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October 30, 2020

Healthy California For All Commission

Dear Commissioners, we provide these comments from our coalition representing over 6 million Californians, and hundreds of community-based organizations, who advocated for a single-payer financed healthcare system for the Golden State.

We have reviewed the environmental analysis and financing report prepared by the Commission and offer the following comments, which we hope will help guide the Commission's work going forward.

1. **Response to Environmental Analysis**
   - We agree with CNA's detailed response.[1] We encourage the public to read their letter and that Commissioners and consultants take it seriously. Specifically, we agree that:
     - The Commission should learn the lessons of the pandemic, that a unified financing system is urgently needed (failure of employer health insurance, unreliable safety net, for-profit systems could not allocate or procure necessary medical supplies, industry payment models caused healthcare economic pain, not treating the pandemic itself).
     - Half measures don't get us to single payer. The Commission should not examine them.
     - The environmental report raises a number of legal and regulatory roadblocks to a unified financing system but does not attempt to solve them (ERISA, federal Medicare, Medicaid and ACA, prop 98, Gann limit). The Commission should propose solutions to these potential issues.

2. **Response to Financing committee presentation**
   - Commission consultant Professor Rick Kronick downplayed the cost savings potential of a single payer system, making financing it seems less feasible.
     - The consultant team was criticized by many Commissioners for asking them to evaluate financing options without knowing the cost saving potential.
     - Funding for single payer comes from two sources: Cost savings — through simplified administration, lower prescription drug prices, and reduced fraud and waste — and the new sources of revenue. The consultant team chose to only look at one of these sources of funding, the new sources of revenue, and all but ignore the other.
     - Dr. Kronick responded to this criticism by saying that the UCSF literature review from January 2020 found a median of 3.5% net cost savings, and that therefore cost savings aren't really a substantial source of financing. Dr. Kronick mischaracterized this literature review in a critical way: the 3% median net savings he cited is only the savings in the first year of implementation, and costs savings are likely to increase over time. Commissioner Dr. Bill Hsaio, the preeminent international expert on designing single payer systems, characterized Dr. Kronick's presentation as "really biased," and said that 10-15% cost savings is possible over a longer time horizon,

[1] Healthy California for All Commission Environmental Analysis: Comments by Commissioner Comsti. June 19, 2020

and that financing options should not be discussed without considering cost savings.[2] For example, a Yale study found a net saving of 13% for Bernie's Medicare For All program in Feb. 2020.[3]

- In fact, as recently as 2019, Kronick was advising Democrats not to run on Medicare for All arguing that it wasn't feasible and calling it "repeal and replace for democrats."[4]
- Dr. Kronick and the consultant team also never directly discussed Professor Robert Pollin's 2017 study, which is the only study of a California single payer system, making it the most relevant study from the UCSF lit review. Dr. Pollin's study predicts an 8% net cost savings in California in the first year.[5]
- Dr. Kronick counts loss of federal exemption for employer healthcare contributions as a loss of healthcare expenditures, instead of another potential source of funding.
- Dr. Kronick fails to mention that the cost savings from the UCSF literature he cites are not inevitable but are the results of policy choices.[6] California can achieve above average cost savings if we more aggressively go after prescription drug pricing for example.

- Moreover, Dr. Kronick presented the financing options unattractively. He presented five options and characterized each of his options as either regressive or not politically feasible. His framing does not put forward a single feasible option.
  - Dr. Kronick calls increasing income taxes the most progressive option, but calculates that a unified financing system would have to double state income taxes on all brackets, which is politically impossible.[7]
  - Dr. Kronick calls gross receipts taxes on large corporations regressive, following from a neo-classical economics assumption that firms will pass on these taxes to consumers equally. Dr. Kronick does not suggest any carve outs for smaller or essential businesses which are critical to the fairness of any successful business tax regime. For example, much of the rest of the world's single payer programs are supported by Value-Added Taxes (VAT) on businesses, which typically exempt essential items like food. San Francisco's local gross receipts tax for example has different tax rates, or schedules for different types of business, in order to lower rates on grocery stores, and raise them on large tech and financial companies.
  - Dr. Kronick similarly calls a sales tax on services regressive because he assumes it taxes consumers equally. The Pollin study proposes offsets that remove regressivity, but Dr. Kronick does not address that. The services listed to be taxed include real estate, legal services, are mostly not essential services and are likely not to fall on consumers equally.

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[2] Kronicks's exchange with Commissioner Hsiao in August 13th meeting, breakout group 3, :05-:10 https://youtu.be/FLkPdz6gnss

[3] Galvani et. al. "Improving the prognosis of health care in the USA." February 15, 2020.

[4] Richard Kronick talked at Claremont Graduate University. "Is 'Medicare for All' the Democrats' "Repeal and Replace'?." February 5, 2019.

[5] Pollin et. al. "Economic Analysis of the Healthy California Single-Payer Health Care Proposal (SB-562)." May 31, 2017.

[6] Cai C, Runte J, Ostrer I, Berry K, Ponce N, Rodriguez M, et al. (2020) Projected costs of single-payer healthcare financing in the United States: A systematic review of economic analyses. PLoS Med 17(1): e1003013.

[7] Kronick calls income taxes "the most progressive option" in breakout room three. His pre-presentation on financing options call GRT and sales tax on services regressive:

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3. **Recommendations for the Commission**
   - The Commission should put forward a realistic estimated range of cost savings potential, through at least several years of implementation, and consider it a source of funding. With cost savings and public relations in mind, the Commission should return more seriously to the topic of other sources of funding. Cost savings are critical to winning public support, which should be a goal of the Commission. Californians should be able to know how they can save money on healthcare spending through a single-payer system.
   - We believe financing mechanisms can be crafted in a way that is progressive and raises the revenue necessary to fund a single payer system. Following the work of Professor Robert Pollin and others, we believe that a gross receipts tax can be carefully combined with payroll taxes in a way that balances the impact on labor-intensive and capital-intensive business, protects small business, and redistributes healthcare spending. We propose the Commission look seriously at:
     - Gross receipts tax
     - Payroll taxes
     - Sales (or creative taxes)
     - And apply those taxes in the most advantageous way to the taxed entity (e.g. so that gross receipts tax applies to labor-intensive businesses, and a payroll tax applies to capital-intensive businesses, with exemptions for small businesses.)

     We urge the Commission to consult the June, 2011, study by Commissioner Hsiao, which explicitly considered the fiscal, legal and institutional constraints on reform:

     https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2011.0515

Thank you for your work and consideration of this information. For more detail and background, we have attached a report prepared by the National Union of Healthcare Workers (NUHW) that summarizes the financing presentation and our analysis of the options and deficiencies in the Commission's work to date.

We look forward to an on-going collaboration to establish a program that can achieve guaranteed healthcare for all who live in California.

Sincerely,

Cindy Young, President

Sal Rosselli, Vice President

On Financing Single Payer in California

Analysis by Nate Horrell and Yvonne Yen Liu, National Union of Healthcare Workers (NUHW), September 2020

These comments are intended to help the Healthy California for All Commission, formed in December 2019 and charged with developing a plan to transition the state to a unified financing system, "including, but not limited to a single payer financing system" to fulfill its mission, [1] despite the timeline for the Commission that has been pushed back by the pandemic.

Summary of the Commission's August 13, 2020 financing discussion

In particular, we respond to the August 13th Commission meeting that discussed the topic of financing, an issue which has served as a roadblock by opponents in the past. The Commission shared a presentation on financing by Rick Kronick, PhD of UCSD, of the consultant team led by Dr. Andy Bindman of UCSF.[2] The presentation presented a limited menu of financing options (payroll tax, flat tax, gross receipts tax, sales tax, progressive income tax) and evaluated them according to seven criteria (equity, adequacy, "do no harm," neutrality, stability, simplicity, and healthy behavior).[3] The goal of the financing program is to replace $127 billion in employer and employees' healthcare contributions annually (in CA in 2019), and some or all of the $66 billion that households in CA spent in out of pocket costs. In a glaring omission that ignores the fundamentals of system design, ***the consultant's presentation did not estimate cost savings that may result from single payer***. Moreover, it is difficult to evaluate these financing options because they lack detail (few dollar figures or specific carve outs included), and many lacked specific citations. Dr. Kronick was most enthusiastic about the flat tax proposed by Berkeley economists Saez and Zucman and argued most vociferously against the gross receipts tax, calling it regressive. Dr. Kronick concluded that one source of funding is likely to be insufficient and "revenue sources can be mixed in complementary ways to maximize the state's goals." Dr. Kronick also referred to a few supplemental tax options which could each raise a few billion dollars each, including a millionaire's tax and closing corporate tax loopholes, but dismissed them as too small. Dr. Kronick at least noted that "the existing healthcare financing system is extremely regressive," through payroll and household spending on premiums etc.[4] Dr. Kronick was widely criticized by Commissioners for presenting too narrow a range of options, for not targeting wealth, large corporations, or providers, for not supplying the potential cost savings from single payer which can lower the revenue target, and for not considering any real institutional or political context which come with proposing new taxes.

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[1] Governor Newsom Announces Healthy California for All Commission. December 18, 2019

[2] Financing Considerations: Background for August 13 Commission Meeting. Rick Kronick, PhD, UCSD.

[3] These criteria are defined on pg. 18 of Kronick's 8/13/20 pre-presentation.

[4] Quote from Kronick 8/13/20 pre-presentation webinar (5:15).

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Consultants proposed the following criteria for evaluating financing options

Professor Kronick's presentation proposed the following criteria and defined them as follows. These criteria were criticized or questioned by many Commissioners.

Equity	Do taxes reflect an individual's ability to pay? Are they progressive or regressive? Are different types of households or firms treated unfairly?
Adequacy	Can the tax meet the revenue needs? Dr. Kronick's presentation set the goal of funding 100% of the 2019 employer and employee contributions to healthcare in CA of $127 billion and "some or all" of the $66 billion in household spending on healthcare, with no consideration of potential cost savings.
"Do no harm"	Will the tax retain federal income tax exemption, or will a chunk of employer healthcare savings be lost to increased federal income taxes? A goal that Dr. Kronick set for the Commission is to "Avoid federal income tax increase." Seems to contradict the presentation's other goal of passing on employer savings in the form of wage increases. Potential wage increases are viewed as a negative because they increase federal payroll tax revenue.
Neutrality	Will the tax cause "economic distortions"? Hurt competitiveness, capital investment, etc.
Stability	Exposure to economic downturn.
Simplicity	Do they require a new administrative agency or new tax collection infrastructure?
Healthy Behavior	Do taxes incentivize healthy behavior? Dr. Kronick's example: Soda tax

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Response from Commissioners to criteria

- Carmen Comsti (CNA) responded that **“Do no harm”** and **neutrality** are inappropriate measures. “Do no harm” because it seems to rank wage increases as a punishment and is totally out of sync with the needs of working people. Commented that neutrality is problematic because it seeks to maintain the status quo.
- Sara Flocks (CA Labor Fed), Jim Wood (D-Santa Rosa) and Janice Rocco (Fmr, CA Dept of Insurance) all raised the importance of cost control.
- Anthony Wright (Health Access CA) added that political feasibility should be a criterion. Wanted to reassure the middle class that their taxes won't increase like Warren’s 2020 M4A plan.
- Several Commissioners suggested that **equity** was more important than any other principle (Sandra Hernandez, CA Health Care Foundation; Comsti).

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A review of the five options presented by the Commission and recent literature

Options as Presented by Consultants	***Pros and Cons according to Consultants***[5]	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*[6]	***Other Studies and Commissioner Comments***
Baseline Assumptions re: Costs	Goal is to replace $127 billion in employer and employees' healthcare contributions annually (CA 2019), and "some or all" of the $66 billion that households in CA spent in out-of-pocket costs. (Meaning program would need to raise $127 to $193 billion annually.) Commission asked to consider financing without a projection of cost savings ("without knowing how much revenue needs to be raised," Dr. Kronick admits). Dr. Kronick refers to median 3% cost savings in the UCSF-led January 2020 economic analyses review, as a way of saying that cost savings are not a significant factor in financing single payer. Consultants assume that financing sources will be dedicated to healthcare (will override Prop. 98 restriction of 40% of revenue for education, for example).	Total CA healthcare spending was $368.5 billion (2016), estimated to increase to $404.1 billion because of increased utilization through expanded coverage to the uninsured and underinsured. After cost savings, the study estimates the total cost to be $331 billion (2017). After federal waivers redirecting federal funding, the study estimates the state needs to come up with **$106 billion annually**. Predicted the single payer program could achieve a 18% cost saving resulting in **8% net cost savings,** even after a 9.6% increase in costs because of new utilization.	***UCSF Lit Review (Jan 2020)*** A UCSF-led comprehensive review of economic analyses of single-payer programs found a median 3.5% net cost savings of total healthcare spending ***within the first year*** of the 22 studies reviewed.[7] UCSF notes that ***net cost reduction is likely to grow over time.*** The review notes that variation in policy choices likely explains many of the differences in cost saving.[8] ***Yale study (Galvani et. al., Feb 2020)*** Study calculated that a national Medicare-for-all program would lead to a **net savings of 13%** of national healthcare spending or $450 billion annually.[9]

[5]Rick Kronick, PhD with help from Laurel Lucia and Ken Jacobs, per pre-presentation webinar.
[6] Economic Analysis of the Healthy California Single-Payer Health Care Proposal (SB-562)
[7] "Single-Payer Systems Likely to Save Money in US, Analysis Finds", UCSF, January 15 2020.
[8] Cai C, Runte J, Ostrer I, Berry K, Ponce N, Rodriguez M, et al. (2020) Projected costs of single-payer healthcare financing in the United States: A systematic review of economic analyses. PLoS Med 17(1): e1003013. https://doi.org/10.1371/journal.pmed.1003013. Pg. 4.
[9] Galvani A, Parpia A, Foster E, Singer B, Fitzpatrick M, et al. (2020). Improving the prognosis of health care in the USA. The Lancet HEALTH POLICY| VOLUME 395, ISSUE 10223, P524-533, FEBRUARY 15, 2020. https://doi.org/10.1016/S0140-6736(19)33019-3

Options as Presented by Consultants	*Pros and Cons according to Consultants*	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	***Other Studies and Commissioner Comments***
Baseline Assumptions re: Costs (cont'd)		Specifically calculates cost saving driven by administration, drug pricing, fee structure for providers, as well as reducing fraud and waste.	The Yale public health researchers created an online tool to estimate the cost savings of various single payer plan elements.[10] ***Commissioners on the importance of cost savings*** Several commissioners raised the importance of cost savings in determining financing. (Comsti, Wood, Flocks, Rocco). "These revenue measures will only work if costs are controlled" (Sandra Hernandez).[11] Commissioner Bill Hsiao expressed that cost savings and personal savings for consumers are critical to successfully getting public buy-in. Dr. Hsiao asserted that Dr. Kronick's report significantly underestimated the cost savings potential **(3% vs. 10-15% suggests Dr. Hsiao**).[12]

[10] http://shift.cidma.us/
[11] Commission financing meeting breakout room 1.
[12] In breakout room 3 (5:00-10:00)

Options as Presented by Consultants	*Pros and Cons according to Consultants*	*Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)* *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	*Other Studies and Commissioner Comments*
Baseline Assumptions re: Costs (cont'd)			Several commissioners raised the issue of funding for education, because 40% of new revenue raised must go to education according to prop. 98 (Wood, Flocks, Hernandez). Wood suggested that single payer financing may need a ballot measure to override that rule and earmark new funds for healthcare.[13]
1) Payroll Tax "Replace employment-based spending with a payroll tax" Payroll taxes would ideally capture the increases in wages caused by employer passthrough of health savings. 1% tax = $12.5 billion, 10.1% tax = $127 billion = entire employer annual contribution.	***Pros*** ● "Would be more progressive if it exempts the first $20k." ● "Retains federal tax advantage of employer paid system." ***Con*** ● Favors businesses that rely on machines, incentivizes automation.		Dr. Hsiao raised the issue that payroll taxes don't grow with GDP.[14] On the other hand he pointed out that payroll taxes give workers a sense of ownership of the program. Sen. Sanders' Medicare for All Act (S. 1129)[15], proposed a 10% payroll tax to replace employer spending on premiums. Sen. Sanders and proponents calculated that employer premiums are equivalent to a 12.29% payroll tax.

[13] Breakout room 3 (11:00)
[14] Breakout room 3 (20:00)
[15] S. 1129 – Medicare for All Act of 2019, as discussed by Yale/Galvani study

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Options as Presented by Consultants	***Pros and Cons according to Consultants***	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	***Other Studies and Commissioner Comments***
1) Payroll Tax (cont'd) "Replace employment-based spending with a payroll tax" Payroll taxes would ideally capture the increases in wages caused by employer passthrough of health savings. 1% tax = $12.5 billion, 10.1% tax = $127 billion = entire employer annual contribution.			Commissioner Sandra Hernandez said she would not like to see any regressive taxes as a part of the financing. Payroll taxes wouldn't draw from firms that rely on the 1099 workforce. Incentivizes gig economy firms, outsourcing (depending on outcome of Prop. 22/AB 5).
2) Flat Tax on Labor and Capital "Flat tax on labor and capital income: compensation, corporate profits, interest." Proposed by Saez and Zucman. 1% tax = $18-20 billion a year.	***Pros*** ● Scalable and grows with the economy. ● Stability through diversification ● "Retains federal tax advantage of employer paid system." ● "could make more progressive by exempting the first 20k in income." ***Cons*** ● New approach, some new administrative processes necessary		*Why not make it progressive instead of flat (regressive)?* Dr. Kronick asked Commissioners for comment on this proposal in a breakout group and got no response beyond a thumbs up from one Commissioner.[16]

[16] Breakout room 3 (26:00)

Options as Presented by Consultants	***Pros and Cons according to Consultants***	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	***Other Studies and Commissioner Comments***
3) Gross Receipts Tax on businesses' revenue. No exceptions proposed. Projects that 1% tax = $40 billion a year	***Pros*** ● Scalable ***Cons*** ● Regressive, effectively a sales tax ● Loss of wage benefit to federal income tax payments ● Rewards vertical integration by taxing every firm in a supply chain. Disproportionately hurts businesses with large cash flow and low margins ● Requires new tax collection infrastructure	***Proposed a gross receipts tax of 2.3%*** Applied to all businesses in California. First $2 million in receipts exempted (which exempts small businesses) – This directly contradicts Dr. Kronick's analysis and goes unmentioned by him. Generates $92.6 billion annually. ***Pros*** ● Broad impact, all businesses generate some positive level of receipts. ● Doesn't favor businesses that rely on machines, like a payroll tax. ***Cons*** ● Hurts small businesses. This is avoided with $2m exemption. Larger firms will provide 71% of revenue.	Commissioner Hsiao pointed out that most European nations with unified financing use a **value added tax (VAT)** instead of **gross receipts tax**, because VAT taxes only the value added to each product as it moves through the supply chain instead of collecting a flat rate from the same product over and over.[17]

[17] Breakout room 3 (22:00-25:00)

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Options as Presented by Consultants	***Pros and Cons according to Consultants***	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	***Other Studies and Commissioner Comments***
4) Sales Tax on Services "Sales and use taxes on certain services." CA currently taxes goods but not services. Would exempt healthcare, education, childcare, entertainment. Includes finance, real estate, legal, commercial development, etc. Matching 7.25% state sales tax rate on goods = $50 billion	***Pros*** ● Scalable, low volatility ***Cons*** ● Regressive ("like all sales taxes") ● Wouldn't generate enough revenue on its own (would need a 16-17% tax rate to cover employer's contribution) ● Wages could increase (loss of federal income tax) ● Requires new tax collection infrastructure	***Proposed a sales tax of 2.3%*** Exempts all spending on housing, utility, and food at home. Exempts purchases from nonprofits. Exempts 10% of recreational purchases (so it exempts veterinary services). Exempts a broad range of service expenses, categorized as "other services", categorized as "other services" (i.e. legal and accounting services, professional dues, funeral and burial services, personal care and for-profit educational institutions). Not exempted: financial services for-profit educational institutions, and most forms of recreation (i.e. gambling). 2% income tax credit for families currently insured through Medi-Cal, to fully offset their 2.3% sales tax spending. Generates $14.3 billion ***Pros*** Broad impact, everyone who purchases goods will be subject to sales tax ***Cons*** Regressive—low-income consumers spend more, save less; therefore, paying higher share of their income in sales taxes. Avoid this if exempt food, housing, and utilities (what low-income households spend money on).	The Pollin sales tax proposal sharply limits the regressive features of a sales tax, unmentioned by Dr. Kronick's analysis.

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Options as Presented by Consultants	***Pros and Cons according to Consultants***	***Economic Analysis of Healthy California Single-Payer Health Care Proposal (SB 562)*** *Political Economy Research Institute, UMASS Amherst (Pollin et. al., 2017)*	***Other Studies and Commissioner Comments***
5) Progressive Income Tax "Raise California income taxes for all tax brackets" LAO says 10% increase in each bracket = $10 billion a year. To raise $100 billion, would need to double the state income tax rate in all brackets.	***Pros*** ● "Most progressive of the options presented today." (A debatable assertion, in our view). ● Simplicity ***Cons*** ● Concerns about people leaving the labor force, stifling competition. ● Wages increase ("do no harm")		Sen. Sanders' Medicare for All Act (S. 1129) proposed a 5% tax on household income exceeding the standard deduction. Pollin and colleagues provided a comprehensive analysis of the redistributive effects of Sanders M4A bill in their 2018 study.

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Options as Presented by Consultants	***Pros and Cons according to Consultants***	***Other Studies and Commissioner Comments***
Supplemental options Millionaire's tax. 1% tax on income over a million and 3% on incomes over $3 million would generate $4.5 billion annually. Closing a set of corporate tax loopholes would generate $6 billion. Taxing unrealized capital gains would raise $3 billion.	Dr. Kronick estimates these could raise $20 billion or more if stacked together but that the five options outlined above are the "only plausible" options to raise the $150-180 billion needed.	*Other revenue ideas from Commissioners*[18] ● Several Commissioners called for a **wealth tax** instead of a standard income (Comsti, Dr. Rupa Mayra, Wright, Dr. Bob Ross). ● Dr. Mayra suggested a tax on industries which harm public health (soda, sugar, pesticides, fossil fuel), Rocco agreed. ● Flocks would like to close all wasteful tax credits and thinks there's no way to separate the single payer financing program from a broader statewide tax reform. ● Richard Scheffler suggested a **provider tax** on hospitals and an excess **profits tax** on pharmaceuticals. Called for a separate group to think of innovative taxes.[19] Comsti agreed with provider tax and pointed out that non-profit tax exemption will be as out of place as ever since uncompensated care will no longer be necessary. ● Wright proposed a guarantee of some kind, could the program guarantee that no one will pay over x% of their income and get comprehensive coverage.[20] ● Scheffler suggested a mix of **private and public funding** and **Biden's public option** as other potential sources of financing. ● Hsiao commented that **payroll taxes** often don't grow with GDP which means there may need to be revenues in the future. He pointed out the positive part of payroll tax is it gives everyone ownership or investment in the system, as opposed to receiving welfare.

[18] From 8/7/20 environmental report appendix with Commissioner comment letters:
And 8/13/20 Commission meeting synopsis
And meeting video.
[19] Breakout room 2 (15:00-18:00)
[20] Breakout room 2 (20:00)

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Carmen Comsti's Letter to the Commission

Carmen Comsti (CNA) submitted 33 pages of detailed comments on the Commission's first draft of the environmental report on June 19, 2020.[21] Comsti argued that the consultant team was taking the Commission in the wrong direction, by characterizing piecemeal reforms as bold and necessary steps to achieve single payer. Instead of suggesting these inadequate measures, the Commission should be helping draft state legislation and federal waivers for a single payer system, according to Comsti.

The environmental report doesn't address financing options with much specificity beyond raising legal obstacles in state law. Comsti's response includes some financing ideas, which the Commission should investigate. Comsti goes on to say that the following list is non-exhaustive.

"Reexamine state budget priorities to increase state health dollars:

- Redirect funds from policing and incarceration into health care
- Redirect corporate tax subsidies into health care
- End provider tax breaks for community benefits and redirect those funds and other charity care funds into a single-payer system**.**

We should begin to identify potential revenue sources such as:

- Corporate taxes
- Gross receipts taxes
- Wealth taxes
- Progressive payroll taxes
- Non-profit provider fees"

UCSF Literature Review (January 2020)[22]

UCSF-led researchers surveyed 22 leading single-payer economic studies in January 2020. The review compares the net cost savings of the 22 studies of single payer conducted from 1993 to 2018, including 8 studies of national single payer plans and 14 studies of state-level plans. It doesn't comment on specific financing mechanisms (which it is not included in the chart above). Pollin's 2017 study of SB 562 is included in the review and is the only study of a California state system. The study includes every economic analysis of a US-based single payer system over a 30-year period which met their technical analysis standards, and shared similar plan characteristics, for example no plans with third-party intermediaries were included.

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[21] HFCA Comments. California Nurses Association / National Nurses United.

[22] Projected costs of single-payer healthcare financing in the United States: A systematic review of economic analyses

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UCSF Literature Review (cont'd)

Top line findings

- 19 out of 22 studies predicted net cost savings within the first year of program operation.
- Median cost savings was predicted at 3.46% of total costs within the first year (with a range of increase of 7.2% to a savings of 15.5%)
- ***20 of 22 studies predicted saving over several years and all plans predicted long-term net savings.***
- Higher utilization increased costs from 2% to 19.3% (median 9.3%).
- Total savings ranged from 3.3% to 26.5% (median of 12.1%).
- The largest source of savings was simplified payment administration (median savings of 8.8%)
- The best predictor of savings was the magnitude of utilization increase (related to the number of uninsured and underinsured), and savings on administrative and drug costs. Level of cost savings depends on plan features and implementation.

Consultant Rick Kronick's reference to the UCSF literature review as a way to dismiss the importance of cost savings was misleading in several ways:

Consultants referred only to cost savings in the first year

UCSF's review found a median 3.5% net savings of total healthcare spending within the first year of the 22 studies reviewed. Kronick failed to mention that the 3% he was referencing was in the first year. UCSF noted that net cost reduction is likely to grow over time: "Over time, utilization increases are stable and projected savings grow, leading to larger estimates for potential savings. In the long term, projected net savings increase, due to a more tightly controlled rate of growth. For the 10 studies with projections for up to 11 years, each year resulted in a mean 1.4% shift toward net savings."[23] This information, and a more thorough analysis of recent economic studies of single payer financing, would have been helpful for Commissioners in tackling this topic.

California's single payer system can achieve more than the UCSF median net cost savings

Net costs savings depends in part on how much utilization increases, driven both by the number of newly insured individuals as well as the generosity of benefits. California's uninsured rate of 8.2% is lower than the national average of 10.4% at the time of that study.[24] The Commission will need a more specific prediction of the likely increase in utilization than the median from this literature review.

[23] UCSF literature review, page 9

[24] Key Facts about the Uninsured Population, 2019. Kaiser Family Foundation.

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UCSF Literature Review (cont'd)

In addition, the literature review notes that variation in policy choices likely explains many of the differences in outcomes.[25] In that sense, it's up to the Commission to design a plan to maximize cost savings. The literature review studied four types of cost savings. All plans included administrative savings but only some include the other three cost saving policies:

- Administrative savings (vary from 1.2% to 16.4% savings, median 8.8%)
- Lowered prices for drugs and medical equipment (included in 12 of 22 plans, savings range from .2% to 7.9%)
- Shift to Medicare payment rates (included in 8 of 22 plans, savings range from 1.4% to 10%)
- Reduced fraud and waste (included in 10 plans, savings range from .4% to 5%)

Dr. Kronick cited the literature review's findings without pointing out this context. The Commission's single payer cost savings can vary dramatically depending on if it addresses drug prices or not, for example.

Other related policy issues which remain unresolved

Mandating wage passthrough

- It is critical that a progressive unified financing proposal include a mandate that employers pass through savings in healthcare contributions on to their workers in the form of wage increases.
- Dr. Kronick noted that even if 100% pass through is achieved, employees still lose 30% of the wage increase through payroll and income taxes, seemed to argue against wage passthrough.

State constitutional constraints

- **Prop. 98 (1988)** – requires that 40% of general fund revenues must go to education. It is possible that "special fund" revenues, which are not mentioned in the proposition, would not be counted in Prop. 98 calculations. The question is up to legal interpretation. Scott Graves from the CA Budget and Policy Center argued to the Assembly in 2018 that special fund revenues should not be counted, but that doing so through legislation could prompt a lawsuit.[26]
- **Gann Limit (Prop. 4, 1979) -** Created a limit on appropriations over a two-year period, based on 1978-79 spending but adjusted for population and cost of living. Only applies to some state taxes. Tax increases needed for a single payer system could exceed the Gann limit in which case "excess revenues" would need to split between Prop. 98 spending and tax rebates. To avoid the Gann limit, the legislature could ask voters to override the Gann limit (and Prop 98 issues) through a new ballot measure.

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[25] UCSF literature review, Pg. 4

[26] Constitutional Constraints on Moving Toward Universal Coverage in California. Scott Graves, California Budget and Policy Center, before California State Assembly Select Committee on Health Care Delivery, February 2018.

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Other related policy issues which remain unresolved (cont'd)

State constitutional constraints (cont'd)

- Dale Fountain of Enact Universal Healthcare for CA Inc. presented on the California Healthcare Roadblock Removal Act at the state Assembly hearings in 2018, a proposal to ask voters to remove both limits for the purpose of financing a single payer system in California.

Reserves

- Dr. Kronick raises reserves as another issue area to be addressed by a unified financing proposal. Suggests negotiating a line of credit with the federal government.

Who is Professor Rick Kronick?

- Health policy expert picked to advise the Commission on financing.
- Served in the Obama administration from 2010-2016, and was a senior health policy advisor to the Clinton administration from 1993-94.[27]
- In February 2019, Dr. Kronick gave a talk called "Is Medicare for All the Democrat's 'Repeal and Replace'?" in which he argued that Democrats run on M4A but like "repeal and replace," "when forced to specify the details of how to do so, were unable to fashion a plan that could mobilize popular support."[28]
- Advised the state legislature on steps to unified financing in 2018.[29]

[27] Rick Kronick academic home page, UCSD.
[28] DPE Tuesday Talk Series: Richard Kronick, "Is 'Medicare for All' the Democrats' "Repeal and Replace'?" February 5, 2019. Video of the talk here.
[29] A Path to Universal Coverage and Unified Health Care Financing in California. March 12, 2018.

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Questions of Commission to Address

1. **Comprehensively spell out other progressive financing options**
    a. **Provider tax**
        i. How much state income tax could be raised from non-profit health systems in CA (fairly easy to calculate)
        ii. How much property tax? How to redirect property tax to healthcare?
    b. **Wealth tax**
        i. How could the state access some of California's incredible wealth?
            1. Wealth tax of individuals like Warren's 2020 proposal?
            2. How to target tech company wealth?
            3. Extraction tax for oil and gas?
    c. **Public health tax --** Would we like to propose taxing industries which harm public health?
        i. What would it look like? How much could it generate? How would you determine which firms or industries harm public health?

    d. **Progressive Gross Receipts tax?** Or any progressive tweaks of the five options presented?
        i. We propose the PERI 2017 options, with application of either gross receipts tax and payroll tax to businesses based on the most favorable impact on the business.

2. **Provide comprehensive analysis on cost savings options. The Commission should make recommendations for cost savings, and should return to the question of financing with a shared understanding of what cost saving is possible.**

Edited by Michael Lighty