

*Letter from the Director*  
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**SPECIAL ALERT: Update on California Health Care Reform**

**I. MAJOR PROPOSALS:**

There are 4 major health care reform proposals still in play in the Legislature:

- ***AB 8 (Perata Nunez): Expansion of employer-based coverage***  
AAP-CA Position: Work with author to strengthen elements of the bill that address needs of children and pediatricians in expanding care.

AB 8 reflects a merging of two bills carried by the Democratic leaders of both state chambers—Perata in the Senate and Nunez in the Assembly.

AB 8 passed though the Assembly and yesterday passed its first hurdle in the Senate. After a 2 hour debate with over 50 witnesses the bill passed the Senate Health Committee.

As currently written, AB 8 is a “pay or play” employer and employee mandate, requiring employers to pay a 7.5% payroll tax and employees 4.5% of their income, towards coverage for themselves and their dependents.

In addition to opposition from business, concerns have been raised about the high-deductible structure of mandated coverage, and the related need to clarify preventive and primary care benefits. It is also a far-from universal coverage bill; although there are provisions to cover those without employers, they would not fill all gaps. Finally, funding is deferred until 2010, and there are no provisions to increase Medi-Cal reimbursement to physicians.

AAP-CA is working with the authors on this bill, individually and as part of several coalition efforts.

- **SB 840 (Kuehl) : Single Payer**  
AAP-CA position: Work with author's office to stay informed and facilitate individual pediatrician action on the bill.

Despite clear signals from the Governor that he intends to veto 840 if it passes the Legislature (he has likened single payer to the health care system in prisons), Senator Kuehl continues to move her single-payer bill again. The nurses association is already preparing to launch a state ballot initiative to enact single payer in California through the 2008 election if the Governor does veto it.

AAP-CA has worked with the author's office on this bill, staying apprised of developments as it goes forward.

- **AB 1 (Laird) and SB 32( Steinberg): “Children-only” reform**  
AAP-CA position: Strong support of both bills

These two Democratic-authored “children-only” bills would enact universal coverage for children in California, building on the local county children’s health initiatives (“Healthy Kids”). The bills have passed out of their houses of origin and the policy committees in the second house. Primary concern with these bills is that they do not contain funding for the expansion, which would need to be accomplished through the budget.

- **The Governor’s Proposal: Individual Mandate**

AAP-CA position: Work with Governor’s office to support child and pediatrician-friendly components (e.g., increased Medi-Cal reimbursement), and to oppose harmful elements (e.g., 2% physician fee).

Despite not being contained in a bill, the Governor’s proposal for health care reform, an individual mandate with shared funding from many groups including physicians and hospitals, continues to play a significant part in the discussions. This is because the Governor must sign anything that is ultimately enacted.

## ***II. HANDICAPPING THE ODDS: WHAT’S NEXT?***

For now, the Legislature and Governor are struggling to get a budget passed, two weeks after the deadline. Republican votes are needed to pass the budget, and for now, the Republicans say they will not do so until the budget is balanced. The Governor had proposed a budget with a \$1.4 billion dollar deficit, and the Democrats have increased that to \$2 billion. Gaps would need to be filled with money “left over” from prior years and creative accounting, as the budget must, in name, be balanced. But the Republicans say it needs to be truly balanced in current year terms; Democrats say that would require massive (\$2 billion dollars) cuts in social services, health and education.

There is general agreement that negotiations over what health care reform will look like will not take place in earnest until the budget is put to bed. Further, the longer the budget takes and the more rancor that ensues the less likely it appears that meaningful health care reform will occur this year. (Evidently, a budget meeting between the Governor’s office and Legislative leadership on the budget went poorly on Monday.)

While “kids only” coverage is still a possibility, the Governor vetoed similar bills in the past when there was no funding in them, so the question is what would avoid that outcome this year.

## ***III. WHAT YOU CAN DO***

Contact your local state legislators by phone (preferable), fax or email and let them know that **UNIVERSAL COVERAGE FOR CHILDREN MUST BE PART OF ANY MEANINGFUL**

HEALTH CARE REFORM THIS YEAR. Let them know that the AAP-CA strongly supports AB 1 and SB 32.

As to larger health care reform, please feel free to advocate as an individual (not on behalf of the AAP-CA) for any of the proposals that you believe are best, including AB 8, SB 840 and the Governor's proposal. Make sure, however, that you distinguish when you are speaking for the AAP-CA (universal children's coverage) and when you are speaking as an individual (on the proposals that also include adults).

Please let me know if you have any questions. Watch for another Update soon...

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