

Projections Put Single-Payer Price-tag at \$400B; Payroll Tax Floated to Offset Cost



Amidst the ongoing, tumultuous uncertainty around healthcare in Washington,

there's been a buzz here at home that, whatever the future outcome, is impossible to ignore for now. A bill is before the California Senate that would bring a single-payer healthcare system to the state, a program so comprehensive that it would do away with deductibles, copayments, and private insurers, and would cover every resident of the Golden State, regardless of immigration status.

For the most part, the proposal has been well-received in theory (the most notable critic among some business groups opposing the idea: insurance companies, which could no longer pursue business as usual if the law were passed). However idyllic the vision, though, the reality of implementing the program is where the snags come in. Specifically, how would the state pay for it?

Up until recently, what Healthy California might cost the state, as well as ideas for how that cost might be realized, were hazy at best. But the state's Senate Appropriations Committee has released a report that offers some specifics.

Appropriations Committee's analysis projects \$400 billion annual cost

For starters, it's estimated that universal healthcare in California would cost the state around \$400 billion each year. The report's analysis has half of that being paid by a proposed payroll tax levied on employers and employees just for this purpose, a tax which of course is by no means a done deal (the other \$200 billion would hypothetically come from state and local taxpayers). Last year Colorado voters said no to an initiative that would have created a payroll tax to pay for a healthcare system that, while not as complete as Healthy California, was nearly universal coverage.

Larry Levitt, senior vice president at the Kaiser Family Foundation, told [California Healthline](#) that a single-payer system "would be more efficient in delivering health care." Of course the fact that the state would absorb out-of-pocket expenses (including premiums) that come with traditional insurance programs means that Healthy California would be expensive. "You can bet that opponents will highlight the 15 percent tax," Levitt noted, "even though there are also big premium savings for employers and individuals."

Is the state ready for "unprecedented change"?



The Appropriations Committee's report acknowledged that the results of its analysis were "subject to enormous uncertainty" in light of the fact that the proposal represents "unprecedented change in a large health care market."

According to the report, workers and employers currently fork over between \$100 billion and \$150 billion on medical care and health insurance on an annual basis. Therefore, under the proposal, new spending would amount to between \$50 billion and \$100 billion each year.

With that said, though, one of the many unknowns is whether the state would have access to federal funds under Healthy California. The Trump administration would have to approve the diversion of Medicare and Medicaid funds to California's universal healthcare program. It's anyone's guess whether that approval would be granted, which means the ballpark figure of how much the state would have to come up with falls into an even wider, hazier expanse.

Chamber of Commerce predicts overburdened employers

Health insurers aren't the only groups opposing the proposal; some business entities are too. The California Chamber of Commerce opined that the actual costs of universal healthcare would come in as much greater than anything estimated at the present time, and, as Larry Levitt anticipated, it also predicted substantial loss of jobs in the state due to payroll taxes levied on business owners.

Senator Jim Nielsen (R-Tehama) is a member of the Appropriations Committee. He echoed the Chamber's concerns, saying, "The impact on employers will be astounding. How can you say this will be fiscally prudent for the state? The state has never gotten anything right in health care."

Since there are so many questions that still need answers, the Committee has held off on voting on the initiative for now. The measure will be put before the full state Senate for a vote in June; if it passes, the thorny issue of how to fund universal healthcare will be given further attention this summer.

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