 1 (Núñez/Perata). Available online at: http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0001-0050/abx1_1_bill_20080116_amended_sen_v95.html

¹¹ ABx1 1 (Núñez/Perata) Sections 55 and 56. Available online at: http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0001-0050/abx1_1_bill_20080116_amended_sen_v95.html.

which they would support the expansion of public programs for the lowest income families and premium subsidies for low- to moderate-income families.

CaliforniaSpeaks participants were more likely to support an expansion of public subsidies and public programs if certain conditions were included in the reform proposal. The conditions identified by the greatest number of participants as necessary for supporting an expanded public role in healthcare are:

- a) Provisions for wellness and prevention (identified by 63 percent of participants),
- b) Fully pays medical providers for their services (53 percent);
- c) Provides coverage through a government run program (single payer) and does not involve insurance companies (51 percent); and
- d) Controls taxes and costs (50 percent).

The Governor was the only First Wave proponent of including any of these elements in reform plans, and had success in developing and carrying some of these ideas through to the ultimate reform bill, ABx1 1. Of all the plans, only SB 840 addresses the desire for replacing insurance companies with a government-run program

a) Includes provisions for wellness and prevention. (Debate Moved Closer to CaliforniaSpeaks Priorities) As discussed in the cost containment section above, only the Governor’s plan in the First Wave of reform had a major focus on wellness and prevention. This focus can be seen carried into the Governor’s Second Wave plan, ABx1 2, as well as the ultimate reform bill, ABx1 1.

b) Fully pays medical providers. (Debate Moved Closer to CaliforniaSpeaks Priorities) The subjective nature of what “fully” paying a provider means makes it unclear as to whether we can know if any reform plan meets this condition. While no plan called for the “full” payment of medical providers, there was clear movement over the course of the debate towards better paying providers.

In the First Wave plans, only the Governor proposed an increase in Medi-Cal payments. The Speaker’s original plan did not directly include an increase for providers, but did call for establishing a pay-for-performance system. Under the Speaker’s proposal, providers meeting certain benchmarks for performance could “earn” additional increases in payment from state funded coverage programs. The Governor persisted in calling for Medi-Cal rate increases in his Second Wave legislation, and it was included in the ultimate health reform bill.

The Republican plans also included Medi-Cal rate increases for physicians.

c) Provides care through a government run program and does not involve insurance companies. (Not Included in Mainstream Debate) SB 840, which is addressed in Reform Option 6, was the only plan to address this condition.

d) Controls taxes and costs. (Debate Moved Closer to CaliforniaSpeaks Priorities) While virtually every plan included elements the authors hoped would help control costs, controlling taxes was an issue that only gained attention later in the reform debate. The ultimate reform bill,

ABx1 1 reflected that increased concern with the inclusion of a “trigger” provision designed to curtail program growth if it exceeded expectations, but there were still some critics who believed it would still be insufficient to control taxes.¹²

Reform Option 4: Guarantee Issue (Debate Moved Closer to CaliforniaSpeaks Priorities)

A “guaranteed issue” provision requires all insurers to provide coverage to people in the individual market independent of their medical condition. Thus, insurers would no longer be able to deny individuals health insurance based on their pre-existing conditions.

CaliforniaSpeaks participants were more likely to support guaranteed issue if certain conditions were included in the reform proposal. The conditions identified by the greatest number of participants as necessary for supporting guaranteed issue are:

- a) Ensuring that all are actually covered and requiring sufficient accountability and oversight (identified by 59 percent of participants);
- b) Capping insurer profits (58 percent);
- c) Allowing health professionals to determine the need for medical intervention (49 percent); and
- d) Premiums are affordable, possibly with cost caps (47 percent).

The First and Second Wave health reform plans all contained a form of guarantee issue. In the First Wave, the Governor’s plan met more of the CaliforniaSpeaks conditions than the other plans. Over the course of the debate, the plans from the Democratic Legislature also came to reflect the conditions outlined by CaliforniaSpeaks participants. Neither Republican plans included a guaranteed issue requirement and therefore are not addressed here.

a) Ensures everyone is covered, and there is sufficient accountability and oversight. (Debate Moved Closer to CaliforniaSpeaks Priorities) The individual mandate and near-universal coverage were a defining characteristic of both the Governor’s First and Second Wave plans. The First and Second Wave plans from the Pro Tem and Speaker only included mandates for working Californians to take up coverage if it were offered by their employers. However, momentum to cover as many Californians as possible built over the course of the debate, and the individual mandate was included in ABx1 1.

All the plans included provisions aimed towards increasing transparency, accountability and oversight, with ABx1 1 ultimately establishing a Healthcare Cost and Quality Transparency Commission.

b) There is a cap on insurer profits. (Debate Moved Closer to CaliforniaSpeaks Priorities) In the First Wave plans, only the Governor proposed to cap the percentage of premium dollars health plans could claim for profits and administration at 15 percent. This provision was then adopted into all plans in the Second Wave, showing clear movement toward the CaliforniaSpeaks findings.

¹² ABx1 1 (Núñez/Perata) Sections 55 and 56. Available online at: http://www.leginfo.ca.gov/pub/07-08/bill/asm/ab_0001-0050/abx1_1_bill_20080116_amended_sen_v95.html.

c) Healthcare professionals determine the need for medical intervention. (Debate Contained Constant Level of Support for CaliforniaSpeaks Priorities) No proposal in this debate included provisions that would have diminished the role of health professionals in making decisions about patient care. Additionally, no plan required individuals to enroll in managed care plans, which are perceived as limiting of physician autonomy.

d) Premiums are affordable. (Debate Moved Closer to CaliforniaSpeaks Priorities) Affordability is subjective, and it is not clear how to quantify whether the plans met this standard. However, the Governor and the Democratic legislature started out with different expectations of individual premium contributions. The Democrats called for basic coverage to be free for participating employees, and the Governor required contributions on a sliding scale of 3 to 6 percent of gross income for insurance purchased through the pool. Common ground was found on a level of subsidies for individuals and families that were less affordable than fully-employer-sponsored coverage, but would not exceed five percent of family income. A significant portion of the health debate was dedicated to finding an affordable level for premiums.

Reform Option 5: Individual Mandate (Debate Moved Closer to CaliforniaSpeaks Priorities) An individual mandate imposes a requirement on individuals to ensure that they and their families have coverage, either through an employer-sponsored plan or through an independently purchased policy.

CaliforniaSpeaks participants were more likely to support an individual mandate if certain conditions were included in the reform proposal. The conditions identified by the greatest number of participants as necessary for supporting an individual mandate are:

- a) There are adequate standards for quality care (identified by 55 percent of participants);
- b) Coverage includes prevention and wellness programs (53 percent);
- c) Capping insurance premiums and insurer profits (52 percent); and
- d) It is affordable for middle income families (49 percent).

Of the First Wave reform plans, only the Governor called for an individual mandate. However, the mandate was included in the ultimate reform bill, ABx1 1, in large part because policymakers built a compromise by incorporating most of the conditions identified as priorities by CaliforniaSpeaks participants. This shows clear movement towards reflecting the CaliforniaSpeaks findings. The Republican plans did not include an individual mandate and therefore are not addressed here.

a) There are adequate standards for quality care. (Debate Moved Closer to CaliforniaSpeaks Priorities) Whether or not a plan has “adequate standards” for quality is subjective, and it is not clear if the provisions contained in the health reform plans met this standard. It is true that policymakers placed a greater emphasis on quality as the debate evolved. All three of the Second Wave plans called for the creation of a commission to help monitor cost and quality.

b) Coverage includes prevention and wellness programs. (Debate Moved Closer to CaliforniaSpeaks Priorities) As discussed in the cost containment section, only the Governor’s

First Wave had a major focus on wellness and prevention. This focus can be seen carried into the Second Wave plans and adopted into the final reform bill, ABx1 1.

c) Caps on insurance premiums and insurer profits. (Debate Moved Closer to CaliforniaSpeaks Priorities) This element contains two separate conditions, regarding premiums and profits, both of which have been addressed in detail in the guaranteed issue section above. The Governor's initial proposal to cap insurers' administrative costs and profits at 15 percent of premium dollars was ultimately included in the final reform bill. After starting with very different expectations of individual premium costs, the Governor and Democratic legislature found common ground by capping total premium costs at just five percent of family income for individual purchasing insurance through the pool.

d) Coverage is affordable to middle-income Californians. (Debate Moved Closer to CaliforniaSpeaks Priorities) Clearly, the plans made strides over time to be more affordable, but as previously discussed in the guaranteed issue section, affordability is difficult to evaluate.

Reform Option 6: Government-Based System (Not Included in Mainstream Debate)

Participants discussed a government-based health care system in which the government becomes the single payer and provider of health insurance, replacing the current network of insurance companies. Under such a system, the state directly reimburses doctors and hospitals for delivering care, eliminating the need for health plans.

CaliforniaSpeaks participants were more likely to support a government-based healthcare system if certain conditions were included in the reform proposal. The conditions identified by the greatest number of participants as necessary for supporting a government-run healthcare system are:

- a) Controlling costs and minimizing bureaucracy (identified by 55 percent of participants);
- b) Maintaining choice of doctors and coverage levels, and ensuring additional coverage is available for purchase (53 percent);
- c) Ensuring quality of care for all, regardless of geography or income (51 percent); and
- d) Paying doctors for their performance and allowing them to make their own medical decisions (50 percent).

SB 840 (Kuehl) was the only single payer, government-based healthcare reform plan proposed in 2007. The legislation includes provisions designed to address nearly all of the conditions. As none of the other plans included a government-run healthcare system, they are not addressed here. Each condition is evaluated relative to whether SB 840 met that condition, rather than if the overall reform debate evolved to reflect the condition.

a) Controls costs and minimizes bureaucracy. (Legislation Included Mixed Reflection of CaliforniaSpeaks Priorities) SB 840 does contain cost containment measures on a system level and establishes a newly created Commissioner to create other forms of cost control. However, creating a new government-run system requires the creation of a new government bureaucracy. While this may minimize the administrative apparatus, by converting the administration of many

private health plans into the administration of a single public plan, it is not clear how SB 840 could be seen as minimizing bureaucracy.

b) Maintains choice of doctors and coverage levels, and ensures additional coverage can be purchased. (Legislation Included Mixed Reflection of CaliforniaSpeaks Priorities) SB 840 establishes a minimum coverage level for all individuals in the state, and allows for individuals to choose their doctors. However, it would replace the existing system of health insurance companies, making it unclear whether additional coverage would be available for purchase.

c) Ensures quality of care for all, regardless of geography or income. (Legislation Included CaliforniaSpeaks Priorities) SB 840 establishes an Office of Health Care Quality to ensure quality of care throughout the entire system as well as patient satisfaction.

d) Doctors are paid for performance and are allowed to make their own medical decisions. (Legislation Included CaliforniaSpeaks Priorities) SB 840 includes provisions to pay providers based on performance measures. As with the other major plans discussed under health reform, it also respects the role of the provider in the medical decision making process.

Concluding Thoughts

Comprehensive health reform is extremely complex and not easily achieved. It requires balancing a number of competing interests that critically impact a wide range of stakeholders. Success requires a transparent and public process, as well as the support of the public, the healthcare community, state leaders, advocates and businesses. In 2007, California achieved a broad and robust debate that came very close to achieving reform and which was virtually unprecedented in the more than 40 years that various groups have tried to reform our healthcare system.

Clearly, the debate in California evolved over the course of the year. As policymakers moved closer towards a compromise reform plan, the plan increasingly reflected the priorities identified by CaliforniaSpeaks participants, and so increasingly reflected how the public would prefer to reform our health care system. For example, the plans moved closer and closer toward achieving universal health coverage, sought to achieve affordability for individuals and employers, and included a growing number of cost containment and quality measures such as wellness and prevention.

In thinking about next steps, state leaders and policymakers should look to the findings from CaliforniaSpeaks for important guideposts to help build even broader public support for successful reform.

APPENDIX A: *CaliforniaSpeaks*: Event Format and Description¹³

On August 11, 2007, an unprecedented statewide event was held to gather public input on California's debate on health reform. This event, named *CaliforniaSpeaks*, was a day-long, non-partisan conversation that allowed the public to share their thoughts on critical policy options under consideration by state policymakers.

Roughly 3,500 Californians gathered that Saturday at eight locations electronically linked by satellite across the state. They were joined by over 400 trained facilitators as well as many state lawmakers and Administration officials, including Governor Arnold Schwarzenegger, Senate President Pro Tem Don Perata, Assembly Speaker Fabian Nunez, and Assembly Republican Leader Mike Villines.

To ensure that participants reflected California's diversity and demography, more than two million phone calls were placed and three thousand letters were sent to Californians across the state encouraging their participation at the event. From these calls and letters, *CaliforniaSpeaks* reached more than 120,000 Californians to gather information on location, gender, health insurance status, household income, race/ethnicity, and age. Random invitations were selected from this group by non-partisan experts in statistical sampling. Although participants generally reflected the state's demographics, those who participated tended to be more female, Caucasian and middle-aged.

Locations were also chosen to include wide representation of the state's many regions, and included Fresno, Humboldt, Oakland, Los Angeles, Riverside County, Sacramento, San Diego, and San Luis Obispo. Electronic keypads and laptops were used at every location to capture each participant's response to individual questions, as well as any ideas generated through small group discussions. Results from each question were tabulated across the state and shared with participants within the hour.

Discussion topics and questions for the day were chosen based on actual decisions that state policymakers would be faced with during the debate. Six proposed change to the existing healthcare system was presented and discussed with the public, along with questions on what values should guide health reform. They were also asked to identify conditions, if any, which must be in place for their support. From this discussion, nine elements were later identified by *AmericaSpeaks* as necessary for public support of any health reform plan.

CaliforniaSpeaks also evaluated participants at the end of the day to gauge level of satisfaction. Eighty percent *CaliforniaSpeaks* participants were very satisfied or satisfied with the outcome of the event, and came away with a strong sense of urgency that health reform must be passed soon.

Created and led by *AmericaSpeaks*, *CaliforniaSpeaks* was funded by several California foundations, including the Alliance Healthcare Foundation, Blue Shield of California Foundation, the California Endowment, the California Wellness Foundation, the Sierra Health Foundation, and the San Francisco Foundation.

¹³ *CaliforniaSpeaks*, "Highlights of the August 11, 2007 Statewide Conversation."

APPENDIX B: Major Health Reform Proposals in the 2007 Debate

ABx1 1: The Legislative Compromise Bill (1/16/2008 version)

A compromise between the Governor and Legislature, ABx1 1 includes key elements from AB 8 and ABx1 2. This proposal contained five major provisions aimed towards significantly expanding affordable health coverage for Californians, including:

1. An individual mandate to acquire health coverage with exceptions for affordability;
2. Expanding public programs by extending eligibility to higher incomes;
3. Establishing a purchasing pool to serve as a source of cost-effective coverage for individuals and families who do not have access to employer sponsored coverage;
4. Revising insurance market rules, including requiring “guaranteed issue” of coverage; and
5. Requiring employers to “pay or play” in the provision of employee health coverage through employer-sponsored insurance or through subsidizing a purchasing pool.

This plan would have been financed from a number of sources, including individual and employer contributions, increased federal support through public program expansions, county contributions, a four percent hospital fee and a new tobacco tax, all subject to voter approval of a November 2008 ballot initiative.

ABx1 2: The Governor’s Second Wave Proposal (11/08/2007 version)

Although elements of the Governor’s plan were unveiled early in 2007, the details of the entire plan were placed in ABx1 2, a special session bill, in the fall of 2007. Intended to achieve comprehensive, universal coverage, this plan aimed to provide affordable health coverage to all Californians and includes all five of the major provisions in ABx1 1.

Financing for this proposal included: individual and employer contributions; increased federal funds from expansion of public programs; redirection of county safety net funding; a four percent hospital fee; and new revenues from leasing the state lottery. It would have been subject to voter approval in a ballot initiative.

ABx1 8 (Villines): The Assembly Republican Proposal (11/08/2007 version)

Not intended as a comprehensive proposal, Assembly Republican Leader Michael Villines’ legislation aimed to maximize individual choice, reduce costs, and increase access. This plan sought to assist employers and individuals in purchasing coverage by providing tax deductions and benefits through Health Savings Accounts (HSAs) and Section 125 plans. It also would have attempted to increase choice by allowing plans sold in other states to be available in California without the approval of the State Departments of Insurance (DOI) or Managed Health Care (DMHC). It would also have allowed insurers to sell products that do not include state mandated benefits. ABx1 8 included a Medi-Cal rate increase for providers and physician tax credits for charity care to the uninsured.

ABx1 8 did not include expansions of public programs or public subsidies, an individual or employer mandate, or guaranteed issue of coverage by insurers. It was largely funded by requiring large healthcare foundations, such as the California Endowment and the California

HealthCare Foundation, to spend 90 percent of their annual expenditures on health services for California citizens ineligible for coverage through a public program.

CalCare: The Senate Republican Proposal (10/10/2007 version)

Although not encompassed in one bill, CalCare Plus was a legislative package proposed by Senate Republicans aimed towards expanding access by providing incentives for more clinics, allowing use of HSAs and Section 125 plans, providing tax credits to providers who work in underserved areas or provide charity care, and changing Medi-Cal benefits to more closely match those offered in the private insurance market.

It contained many similar measures as the Assembly Republican Plan, but was financed largely by redirecting existing safety net and other health funding towards clinic and coverage expansion.

AB 8 (Núñez): The Democratic Leadership Proposal (9/10/2007 version)

Originally authored by Assembly Speaker Fabian Núñez, AB 8 was modified to include key aspects of health reform legislation by Senate President Pro Tem Don Perata. AB 8 passed out of the Legislature, but was ultimately vetoed by Governor Schwarzenegger in October 2007.

This proposal contained many of the provisions in the final compromise reform bill aimed towards expanding affordable health coverage for Californians, but did not include an individual mandate or a sliding scale for employer contributions. Instead, it imposed a “take-up” requirement on employees whose employers offered coverage for themselves and their dependents, with exceptions for hardship. It also set employer contributions at 7.5 percent of payroll, instead of establishing a sliding scale to differentiate between small and large employers. Employers were also required to offer Section 125 plans, allowing employees to pay for premiums with before-tax dollars.

Financing for this plan would have mainly come from employer and employee contributions, as well as increased state and federal support through the expansion of public programs.

SB 840 (Kuehl): Single Payer Proposal (7/10/2007 version)

Senator Sheila Kuehl’s proposal aims to provide affordable, comprehensive health coverage for all Californians by creating a new single payer system. This government-run system would replace the existing system of private health insurers and would provide a uniform, comprehensive set of benefits for all. The state would negotiate and set rates for healthcare services, prescription drugs and medical supplies.

Financed largely through a new payroll tax (3.78 percent increase in employee share and 8.17 percent increase in employer share), redirecting public sources of funding for health coverage and anticipated administrative savings, it also contains several provisions to contain healthcare costs.