

CITY OF OAKLAND  
COUNCIL AGENDA REPORT

OFFICE OF THE CLERK

TO: Fellow Members of the Rules & Legislation Committee 2006 JUN 23 PM 4: 19  
FROM: Council President Ignacio De La Fuente  
DATE: Thursday, July 13, 2006  
RE: **A RESOLUTION URGING THE STATE LEGISLATURE AND THE GOVERNOR OF CALIFORNIA TO PROVIDE COMPREHENSIVE UNIVERSAL HEALTH CARE FOR THE PEOPLE OF CALIFORNIA BY ENACTING SENATE BILL 840, "THE CALIFORNIA HEALTH INSURANCE RELIABILITY ACT."**

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### **SUMMARY OF THE RESOLUTION**

This Resolution urges the State Legislature and the Governor of California to provide comprehensive universal health care for the people of California by enacting Senate Bill 840, "The California Health Insurance Reliability Act."

### **FISCAL IMPACT**

There should be no net fiscal impact to the city government. If the state government enacts SB 840, Oakland's city government, as with all California employers, would no longer pay health care premiums for its employees because those employees would be covered under a new, more efficient state-wide system. However, Oakland's city government, as with all California employers, would be required to pay into the system to help fund universal health care. The elimination of health care premium costs should offset the increase in other required payments.

### **ENVIRONMENTAL IMPACT**

There is no direct impact to the natural environment.

### **BACKGROUND**

If enacted by the state government, SB 840 would provide health insurance to all Californians including the approximately 5 million Californians who are uninsured. All Californians would be consistently covered by this health care insurance system because it would not be subject to a person's changing income or employment status. SB 840 would provide high-quality medical care because consumers would have the freedom to choose their personal primary caregiver.

The complete 94-page bill (SB 840) is available on-line at  
[http://info.sen.ca.gov/pub/bill/sen/sb\\_0801-0850/sb\\_840\\_bill\\_20050712\\_amended\\_asm.pdf](http://info.sen.ca.gov/pub/bill/sen/sb_0801-0850/sb_840_bill_20050712_amended_asm.pdf)

To save paper, we have attached only the first 7 pages of the 94-page bill which include the objective analysis by the State's "Legislative Counsel" as well as Chapter 1 of the bill entitled

“General Provisions.” We have also attached a 2-page summary from the League of Women Voters of Oakland which has endorsed the bill.

SB 840 is authored by State Senator Sheila Kuehl, a Democrat from Los Angeles, and is co-sponsored by Oakland’s state legislators, Assemblywoman Wilma Chan, Assemblywoman Loni Hancock, and Senate President Pro Tem Don Perata.

SB 840 would create a “single-payer” health care system whereby a new California Health Insurance Agency and a newly elected Health Insurance Commissioner would reduce costs by streamlining the multiple administrative layers burdening the current system, by eliminating the need for uninsured patients to visit emergency rooms for routine care, and by increasing the ability of Californians to take advantage of preventative medical care.

The White House and the United States Congress have failed repeatedly to enact laws to provide universal health coverage and there is little hope that they will accomplish this important goal in the near future. It is impractical for every city government, with their limited tax bases and relatively large numbers of uninsured households, to subsidize health insurance in order to cover 100% of their residents. SB 840 would, therefore, leverage the economies of scale, the immense purchasing power, and the broad tax base of California, which is the most populous state in the country and the 6th largest economy in the world.

How would this state law pay for universal health care? A variety of taxes are required to fund the proposal including a payroll tax, business income tax, and a tax on un-earned (investment) income. These new expenses will, for most households, be offset by eliminating the current expenses of health insurance premiums (currently paid by both employers and employees) and payments made directly to health care providers. Although there will be a net savings in health care expenditures statewide, some higher-income households will pay more for health insurance.

For additional information on the costs and benefits of SB 840 (formerly SB 921), a 113-page analysis by an independent health care consulting firm entitled, “The Health Care For All Californians Act: Cost and Economic Impacts Analysis” is available on-line at: [www.lewin.com/Lewin\\_publications](http://www.lewin.com/Lewin_publications).

**ACTION REQUESTED OF THE CITY COUNCIL**

I am asking the City Council to approve this Resolution to urge the State Legislature and the Governor of California to provide comprehensive universal health care for the people of California by enacting Senate Bill 840, “The California Health Insurance Reliability Act.”

Thank you for your consideration.

2006 JUN 29 PM 4:19

Approved as to Form and Legality

## OAKLAND CITY COUNCIL

  
City Attorney

RESOLUTION NO. \_\_\_\_\_ C. M. S.

INTRODUCED BY COUNCILMEMBER President IGNACIO DE LA FUENTE

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**A RESOLUTION URGING THE STATE LEGISLATURE AND THE GOVERNOR OF CALIFORNIA TO PROVIDE COMPREHENSIVE UNIVERSAL HEALTH CARE FOR THE PEOPLE OF CALIFORNIA BY ENACTING SENATE BILL 840, "THE CALIFORNIA HEALTH INSURANCE RELIABILITY ACT."**

**WHEREAS**, people have a fundamental right to good health; and

**WHEREAS**, the current system for delivering health care in the United States is too expensive for millions of Americans; and

**WHEREAS**, the White House and the United States Congress have failed repeatedly to enact laws to provide universal health coverage and show no signs of accomplishing this important goal; and

**WHEREAS**, it is impractical for every city government, with their limited tax base and relatively large number of uninsured citizens, to subsidize health insurance in order to cover 100% of their residents; and

**WHEREAS**, the California State Legislature is now considering whether to enact Senate Bill (SB) 840, entitled "The California Health Insurance Reliability Act" to amend California's Health and Safety Code to provide comprehensive universal health coverage for the people of California; and

**WHEREAS**, SB 840 is authored by Senator Sheila Kuehl of Los Angeles and co-sponsored by Oakland's state legislators Assemblywoman Wilma Chan, Assemblywoman Loni Hancock, and Senate Pro Tem Don Perata; and

**WHEREAS**, SB 840 is supported by the League of Women Voters of Oakland, the Alameda County Medical Center, the California Nurses Association, the American Nurses Association of California, and hundreds of other California organizations; and

**WHEREAS**, SB 840 would create a "single-payer" health care system whereby a new California Health Insurance Agency and a newly elected Health Insurance Commissioner would reduce costs by streamlining the multiple administrative layers burdening the current system and by leveraging the economies of scale and purchasing power enjoyed by California as the 6th largest economy in the world; and

**WHEREAS**, providing universal health care coverage in California will further reduce costs by eliminating the incentive for uninsured patients to visit emergency rooms for routine care and by increasing the ability of Californians to pursue preventative medical care;

**WHEREAS**, all Californians would be consistently covered by this health care insurance system because it is not subject to a person's changing income or employment status; and

**WHEREAS**, SB 840 will provide high-quality medical care, as consumers will have total freedom to choose their personal primary caregiver; now, therefore, be it

**RESOLVED**, the City Council of the City of Oakland urges the State Legislature and the Governor of California to provide comprehensive universal health care for the people of California by enacting Senate Bill 840, "The California Health Insurance Reliability Act."

**RESOLVED**, the City Clerk of the City of Oakland will fax this Resolution as soon as possible to the heads of the State Assembly and the State Senate as well as to the Governor of California.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_,

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, REID, QUAN, AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

AMENDED IN ASSEMBLY JULY 12, 2005

AMENDED IN ASSEMBLY JUNE 28, 2005

AMENDED IN SENATE MAY 27, 2005

AMENDED IN SENATE MAY 4, 2005

AMENDED IN SENATE APRIL 18, 2005

**SENATE BILL**

**No. 840**

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**Introduced by Senator Kuehl**

**(Principal coauthor: Senator Ortiz)**

(Principal coauthors: Assembly Members Chan, Goldberg, and Leno)

**(Coauthors: Senators Alquist, Cedillo, Chesbro, Escutia, Figueroa, Florez, Lowenthal, Migden, Murray, Perata, Romero, and Soto)**

(Coauthors: Assembly Members Berg, *Chu*, Dymally, Evans, Hancock, Jones, *Klehs*, Koretz, Laird, Levine, Lieber, *Montanez*, Nava, Pavley, *Ridley-Thomas*, Vargas, and Yee)

February 22, 2005

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An act to add Division 112 (commencing with Section 140000) to the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 840, as amended, Kuehl. Single-payer health care coverage.

Existing law does not provide a system of universal health care coverage for California residents. Existing law provides for the creation of various programs to provide health care services to persons who have limited incomes and meet various eligibility requirements. These programs include the Healthy Families Program administered by the Managed Risk Medical Insurance Board, and the Medi-Cal program administered by the State Department of Health Services.

Existing law provides for the regulation of health care service plans by the Department of Managed Health Care and health insurers by the Department of Insurance.

This bill would establish the California Health Insurance System to be administered by the newly created California Health Insurance Agency under the control of an elected Health Insurance Commissioner. The bill would make all California residents eligible for specified health care benefits under the California Health Insurance System, which would, on a single-payer basis, negotiate for or set fees for health care services provided through the system and pay claims for those services. The bill would require the health care system to be operational within 2 years of enactment, and would enact various transition provisions. The bill would require the commissioner to seek all necessary waivers, exemptions, agreements, or legislation to allow various existing federal, state, and local health care payments to be paid to the California Health Insurance System, which would then assume responsibility for all benefits and services previously paid for with those funds.

The bill would create a health insurance policy board to establish policy on medical issues and various other matters relating to the health care system. The bill would create the Office of Consumer Advocacy within the agency to represent the interests of health care consumers relative to the health care system. The bill would create within the agency the Office of Health-Care Planning to plan for the health care needs of the population, and the Office of Health Care Quality, headed by the chief medical officer, to support the delivery of high quality care and promote provider and patient satisfaction. The bill would create the Office of Inspector General for the California Health Insurance System within the Attorney General's office, which would have various oversight powers. The bill would prohibit health care service plan contracts or health insurance policies from being issued for services covered by the California Health Insurance System. The bill would create the Health Insurance Fund and the Payments Board to administer the finances of the California Health Insurance System. ~~The bill would prohibit payment of shareholder dividends from system revenues by participating private companies.~~ The bill would extend the application of certain insurance fraud laws to providers of services and products under the health care system, thereby imposing a state-mandated local program by revising the definition of a crime. The bill would enact other related provisions

relative to budgeting, regional entities, federal preemption, subrogation, collective bargaining agreements, compensation of health care providers, conflict of interest, patient grievances, independent medical review, and associated matters.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Division 112 (commencing with Section  
2 140000) is added to the Health and Safety Code, to read:

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DIVISION 112. CALIFORNIA HEALTH INSURANCE  
RELIABILITY ACT

CHAPTER 1. GENERAL PROVISIONS

9 140000. There is hereby established in state government the  
10 California Health Insurance System, which shall be administered  
11 by the California Health Insurance Agency, an independent  
12 agency under the control of the Health Insurance Commissioner.

13 140000.5. The California Health Insurance Agency shall be a  
14 separate entity in state government and its decisions shall not be  
15 subject to review by any other agency, including, but not limited  
16 to, the Department of Finance, the Department of Personnel  
17 Administration, the Department of General Services, and the  
18 Office of Administrative Law, except as otherwise provided in  
19 Section 140307 with respect to that agency.

20 140000.6. No health care service plan contract or health  
21 insurance policy, except for the California-~~State~~ *Health* Insurance  
22 System plan, may be sold in California for services provided by  
23 the system.

24 140001. This division shall be known as and may be cited as  
25 the California Health Insurance Reliability Act.

1 140002. This division shall be liberally construed to  
2 accomplish its purposes.

3 140003. The California Health Insurance Agency is hereby  
4 created and designated as the single state agency with full power  
5 to supervise every phase of the administration of the California  
6 Health Insurance System and to receive grants-in-aid made by  
7 the United States government, by the state, or by other sources in  
8 order to secure full compliance with the applicable provisions of  
9 state and federal law.

10 140004. The California Health Insurance Agency shall be  
11 comprised of the following entities:

- 12 (a) The Health Insurance Policy Board.
- 13 (b) The Office of Consumer Advocacy.
- 14 (c) The Office of Health ~~Care~~ Planning.
- 15 (d) The Office of Health Care Quality.
- 16 (e) The Health Insurance Fund.
- 17 (f) The Public Advisory Committee.
- 18 (g) The Payments Board.
- 19 (h) Partnerships for Health.

20 140005. The Legislature finds and declares all of the  
21 following:

22 (a) *Between six and seven million Californians lacked health*  
23 *insurance coverage at some time in 2004.*

24 (b) *Since 2001, the number of uninsured Californians has risen*  
25 *significantly.*

26 (c) *More than 10 million Californians have no coverage for*  
27 *prescription drugs. Millions of Californians lacking prescription*  
28 *drug coverage are otherwise insured.*

29 (d) *Efforts to control health care costs and growth of health*  
30 *care spending have been unsuccessful.*

31 (e) *Linkage of health insurance to employment has adversely*  
32 *affected job growth, job mobility, the competitiveness of*  
33 *products produced in California, business investment, and*  
34 *employer-employee relations.*

35 (f) *Effective management of large amounts of information is*  
36 *integral to providing high quality care and to controlling health*  
37 *system costs.*

38 (g) *Discontinuity of care harms patients.*

39 (h) *Employers, retirement funds, and unions that offer and*  
40 *negotiate for health insurance and benefits and individuals who*



- 1 purchase health insurance are experiencing substantial increases  
2 in health care costs and decreases in health care benefits.
- 3 (i) Unstable and unaffordable rate increases have caused  
4 significant economic hardship for California residents and their  
5 employers.
- 6 (j) One in two personal bankruptcies in the United States is the  
7 result of health care costs.
- 8 (k) California does not perform well on key standard health  
9 outcome measurements.
- 10 (l) Severe health access disparities exist by region, ethnicity,  
11 income, and gender.
- 12 (m) Rural communities do not have reliable access to  
13 affordable health insurance plans.
- 14 (n) More than 80 percent of all Medi-Cal and uninsured  
15 patient visits to emergency facilities are for conditions that could  
16 have been treated in a nonemergency setting.
- 17 (o) Advances in medical technology are not available to all  
18 Californians who need them.
- 19 (p) Health care providers express significant professional  
20 dissatisfaction with the current health care systems, as do health  
21 care consumers.
- 22 (q) Uncompensated hospital care totaled over \$1 billion in  
23 2000. The burden for providing uncompensated care falls  
24 disproportionately on 12 percent of hospitals in California.
- 25 (r) Emergency departments and trauma centers face growing  
26 financial losses.
- 27 (s) Increasing patient volume and a decline in the number of  
28 emergency rooms have made multiple hour waits for emergency  
29 care the norm, and ambulance diversion is becoming a common  
30 method of dealing with emergency department overcrowding.  
31 These developments pose significant dangers for both insured  
32 and uninsured Californians.
- 33 (t) Multiple quantitative analysis including two recent studies  
34 by the independent economic consulting firm, Lewin Inc.,  
35 indicate that under a single payer health insurance system,  
36 California could afford to cover all California residents at no new  
37 cost to the state while providing on average savings to California  
38 consumers, businesses, and state and local government.
- 39 (u) According to these reports and numerous other studies, by  
40 simplifying administration, achieving bulk purchase discounts on

1 pharmaceuticals, and reducing the use of emergency facilities for  
2 primary care improvements in care quality, and careful  
3 management of health care capital investment, California could  
4 divert billions of dollars toward providing direct health care and  
5 improved quality and access.

6 140005.1. (a) The Legislature also finds and declares that a  
7 relevant aspect of market competition in a health care system  
8 exists through the consumer choice of a direct care provider, and  
9 that the current health care system stifles this type of market  
10 competition in a way that is detrimental to overall health care  
11 quality and patient safety.

12 (b) It is the intent of the Legislature that, in order to ensure an  
13 adequate supply and distribution of direct care providers in the  
14 state, a just and fair return for providers electing to be  
15 compensated by the health care system, and a uniform system of  
16 payments, the state shall actively supervise and regulate a system  
17 of payments whereby groups of fee-for-service physicians are  
18 authorized to select representatives of their specialities to  
19 negotiate with the health care system, pursuant to Section  
20 140209. Nothing in this division shall be construed to allow  
21 collective action against the health care system.

22 140006. This division shall have all of the following  
23 purposes:

24 (a) To provide affordable health insurance coverage for all  
25 California residents.

26 (b) To provide California residents with a comprehensive  
27 benefit package.

28 (c) To control health care costs and the growth of health care  
29 spending.

30 (d) To achieve measurable improvement in the quality of care  
31 and the efficiency of care delivery.

32 (e) To prevent disease and disability and to maintain or  
33 improve health and functionality.

34 (f) To increase health care provider, consumer, employee, and  
35 employer satisfaction with the health care system.

36 (g) To implement policies that strengthen and improve  
37 culturally and linguistically sensitive care.

38 (h) To develop an integrated population-based health care  
39 database to support health care planning.

1 140007. As used in this division, the following terms have the  
2 following meanings:

3 (a) “Agency” means the California Health Insurance Agency.

4 (b) “Clinic” means an organized outpatient health facility that  
5 provides direct medical, surgical, dental, optometric, or podiatric  
6 advice, services, or treatment to patients who remain less than 24  
7 hours, and that may also provide diagnostic or therapeutic  
8 services to patients in the home as an incident to care provided at  
9 the clinic facility, and includes those facilities defined under  
10 Sections 1200 and 1200.1 of the Health and Safety Code.

11 (c) “Commissioner” means the Health Insurance  
12 Commissioner.

13 (d) “Direct care provider” means any licensed health care  
14 professional that provides health care services through direct  
15 contact with the patient, either in person or using approved  
16 telemedicine modalities as identified in Section 2290.5 of the  
17 Business and Profession Code.

18 (e) “Essential community provider” means a health facility  
19 that has served as part of the state’s health care safety net for low  
20 income and traditionally underserved populations in California  
21 and that is one of the following:

22 (1) A “community clinic” as defined under subparagraph (A)  
23 of paragraph (1) of subdivision (a) of Section 1204 of the Health  
24 and Safety Code.

25 (2) A “free clinic” as defined under subparagraph (B) of  
26 paragraph (1) of subdivision (a) of Section 1204 of the Health  
27 and Safety Code.

28 (3) A “federally qualified health center” as defined under  
29 Section 1395x (aa)(4) or 1396d (l)(2) of Title 42 of the United  
30 States Code.

31 (4) A “rural health clinic” as defined under Section 1395x  
32 (aa)(2) or 1396d (l)(1) of Title 42 of the United States Code.

33 (5) Any clinic conducted, maintained, or operated by a  
34 federally recognized Indian tribe or tribal organization, as  
35 defined in Section 1603 of Title 25 of the United States Code.

36 (6) Any clinic exempt from licensure under subdivision (h) of  
37 Section 1206.

38 (f) “Health care provider” means any professional person,  
39 medical group, independent practice association, organization,



*LEAGUE OF WOMEN VOTERS OF OAKLAND*

**SB 840 (Kuehl), California Health Insurance Reliability Act (CHIRA)  
Comprehensive Universal Health Care Coverage**

The League of Women Voters of California strongly supports Senator Sheila Kuehl's SB 840, the California Health Insurance Reliability Act (CHIRA). SB 840 will provide fiscally sound, affordable health insurance to all Californians, provide Californians the right to choose their own physician, and control health care cost inflation. In essence, the bill is the same as Kuehl's SB 921 of 2003-04, but with the addition of much more detail.

**LEAGUE POSITION:** The LWVUS Health Care position promotes a health care system for the United States that provides access to a basic level of quality care for all U.S. residents and controls health care costs.

**BACKGROUND:** More than six million California residents, as many as 80 percent of whom are employed, have gone without health insurance in recent years. Cost cutting measures by providers to assure profitability have reduced quality of care, sometimes to tragic consequences. Insurance premiums are now increasing at double digit rates and are expected to continue to rise. The system is in worse condition than 10 years ago because of excess administrative costs, overpriced pharmaceuticals, use of emergency rooms for non-emergency care and uncontrolled capital costs. And now, the situation is further compounded by the state's budget woes.

The LWV strongly supported SB 480 of 1999, a bill which, after four years, came to fruition as California's landmark Health Care Options Project. The HCOP analyzed nine options for expanding health coverage in terms of how many people would be covered, how much each reform would cost, and how each reform could improve the quality of health care. Only the three single payer systems were found to provide universal coverage and operate at net savings over the status quo.

The League supported SB 921 (Kuehl) during the 2003-2004 legislative session. This bill would have provided health care coverage to all Californians through a publicly financed single payer health care system. A recent analysis of the bill by the Virginia-based Lewin Group, which also did the HCOP analyses, showed SB 840 would provide even greater savings to Californians than the previously studied single payer models. The Lewin Group report is available at [www.healthcareforall.org](http://www.healthcareforall.org).

**PROVISIONS OF SB 840**

**SB 840** provides for **universal coverage** and comprehensive benefits while making very **significant state savings in health care spending**. In the short run, it adds no new spending, and in the long run, it controls the growth in health care spending.

**SB 840** provides for reliable coverage and security for every California resident. **Eligibility is based on residency, not employment or income.** No one will ever lose coverage because of unaffordable insurance premiums, changing or losing a job, going to or graduating from college, or pre-existing conditions.

**SB 840** provides for affordable health care. **Health benefits will be paid for by federal, state and county monies currently being spent on the health care system and affordable insurance premiums that replace all premiums, deductibles, out-of-pocket payments, and co-payments now paid by employers and consumers.** System savings resulting from use of the state's purchasing power to buy pharmaceuticals and medical equipment at discounted rates, administrative simplification, and making primary care and preventive care available for everyone will dramatically increase the funds that can be spent on providing universal coverage. According to the Lewin Group study, even after care is made available to California's uninsured and underinsured, **the net state savings will be about \$8 billion in the first year.**

**SB 840** provides for efficient delivery of health care. It is documented in many places that our current health care system's administrative costs are around 30%, whereas Medicare (a single payer system) is perhaps as high as 5%. There would certainly be administrative costs in **SB 840**, but they would be stripped down to the bare minimum that the structure of **SB 840** calls for --- simply because it is a single payer, one with one set of rules versus a mountain of rules and forms. In addition, bulk purchasing of pharmaceuticals and durable medical equipment will reduce costs further.

**SB 840** provides for high quality health care. **Consumers will have total freedom to choose their personal primary care provider.** Health care providers and facilities will receive *fair reimbursement for all covered services they provide.*

**SB 840** provides for generous health care benefits based on all care prescribed by a health care provider that meets accepted standards of care and practice. The benefit package is broader than that of many current health plans and **includes hospital, medical, surgical, and mental health; dental and vision care; prescription drugs and medical equipment; diagnostic testing; emergency care; health education and translation services; hospice care; and more.**

**SB 840** will stabilize the growth in health care spending by linking spending increases to growth in state gross domestic product and population, employment rates, and other relevant demographic indicators. **It includes cost controls and an emphasis on preventative and primary care.**