CalCare Financing

Single Payer Saves Money

Under CalCare, California would spend less money on health care every year than we do under our current system. Multiple recent studies show that single-payer health care systems would result in lower overall health care costs than the current system.[1] An analysis from the Political Economy Research Institute (PERI) in 2017 showed that a statewide single-payer health care system in California would reduce net overall costs by 8 percent relative to the existing system.[2]

Existing Public Funding

Well over half of all direct health care spending in California is publicly funded, and spending by the federal government on public health care programs (Medicare, Medi-Cal, and the Affordable Care Act) represents close to 40 percent of all direct health care spending in the state.[3] To capture federal health care dollars in a state single-payer system, states can obtain waivers for administering health care programs paid for with federal funding (see CNA's CalCare Waivers fact sheet). To fully fund the CalCare system, the state will need non-federal revenue sources to replace the enormous premiums, deductibles, copays, and surprise bills that individuals and employers are now paying.

The Budgeting Process

In the legislative process, the policy in bills and financing are typically worked on at the same time. The policy bills move along in the legislature, through hearings, until the budget is debated and a financing plan is added to the policy bill or approved separately.

The California Nurses Association (CNA) is asking that the legislature treat AB 1400 like any other bill that will eventually need a funding component – that the legislature start the process of considering AB 1400 (i.e., holding hearings and debating the legislation) and start the process of debating and developing a financing plan as they do with every other bill. It's a fallacy for any legislator or AB 1400 opponent to argue that funding for a big dollar program/policy must be discussed, agreed upon, and passed first before the legislature ever formally starts considering or has a hearing about a new program.

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[1] "How CBO Analyzes the Costs of Proposals for Single-Payer Health Care Systems That Are Based on Medicare's Fee-for-Service Program: Working Paper 2020-08," December 10, 2020, Congressional Budget Office; "Improving the prognosis of health care in the USA," Alison P Galvani et al., February 15, 2020, The Lancet; "Projected costs of single-payer healthcare financing in the United States: A systematic review of economic analyses," Christopher Cai et al., January 15, 2020, PLOS Medicine.

[2] "Economic Analysis of the Healthy California Single-Payer Health Care Proposal (SB-562)," Robert Pollin et al, May 2017, Political Economy Research Institute (PERI), University of Massachusetts-Amherst.

[3] Percentages are calculated from 2019 California health expenditures data for Medicare, Medi-Cal, the Affordable Care Act, and state and local government premium contributions compared to total health expenditures calculations presented to the Healthy California for All Commission on August 13, 2020. These figures do not include spending on the Veterans Health Administration, TRICARE, Indian Health Services, or employer tax subsidies for health insurance contributions. See "Financing Considerations: Background for August 13 Commission Meeting," Rick Kronick, Aug 2020, Healthy California for All Commission.

Non-Federal Revenue Options

It is important that any examination of potential new state revenue sources consider a diversity of revenue sources as well as multiple combinations of such revenue sources. CNA has been calling on the Governor's Healthy California for All Commission to develop a publicly available interactive online calculator or tool where legislators, researchers, and members of the public alike can select varying combinations of revenue sources and varying levels of taxation or fees for each source. A hands-on calculator or visualization on potential single-payer financing options would aid a robust public discussion in the legislature on the financing plans for a single-payer system.

In any calculator or analysis of varying new state revenue, there are a diversity of sources that should be considered to cover the costs of the CalCare system not paid for by federal dollars. These revenue sources could be progressively structured or have appropriate exemptions or rebates for working families and small businesses, including but not limited to:

- Payroll employer-side
- Payroll employee-side
- Gross receipts tax or fees
- Corporate income and profit tax
- Marginal personal income tax on high-income individuals/households
- Sales tax
- Elimination of tax exemptions for corporations, including those identified in the California Budget & Policy Center's January 2020 report on California tax breaks
- Reducing health provider tax breaks for charity care or hospital fees to compensate for the reduction in charity care under CalCare
- Redirecting state funds from policing and incarceration into the CalCare system
- Wealth taxes
- Use taxes
- Sin taxes
- Oil or other natural resource extraction taxes

Exemptions and tax credits included in the Political Economy Research Institute (PERI)'s 2017 financing analysis for SB 562 could serve as a model for appropriate exemptions and tax credits. Additionally, the legislature can examine varying levels of new taxation for each type of new revenue source. For example, one financing combination for a single-payer system calculator could use the type of taxes, taxation levels, and exemptions described in the 2017 financing analysis for SB 562 by PERI, which included a 2.3% gross receipts tax on businesses (with an exemption of the first $2 million in business receipts so that small businesses would pay no gross receipts tax); and a 2.3% sales tax increase (with exemptions for spending on housing, utilities, and food, and a 2% income tax credit for low-income families). A different combination of a financing calculator for a single-payer system could use a 2.3% gross receipts tax (with PERI institute exemptions) but, instead of including a 2.3% sales tax, it could include a small payroll tax divided equally between employers and employees.

According to AB 1400 (Sec. 100680), the CalCare system would not be operative until the Secretary of California Health and Human Services gives written notice to the Secretary of the Senate and the Chief Clerk of the Assembly that the CalCare Trust Fund has the revenues to fund the costs of implementing the California Guaranteed Health Care for All Act.