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Brosnan, Douglas

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Major Healthcare Reforms Advance through the California Legislature

Douglas Brosnan, MD, JD

Department of Emergency Medicine, University of California Irvine School of Medicine

Although Gov. Schwarzenegger's healthcare reform plan failed to find a sponsor in the state legislature, the Governor has succeeded in bringing reform to the political fore. Public demand for a change in the way healthcare is delivered in California crosses partisan, ethnic, regional and gender lines. A recent survey by the Public Policy Institute of California found that nine out of ten Californians support healthcare reform; two out of three oppose a physician or hospital tax.¹

Amid this swell of public demand, Assembly Speaker Núñez and Senate Pro Tempore Perata secured approval of major Democratic healthcare reforms in their respective houses of the legislature this month. The Senate's bill was "sent to the Assembly on a 23-16 vote; the Assembly sent its bill to the Senate on a 47-32 vote."² In contrast to Gov. Schwarzenegger's plan, neither bill includes a hospital or physician tax. Rather, both bills require employers to help foot the bill, either by providing health insurance for their employees or by paying 7.5% of their payroll expenses into a state-run insurance pool. Both plans also require insurance companies to cover anyone who applies and forces them to spend at least 85% of premiums on medical care. Workers served by the state pool would pay some of the insurance premium -- Perata's bill limits such costs to 5% of income, while Núñez's measure does not specify a cap. Núñez's plan, unlike Perata's, would exempt from the employer mandate those businesses that have been operating for three years or less, employ fewer than two people, or have an annual payroll of less than \$100,000.³ An independent analysis by Jonathan Gruber, an MIT professor of economics, found that both proposals are fiscally viable without a tax on doctors and hospitals while accomplishing expanded coverage to more than two-thirds of the 6.5 million uninsured Californians.⁴

A media campaign is now underway in an attempt to shape public opinion and sway legislators. In May, the "Coalition for Responsible Health Care Reform," whose sole member is Blue Cross of California, began a \$2 million advertising campaign attempting to scare Californians away from attempts at healthcare reform, drawing comparisons to the energy deregulation fiasco several years ago.⁵

In response, Together for Health Care, a group comprised of the California Medical Association, AARP, and various

hospital representatives, labor leaders, and small business interests, began a media campaign including a newspaper and television advertisement campaign that features a Los Angeles emergency physician supporting health reform measures. Also, independent film maker Michael Moore is adding his voice to the mix. He joined in a rally outside the California State Capitol advocating guaranteed healthcare for everyone, proposing a single-payer model. Moore also testified at an unofficial legislative briefing inside the State House. These events also coincide with the release of "Sicko," Moore's new documentary on the nation's broken healthcare system. The film suggests a solution that eliminates for-profit insurance companies and regulates pharmaceutical companies.⁶

Other key measures passed legislative hurdles in June. Assembly Bill 1155 (D-Huffman, San Rafael), aimed at addressing widespread abuses by health indemnity plans, passed the Assembly. This bill

Requires the Director (Director) of the Department of Managed Health Care (DMHC) to assess an administrative penalty, and require the health plan found to be in violation to pay the provider the amount owed plus interest, when the Director makes a final determination that a health care service plan (health plan) has underpaid or failed to pay a provider in violation of applicable provisions of the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene), as specified.⁷

This bill seeks to address insurance company abuses by automatically compelling insurers to pay physicians the full amount of underpayment plus interest when DHMC finds that they have been underpaid. Currently, most penalties only require that behavior be corrected going forward, leaving physicians holding unpaid bills with no recourse.

Also, Assembly Bill 1554 (D-Jones, Sacramento) would require health plans and health insurers to submit proposed rate increases for annual approval. The Assembly passed the bill Thursday, 43-33.⁸

Address for correspondence: Douglas Brosnan, M.D. J.D., 101 The City Drive, Route 128, Orange, CA 92868, Email: dbrosnan@uci.edu.

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