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Daniel Weintraub: Differences remain on dueling health care plans

By Daniel Weintraub -

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A new health care reform plan offered this week by Democratic leaders in the Legislature brings them closer to the position of Republican Gov. Arnold Schwarzenegger, but significant differences between the two plans still remain.

Here is a look at where the Democrats and the governor agree, and where their proposals are still in conflict:

- **Employer mandate:** Both plans require employers to provide coverage, but in different ways. The Democrats have proposed that employers with payrolls greater than \$250,000 spend at least 6.5 percent of their payroll on health care or else pay a fee of the same amount to the state. Smaller firms would pay less. This is a concession from their earlier plan, which would have required all employers to spend at least 7.5 percent of payroll on health care. Schwarzenegger is also proposing a sliding scale, with companies employing 10 or more full-time workers required to spend at least 4 percent of payroll on health care.

Although the Democrats did move a bit toward Schwarzenegger by agreeing to a sliding scale and lowering their maximum fee, employers under their plan would reach the maximum so quickly that the sliding scale loses much of its meaning. A company with six employees making an average of \$45,000 each would have to pay the maximum under the Democrats' plan.

- **Part-time workers:** This is an important distinction. The Democratic plan requires companies to spend the minimum 6.5 percent on employees, as a group, who earn more than \$25,000, and separately spend that same percentage on any group of workers earning less than \$25,000. The intent of this provision is to prevent companies from meeting the threshold by spending more on health care for their higher-paid employees than they do on their low-wage workers. Schwarzenegger's plan simply requires companies to spend 4 percent of payroll on health care without any further requirement about how they achieve that standard.

- **Other taxes:** Both plans would also be financed by other taxes, with the revenue used to subsidize people who can't otherwise afford insurance.

The Democrats and the governor support a 4 percent tax on hospital revenues, which is designed to draw matching funds from the federal government. The hospital industry supports that tax because, with the new federal money, most hospitals would get far higher reimbursements for treating the poor, making them net winners in the exchange. The Democrats now also propose a \$2 per pack increase in the tobacco tax, which they say would raise \$1.8 billion. The governor had proposed leasing the state lottery to a private vendor to raise an estimated \$2 billion per year.

- **Individual mandate:** This is another concession by the Democrats. They now agree with the governor that the plan should require everyone to have coverage. But they also insist that people

whose health care costs exceed 6.5 percent of their total income be exempted from the requirement. It is not clear from their proposal whether this exemption would apply upfront, to a combination of the monthly premium and the potential co-payments, or if the exemption would take place only after a person's health care bills exceeded the 6.5 percent standard.

Assembly Speaker Fabian Núñez and Senate Leader Don Perata say the 6.5 percent rule would be an incentive for insurers to price their products at a level people could afford.

- Subsidies: Both plans would subsidize low-income and middle-income people. Schwarzenegger's plan would provide help to people earning up to 3.5 times the federal poverty rate, or about \$72,000 for a family of four. The Democrats' plan would give partial subsidies to people with incomes up to 4.5 times the federal poverty rate, or \$93,000 for a family of four.

Families at the high end of those income ranges would receive tax credits if their premiums exceeded 5 percent of their income.

- Guaranteed issue: The Democrats made a concession here. Their earlier plan allowed private insurers to deny coverage to people with pre-existing conditions, who were then to be shunted into a separate, state-run high-risk pool financed in part by a surcharge on insurance policies. Their new plan mirrors the governor's proposal, which would require insurers to cover everybody without regard to pre-existing conditions.

- Drugs: The Democrats' plan would allow the state to buy prescription drugs in bulk in an effort to save money. Schwarzenegger's plan does not have that provision.

- Public plans: The Democrats would allow counties to band together and offer public insurance plans to compete for customers with private-sector health plans. The governor's proposal does not address this issue.

Núñez has scheduled a committee hearing on the Democrats' new proposal for next week, and hopes to have a final vote by Thanksgiving. In the meantime, both sides will continue to negotiate in an attempt to resolve the issues that still divide them.

If the Democrats and the governor reach agreement, the taxes proposed in the plan would go on the ballot next November.

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