

AB 2200 (KALRA) GUARANTEED HEALTH CARE FOR ALL
OPPOSE/JOB KILLER - AS AMENDED APRIL 9, 2024
SCHEDULED FOR HEARING APRIL 23, 2024





JOB KILLER

April 17, 2024

TO: Members, Assembly Health Committee

**SUBJECT: AB 2200 (KALRA) GUARANTEED HEALTH CARE FOR ALL
OPPOSE/JOB KILLER - AS AMENDED APRIL 9, 2024
SCHEDULED FOR HEARING APRIL 23, 2024**

The California Chamber of Commerce and the undersigned are **OPPOSED** to **AB 2200** (Kalra) as amended on April 9, 2024 as a **JOB KILLER**, since it would create a new and exorbitantly expensive government bureaucracy, which would control and finance a state-run health care system (CalCare), ultimately resulting in significant economic disruption, uncertainty, and job loss in California. The Healthy California for All Commission recently estimated that total health care costs annually exceed \$500 billion in California. This amounts to one-seventh of our gross state product and would more than double our state’s budget. That we are even considering this legislation is baffling, given the Legislature is currently working to resolve a budget shortfall that may be as high as \$73 billion according to the Legislative Analyst’s Office. Furthermore, Governor Newsom has indicated prudent budgeting is the solution to our tough economic times, not increasing taxes on California’s employers and workers – which **AB 2200** clearly requires.

Single-Payer Health Care is Not Free Health Care - Employers Cannot Sustain an Added Tax Burden

Single-payer health care must not be confused with free health care – there’s nothing free about a government run health plan. **AB 2200** is woefully incomplete, just like AB 1400 was, as it does not include

any funding mechanism to account for the costs needed to implement CalCare. However, considering the State's General Fund cannot come anywhere close to covering this cost even in surplus years, taxpaying Californians would be required to make up the shortfall, especially during our current deficit.

Prior single-payer fiscal analyses estimated that the system would cost more than \$400 billion annually. In 2008, the LAO analyzed the cost of a single-payer system in California and concluded that over \$210 billion would be needed in the first year to sustain such a system and would increase up to \$250 billion in subsequent years. Even with a 12% payroll tax paid both by employers and employees under that measure, the report predicted a net shortfall of \$42 billion in its first full year of implementation and even higher thereafter. Just to cover the shortfall, a 16% tax on employers and employees was estimated by the LAO, resulting in a multi-billion-dollar tax increase on Californians.

Vermont attempted to enact a single-payer system in 2011 but the efforts were derailed in 2014 when the Legislature failed to approve an accompanying 11.5% payroll tax on all employers and an individual income tax increase of up to 9.5%. Vermont's plan would have doubled the state budget and Democratic Governor Shumlin said the burden would have posed "a risk of economic shock." When asked about the failed single-payer effort, Governor Shumlin said, "What I learned the hard way, is it isn't just about reforming the broken payment system. Public financing will not work until you get costs under control." In 2019, the Committee for a Responsible Federal Budget conducted a Medicare for All analysis and found that such a model would potentially be funded by payroll tax increases, income surtaxes, value-added taxes, mandated public premiums, doubling individual and corporate income tax rates, or a combination thereof.

The kinds of tax increases needed to finance **AB 2200** would detrimentally impact California businesses and certainly discourage companies from growing or relocating here. It would likely lead to significant layoffs or relocations as existing business and employers would be forced to cut costs to sustain the added new tax burden.

AB 2200 Will Negatively Impact the Physician-Patient Relationship

AB 2200 would create a governing board that would set reimbursement rates for providers. If physicians took issue with those government-imposed rates, or if CalCare paid providers below the market average in other states, doctors may be left with little choice but to practice elsewhere. Canada's health care system includes government-set payment rates and Canadian physicians earn less than their American counterparts. However, CalCare is not a nationalized plan, it's local. Thus, California physicians could choose to practice in another state with traditional payment models if they found the choice to be beneficial.

Additionally, the CalCare model would negatively impact the physician-patient experience. Government health care is typically operated like an HMO. Patients must see their assigned primary care physician so they can delegate care, place referrals, or order testing and procedures. Californians are covered by a variety of health plans, Medicare, or Medi-Cal and the market helps ease this provider-access issue. However, CalCare would contribute to increased demand for a limited supply of physicians and facilities. Britain's National Health Service is a government-run health system and the country experiences overcrowded hospitals, long waiting lists for procedures and quality of care issues. A single-payer system would undoubtedly experience the same bureaucratic outcome under **AB 2200**.

Government Run Health Care is Less Efficient and Less Effective

The goal to provide health coverage for all Californians is laudable but establishing a state health care bureaucracy is the wrong approach. We fundamentally disagree that government systems are more efficient than private businesses and that a single-payer system would be less costly than the current private system.

AB 2200 will reduce the level and quality of health care and benefits currently enjoyed by millions of Californians. It will lead to increasingly long wait times to see a physician and will take away choice. Not just choice in physicians but choice in coverage. Under current law, those who wish to buy more, less or different coverage than others can often make those choices, just as those who have other priorities can exercise them in the market. Under **AB 2200** one size fits all, no matter what an individual's preference might be.

Californians Have Rejected Government Run Health Care

California voters have twice rejected a government-run health care system at the ballot box – in 1994 and 2004. Additionally, CalChamber polling found that voters overwhelmingly preferred to keep their current health insurance over switching to a single-payer approach. Voters strongly support subsidies for people who cannot afford their own health care and for those who have pre-existing health conditions but were not ready to embrace government-run health care.

Conclusion

California has made significant progress in providing coverage to its residents and while CalChamber shares your concerns in further increasing access to, and affordability of, healthcare, we do not believe that a government run single-payer health care system will achieve these goals.

For these and other reasons, we **OPPOSE AB 2200 (Kaira)** as a **JOB KILLER**.

Sincerely,



Preston Young
Senior Policy Advocate
on behalf of

Acclamation Insurance Management Services
African American Farmers of California
Agricultural Council of California
Alameda Chamber of Commerce
Allied Managed Care
American Composites Manufacturers
Association
American Petroleum and Convenience Store
Association
American Pistachio Growers
American Property Casualty Insurance
Association
Antelope Valley Chamber of Commerce
Associated General Contractors
Associated General Contractors – San Diego
Bay Area Council
Blue Shield of California
Brea Chamber of Commerce
Building Owners and Managers Association
Business Council of San Joaquin County
California Agricultural Aircraft Association
California Apple Commission
California Asian Pacific Chamber of Commerce
California Association of Winegrape Growers
California Attractions and Parks Association
California Beer and Beverage Distributors
California Blueberry Association
California Blueberry Commission
California Builders Alliance
California Building Industry Association
California Business Properties Association
California Business Roundtable

California Cable & Telecommunications
Association
California Cattlemen's Association
California Chamber of Commerce
California Children's Hospital Association
California Cotton Ginners and Growers
Association
California Financial Services Association
California Fresh Fruit Association
California Fuels and Convenience Alliance
California Hispanic Chamber of Commerce
California Independent Petroleum Association
California Land Title Association
California Landscape Contractors Association
California League of Food Producers
California Lodging Industry Association
California Manufacturers & Technology
Association
California New Car Dealers Association
California Pool and Spa Association
California Retailers Association
California Rice Commission
California Strawberry Commission
California Taxpayers Association
California Walnut Commission
California Women for Agriculture
Can Manufacturers Institute
Carlsbad Chamber of Commerce
Cemetery and Mortuary Association of California
Chino Valley Chamber of Commerce
Cigna Healthcare
Coalition of Small and Disabled Veteran
Businesses

Construction Employers' Association
 Corona Chamber of Commerce
 Dairy Institute of California
 Danville Area Chamber of Commerce
 Elevance Health
 El Dorado County Chamber of Commerce
 El Dorado Hills Chamber of Commerce
 Elk Grove Chamber of Commerce
 Family Business Association of California
 Flasher Barricade Association
 Folsom Chamber of Commerce
 Fontana Chamber of Commerce
 Fountain Valley Chamber of Commerce
 Fresno Chamber of Commerce
 Garden Grove Chamber of Commerce
 Gateway Chambers Alliance
 Gilroy Chamber of Commerce
 Greater Coachella Valley Chamber of
 Commerce
 Greater Conejo Valley Chamber of Commerce
 Greater Grass Valley Chamber of Commerce
 Greater High Desert Chamber of Commerce
 Greater Riverside Chambers of Commerce
 Greater San Fernando Valley Chamber of
 Commerce
 Greater Stockton Chamber of Commerce
 Health net
 Hollywood Chamber of Commerce
 Housing Contractors of California
 Independent Lodging Industry Association
 Innovating Commerce Serving Communities
 Imperial Valley Regional Chamber of Commerce
 Kaiser Permanente
 La Cañada Flintridge Chamber of Commerce
 and Community Association
 Laguna Niguel Chamber of Commerce
 Lincoln Area Chamber of Commerce
 Long Beach Area Chamber of Commerce
 Los Angeles Area Chamber of Commerce
 Mammoth Lakes Chamber of Commerce
 Manhattan Beach Chamber of Commerce
 Manteca Chamber of Commerce
 Mission Viejo Chamber of Commerce
 Metal Finishing Association of Northern
 California
 Metal Finishing Association of Southern
 California
 Murrieta/Wildomar Chamber of Commerce
 NAIOP California
 National Electrical Contractors
 National Federation of Independent Business
 Newport Beach Chamber of Commerce
 Nisei Farmers League
 North San Diego Business Chamber
 Norwalk Chamber of Commerce
 Oceanside Chamber of Commerce
 Olive Growers Council of California
 Orange County Business Council
 Palos Verdes Peninsula Chamber of Commerce
 Paso Robles Templeton Chamber of Commerce
 Pleasanton Chamber of Commerce
 Rancho Cordova Area Chamber of Commerce
 Redondo Beach Chamber of Commerce
 Rocklin Area Chamber of Commerce
 Roseville Area Chamber of Commerce
 Sacramento Black Chamber of Commerce
 Sacramento Regional Builders Exchange
 San Diego Regional Chamber of Commerce
 San Juan Capistrano Chamber of Commerce
 San Mateo Area Chamber of Commerce
 San Pedro Chamber of Commerce
 San Ramon Chamber of Commerce
 Santa Ana Chamber of Commerce
 Santa Maria Valley Chamber of Commerce
 Shingle Springs Cameron Park Chamber of
 Commerce
 Silicon Valley Leadership Group
 Simi Valley Chamber of Commerce
 South Bay Association of Chambers of
 Commerce
 Southwest California Legislative Council
 Torrance Area Chamber of Commerce
 Tulare Chamber of Commerce
 United Chamber Advocacy Network
 United Contractors
 Vacaville Chamber of Commerce
 Ventura Chamber of Commerce
 Walnut Creek Chamber of Commerce & Visitors
 Bureau
 Waste Management
 West Coast Lumber & Building Material
 Association
 West Hollywood Chamber of Commerce
 West Ventura County Business Alliance
 Western Agricultural Processors Association
 Western Growers Association
 Western Manufactured Housing Communities
 Association
 Western Plant Health Association
 Whittier Area Chamber of Commerce
 Word & Brown
 Yuba Sutter Chamber of Commerce

cc: Legislative Affairs, Office of the Governor
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