

Legislature debates sweeping reforms to health care system

by AP-News

SACRAMENTO — Approval of health care reform measures in the state Legislature on Thursday is expected to set up a summer of negotiations, in which both parties and Gov. Arnold Schwarzenegger's office will try to broker a compromise over the year's thorniest issue.

Schwarzenegger set the stage in January by outlining a \$12 billion health care reform plan, and Democrats have since taken the lead with proposals in the Senate and Assembly.

Both houses approved the Democratic plans Thursday, sending measures by Sen. President Pro Tem Don Perata and Assembly Speaker Fabian Nunez to the other chamber.

Both bills would charge businesses 7.5 percent of their payroll and send the money into a fund to pay for workers' health care coverage. That is nearly double the cost to businesses proposed by Schwarzenegger, and legislative Republicans complained the fee would result in the largest tax increase in state history.

“We have to restore some sense of rationality and confidence in this system,” said Perata, D-Oakland. “People are afraid to use their health plan, just as nobody wants to get in an accident and call their insurance agent for fear they will lose their health or vehicle insurance coverage.”

Perata's bill was sent to the Assembly on a nearly party-line 23-16 roll call vote, over the objections of all Republican senators and Democrat Lou Correa, D-Anaheim. The Assembly sent its bill to the Senate on a 47-32 vote.

“If we don't fundamentally change, each of us will be at an increasing risk of losing what we currently have,” said Nunez, D-Los Angeles. “We're going to say to all Californians that health care is a right that is afforded to everyone in this state.”

Although Republicans voted against the bills, they agreed the state should offer workers and their employers incentives to help control rising health care costs. They also agreed coverage should be extended to the estimated 6.5 million uninsured in the state.

Sen. George Runner, R-Lancaster, said the state should favor incentives over mandates for employers. It also should encourage health savings accounts for employees and ease state requirements for health coverage that help drive up costs.

But Democrats rejected efforts to include such incentives in the Assembly bill.

“We have a crazy system right now,” Runner said. “We think there's a lot of work to be done here. We want to participate in that. We hope at the end of the day, we will have a bipartisan health care plan.”

While Republicans have their own proposals, the Perata and Nunez plans will serve as the templates for negotiations over the summer, in preparation for sending a bill to the Republican governor.

Comments on the Assembly and Senate floors Thursday suggested those talks could be difficult. The parties have philosophical differences that have yet to be reconciled.

“We would like some of our market-based reforms put in place,” said Bob Huff, R-Diamond Bar. “By taxing our businesses, you give them one more incentive to relocate in a place that is more business-friendly.”

Republicans said the employee mandate at the center of the Democratic leaders' plans is illegal under federal law, a concern Democrats dismissed. The 1974 Employee Retirement Income Security Act, or ERISA, prohibits states from requiring employers to set aside health care deductions, said Assemblyman Todd Spitzer, R-Orange.

“If you dictate a specific amount that has to be applied to health insurance, you are violating federal law,” Spitzer said. “Federal law requires uniformity when it comes to health care deductions.”

If the state cannot legally require the business tax, Sen. Tom McClintock, R-Thousand Oaks, said California taxpayers would have to pick up the tab, which he estimated at \$10 billion a year.

In turn, that could lead to calls for tax increases, he said.

Others said businesses don't need the mandate because they know they must provide health insurance to compete for the best employees.

“We have provided quality health care to literally thousands of employees because the rule of the market place is the best way to attract quality employees is to pay well and then provide competitive fringe benefits,” said Assemblyman Roger Niello, R-Fair Oaks.

Some Democrats expressed reservations that even the bills offered by their party leaders did not go far enough.

Assemblywoman Loni Hancock, D-Berkeley, said she prefers California set up a more expansive universal health care system. But she said the Nunez plan was a "step forward" that would reach 70 percent of the uninsured.

"It means so many people will no longer have to fear injury, serious illness," she said.

On Wednesday, the Senate sent the Assembly a universal health care bill that would create a state-administered system covering all Californians. That bill, also sponsored by a Democrat, is similar to one vetoed by the governor last year.

Schwarzenegger's proposal this year would spread costs among individuals, employers, doctors, hospitals and the federal government. The Democratic leaders object to the governor's proposal that all residents be required by law to have medical insurance. Labor unions have said such a requirement would be unfair to the unemployed and low-income workers.

While Schwarzenegger is pushing for health care reform this year, he has no bill pending in the Legislature.

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