
SENATE COMMITTEE ON APPROPRIATIONS

Senator Ricardo Lara, Chair
2017 - 2018 Regular Session

SB 562 (Lara) - The Healthy California Act

Version: April 17, 2017

Urgency: No

Hearing Date: May 25, 2017

Policy Vote: HEALTH 5 - 2

Mandate: No

Consultant: Brendan McCarthy

***** **ANALYSIS ADDENDUM – SUSPENSE FILE** *****

The following information is revised to reflect amendments
adopted by the committee on May 25, 2017

Bill Summary: SB 562 would create a universal, single-payer health care system in California.

Fiscal Impact: The fiscal estimates below are subject to enormous uncertainty. Completely rebuilding the California health care system from a multi-payer system into a single payer, fee-for-service system would be an unprecedented change in a large health care market. There are numerous uncertainties about how enrollees, providers, employers, and the state would adapt to such a system.

The projected costs and revenue needs for the proposed Program are as follows. For a discussion of the underlying assumptions, see Staff Comments below.

- Total annual costs of about \$400 billion per year, including all covered health care services and administrative costs, at full enrollment.
- Existing federal, state, and local funding of about \$200 billion could be available to offset a portion of the total program cost.
- About \$200 billion in additional tax revenues would be needed to pay for the remainder of the total program cost. Assuming that this cost was raised through a new payroll tax (with no cap on wages subject to the tax), the additional payroll tax rate would be about 15% of earned income.

It is important to note that the overall cost of those new tax revenues would be offset to a large degree by reduced spending on health care coverage by employers and employees. Although precise estimates of total spending for employer sponsored health insurance are not available, the best available information indicates that existing spending is between \$100 and \$150 billion per year. Therefore, total new spending required under the bill would be between \$50 and \$100 billion per year.

Author Amendments: Make operation of the bill contingent on the availability of revenues to fund the implementation.

-- END --