

Health Care Reform '07: Fixing Compromised Care with a Compromise Solution

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Health care has shaped up to be a major political issue this year in our nation's capitol and in statehouses across the country. With a starring role in the presidential debates and Michael Moore's most recent documentary, SiCKO, health care seems ready for reform.

In California, Governor Arnold Schwarzenegger dubbed 2007 the "year of health care reform." The debate so far has been a roller coaster of political ups and downs. California's Democratic legislative leaders have offered competing, then joint, proposals. Coalitions of unlikely bedfellows, including several labor, consumer, industry, and business groups, have formed both in support and opposition of reform. The state's Capitol building has been host to many dueling news conferences seeking to shape the debate.

The question is whether California can overcome its partisan divisions and stakeholder self-motivation to find a compromise and achieve universal coverage. If reform passes, California can be a major force in moving reform forward nationally.

Barriers to Reform

At first glance, the skeptics seem to have all the arguments on their side. History reminds us that political rhetoric does not always result in real world reform. Presidents Truman, Nixon, and Clinton all tried to reform health care without success.

Many California lawmakers have tried as well. Former California Governor Gray Davis signed SB 2, the 2003 "Pay or Play" proposal, only to have it repealed by a ballot measure in 2004. Last year, Senator Sheila Kuehl's single-payer bill made it to the Governor's desk only to be vetoed.

The bipartisan rhetoric that began this year of health care reform has slowly eroded. California's Republican legislative caucus never fully engaged in reform. The message has been no new taxes. One Republican leader, attacking the Governor's plan, recently stated, "health care is not a right."

In the face of such failures, it is easy to understand the ongoing skepticism. Many observers say reform, particularly in California, is not possible. The state is too big, there are too many uninsured people, there are too many big interest groups with a stake in the status quo, and the many sides are too polarized. Critics like to point out that Governor Schwarzenegger never found a legislative sponsor for his proposal. And California's reform debate has already suffered several setbacks from political grandstanding and stakeholder cynicism, including an anti-reform advertising campaign by insurer Blue Cross.

A New Culture of Reform

Yet, there is strong reason to believe that a compromise may actually be achieved. The Governor has just called a special session of the legislature which could run for the rest of the year, if needed. A recent statewide poll shows that public appetite for reform is strong. Fully

seventy-two percent of Californians reported supporting the type of comprehensive reforms proposed by the Governor.¹

Part of the reason for this public support is the significant media attention drawn to the issue by California's public leaders and multimillion dollar advertising campaigns supported by AARP, a California-based health foundation, and other health advocates. Michael Moore's SiCKO publicity campaign had a special focus on California and included testimony to the California legislature. The worsening state of the healthcare system's status quo is driving a growing sense of urgency that is helping drive the movement toward reform.

To begin with, everyone is paying more for health care. On average, insurance premiums today are twice what they were in 2000, while wages rose only twelve percent in the same time period.² The majority of Californians receive health insurance from their employers, which puts them only a pink slip away from being uninsured.

There is also a growing interest in the costs of the uninsured. It is a moral travesty that one in five Californians lack health coverage. This means that about 6.5 million Californians do not have access to, or cannot afford, basic health care. And those with insurance understand that they are helping foot the unpaid medical bills of the uninsured. In fact, a study by the New America Foundation shows that about ten percent of California health insurance premiums go to cover uncompensated care costs.³

Finally, the Governor effectively set the agenda for health reform. In sparking that debate, there is a growing media focus on heart-wrenching stories about the uninsured. Many more Californians now have a better understanding of the problems faced by individuals purchasing their own health insurance who must be in the best of health for insurance companies to even consider selling them a policy, and who may then face denial of their claims for a range of reasons.⁴

Building Coalitions

Recent successes in health care reform give hope and provide useful lessons. Massachusetts and Vermont have passed state reforms that provide near-universal coverage. San Francisco created a plan to guarantee its residents access to care.

The key to their success is compromise. Powerful and influential interests from across the political spectrum came together. They loosened their entrenched positions, bargained for what they wanted most, and worked together to produce an option that, although it may not have been everyone's ideal solution, all could agree was better than the status quo.

¹ Mark Baldassare, Dean Bonner, Jennifer Paluch, & Sonja Petek, Pub. Policy Inst. of Cal., *PPIC Statewide Survey: Californians and Their Government* (June 2007), available at <http://www.ppic.org/main/publication.asp?i=757>.

² *Health Care Access and the Aging of America: Hearing Before Subcomm. on Labor, Health and Human Servs., Educ. and Related Servs. of the House Appropriations Comm.*, 110th Cong. (2007) (statement of Ronald F. Pollack, Executive Director of Families USA), available at <http://www.healthassistancepartnership.org/assets/docs/LaborHHS-testimony-Ron-Pollack.doc>.

³ Peter Harbage & Len M. Nichols, The New America Foundation, *A Premium Price: The Hidden Costs All Californians Pay in Our Fragmented Health Care System* (December 2006), available at http://www.newamerica.net/publications/policy/a_premium_price.

⁴ Lisa Girion, *Health Insurance Options Dwindle for Self-Employed*, L.A. TIMES, Mar. 27, 2007, at A1; see also Lisa Girion, *Blue Cross Cancellations Called Illegal*, L.A. TIMES, Mar. 23, 2007, at A1.

The strength of California's chance for change rests on just this sort of cooperation—and not just between Republicans and Democrats. In our free market society, health care has become a virtual commodity that is controlled by powerful stakeholders with much to gain or lose by its design.

California has seen some success in building bridges between some stakeholders. Governor Schwarzenegger set the tone by assembling a team of long-time veterans of earlier health reform efforts and from a variety of perspectives, including Democrats, Republicans, business, government, and labor.

Several coalitions have formed, uniting labor organizers, consumer advocates, business, insurers, and providers. Many stakeholders have surprised skeptics by their willingness to come to the table for discussions and find solutions that work. For example, the California Hospital Association recently endorsed the Governor's health reform plan, despite its inclusion of a four percent hospital revenue tax.

While these efforts have helped reform stay on the top of the agenda this year, the question now seems to be whether stakeholders are going to be willing to find compromise on the key details of a reform plan—particularly around financing. There seems to be wide agreement on the need for change.

Compromise Means Shared Responsibility

Agreeing that our health care system is broken is different from agreeing on a solution. The enormity of the challenge of crafting comprehensive health care reform reflects the complexity of the problems in the system. If you ask twenty people what is wrong with the health care system, you will get twenty different responses. If you ask what the best way to reform the system is, there is even less concurrence of opinion.

The real challenge is that reform will cost serious money. Having the most innovative and advanced health care system in the world is not free and neither is guaranteeing everyone access to that system. The uninsured use about half as much care as the insured, meaning that to cover everyone, the new system will, by definition, cost more money.

The question is who will pay? Proposals have included payroll taxes for employers, provider taxes for hospitals, new federal funds, higher sales taxes and individual premium payments, where it is affordable.

There seems to be consensus that is building nationally and in California around the concept of "shared responsibility"—the idea that government, employers, individuals, and health care providers all have a role in reforming the system to make the system better for all.

Under shared responsibility everyone—from families to employers to hospitals—would be required to contribute to the system. And everyone would see the benefit. All Californians would have access to care. Hospitals would receive just compensation for services provided. And employers wouldn't be left on their own to navigate the confusing business of offering benefits to employees.

There is reason to be optimistic that meaningful change may occur if everyone shares in the opportunities and challenges of reform and if California can stay focused on the following three principles:

1. **Universal coverage must be the goal.** Providing everyone with health insurance is a moral obligation and a practical method of making our health care system function rationally. Californians are willing to invest in hard changes but only if they are meaningful.
2. **Rising costs must be addressed.** Providing universal coverage will not ensure universal access to health care services unless reform efforts also propose viable ways to rein in costs, squeeze out inefficiencies, and promote preventive health care. California must invest in technology that will build the infrastructure for a quality and cost effective health care system for the 21st century. This will also be the way to keep all Californians invested in reform, not just the uninsured.
3. **Compromise must be the mantra.** California's health stakeholders must not allow the perfect be the enemy of the good. Reform this big cannot be accomplished without some pain but if everyone can find a way to compromise and accept change, the rewards will be significant. It is important to remember that changes can be implemented over time to improve the system comprehensively and respond to unexpected developments along the way.

Lawmakers also must be innovative. The refusal of legislative Republicans to support raising revenue creates a situation where a ballot initiative will be needed. California has a rare two-thirds vote requirement to raise taxes. While this hybrid approach of passing legislation that is then funded by a ballot initiative is unprecedented in California politics, the state still has a chance to build a better health care system that guarantees health care coverage and access to all, assuring a healthy citizenry and vibrant economy for decades to come.

Whether the progress in California can be transformed into action will depend on our leaders' abilities to partner and compromise. No one will get their first choice from health care reform or be entirely happy with a new system. There is no silver bullet, no one perfect piece of reform legislation. It took decades to create our current health care mess and it will take years to fix it. Surely, all of California's problems will not be solved in one piece of legislation. More reforms will be needed as the new system grows and evolves. But it is time to take the first, most important, step.

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