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Coverage & Access

Defeat of California Health Care Legislation Highlights Difficulties States Face in Establishing Universal Coverage

The [defeat](#) of a \$14.9 billion proposal to overhaul California's health care system "underscores a difficulty states face in achieving universal insurance coverage" and "their inability to slow the upward trajectory of health care costs," the *Wall Street Journal* reports. Marian Mulkey, senior program officer at the [California HealthCare Foundation](#), said, "The conversation in California was more about trying to find ways to pay for coverage rather than to fundamentally change the health care system and get at its big cost drivers."

Mulkey said California put itself in "that fast lane of health care spending" increases by focusing on expanding coverage without including mechanisms to reduce costs. She added that states do not have the "policy levers in their arsenal to do that kind of fundamental reform, when you consider how much of health care is driven by federal financing."

Paul Ginsburg, president of the not-for-profit [Center for Studying Health System Change](#), said, "With the economy souring, it became clear that this was way beyond California's fiscal capacity to pull off." He added, "Some of the potential policies to address costs aren't really available to states." For example, only the federal government can make changes to taxes assessed on health insurance or to the way physicians are paid. The federal government also is "better positioned to evaluate new technologies and drugs to determine whether they add enough value to justify higher costs," the *Journal* reports.

Although the defeat is a "setback for state initiatives," it is not necessarily indicative of how other states' proposals would fair "because California's enormous uninsured population's shaky fiscal health made it a poor prospect for change," according to the *Journal*. Len Nichols, a health economist at the [New America Foundation](#) who has advised Gov. Arnold Schwarzenegger (R), said achieving universal coverage in California might be tougher than anywhere else, despite the strong support from labor groups for a single-payer, government-run health care system (Rundle, *Wall Street Journal*, 1/30).

Presidential Candidates

The challenge California faced in passing a universal health coverage proposal

"illustrates the difficulty of sweeping reform and puts renewed focus on the presidential race," the [San Francisco Chronicle](#) reports. Patrick Murphy, a professor of politics at the [University of San Francisco](#) and director of the [McCarthy Center for Public Service and the Common Good](#), said, "What happened in California will certainly become part of the discussion and could push candidates to be more specific," adding, "No matter who wins, the California experience is very much an example of what a future president could face in trying to reform health care."

According to the *Chronicle*, all the candidates are calling for improvements health care affordability and availability, but the "various proposals reflect a philosophical gulf between Democrats and Republicans." Larry Levitt, a vice president of the [Kaiser Family Foundation](#), said, "The Democratic proposals are building on the employer-based system while Republicans want to shift to individuals purchasing their own coverage and be given tax incentives," adding, "The Democrats want to deliver more comprehensive benefits, while there is much more of an emphasis on health savings accounts by Republicans."

However, according to Anthony Wright, head of the California not-for-profit [Health Access](#), the question for Democrats is whether they can achieve significant change "when our nation has had a history of failed attempts" (Fernandez, *San Francisco Chronicle*, 1/30).

🔊 American Public Media's "[Marketplace](#)" on Tuesday reported on how snags in states' attempts at universal coverage could affect presidential candidates' proposals. The segment includes comments from Democratic candidate Sen. [Hillary Rodham Clinton](#) (N.Y.); Peter Harbage, a health care adviser to Democratic candidate former Sen. [John Edwards](#) (N.C.); Richard Brown of the [School of Public Health](#) at the University of California-Los Angeles; and Chris Conover, a health policy analyst at [Duke University](#) (Marshall Genzer, "Marketplace," American Public Media, 1/29). Audio and a transcript of the segment are available [online](#).

Future California Plans

Schwarzenegger and state Assembly Speaker Fabian Nunez (D) on Tuesday said they would continue working on a plan to overhaul California's health care system, the [Sacramento Bee](#) reports. Schwarzenegger said that "just because the Senate has missed this golden opportunity to pass our health care reform doesn't mean that we should walk away from reforming our broken health care system" (Furillo, *Sacramento Bee*, 1/30).

In a news conference with Nunez, Schwarzenegger said he would "regroup" with various stakeholders to devise a successful health care plan and to "find out exactly" why the bill failed. He suggested that there was something "underneath" the reasons given by opponents of the plan who argued it would impact state spending over time.

However, Alicia Trost, spokesperson for Senate President Pro Tempore Don Perata, said the Senate's only motivation for rejecting the bill was the \$14.5 billion budget deficit (*Sacramento Bee*, 1/30). Perata said that if Schwarzenegger "wants to spend his energy

working with leaders around here, he ought to spend it on the budget," adding that the governor's proposed spending plan to reduce the deficit would include cuts to health care services for low-income residents (Yi, [San Francisco Chronicle](#), 1/30).

Editorial

The California health care overhaul bill "died at the hands of Democrats," which should be a reminder to Clinton and Democratic presidential candidate [Barack Obama](#) (Ill.) that if they "want to push a major health care reform through Congress, they will have to find a way to appease their own left wing while not alienating business and taxpayers," a *Journal* editorial states. "What the California collapse should discredit in particular is the individual mandate as a policy tool for Republican reformers," the *Journal* continues, adding that "in order to be enforceable, such a mandate inevitably becomes a government mandate, and a very expensive one at that."

The editorial concludes, "Schwarzenegger's spectacular failure shows that there's an opening for Republicans to make the case for health care reform based on choice and tax-equity, not mandates and tax hikes" (*Wall Street Journal*, 1/30).