



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Resolution in Opposition to Proposition No. 186
(Health Care Initiative)

MEETING DATE: October 5, 1995

PREPARED BY: Assistant City Manager

RECOMMENDED ACTION: The City Council consider for action Resolution 94-115
(attached).

BACKGROUND INFORMATION: Proposition 186 is an initiative Constitutional Amendment and Statute which establishes a new health services system for California residents to replace existing health insurance premiums and programs. Costs are funded by employer, individual and tobacco taxes. An elected Health Commissioner will administer the system. Potentially over \$75 billion of government funds will be expended to provide health insurance; \$40 - \$50 billion in new taxes.

Under this proposition the State of California will administer a system of health care coverage for all California residents, financed by new taxes and potentially, a transfer of existing government funds for health care programs. The system would replace most privately financed health insurance.

The proponents of the act contend that the new system will protect California consumers, taxpayers and employers from the skyrocketing cost of health care. Savings will be achieved by limiting health care costs, eliminating waste, and emphasizing disease prevention. Under the single payer system which will be administered by an elected Health Commissioner, the practice of medicine will remain private. All Californians will have free choice of health care provider, regardless of employment and will have access to comprehensive health care including long-term care. They further contend that all of these services will be provided for the same or less money than is spent on health care in California today.

One of the outcomes of this Act will be to eliminate health insurance companies which the proponents contend have large administrative, advertising and profit margins. Every Californian will be provided with "cradle to the grave" health care services including dental, vision, and long-term care.

APPROVED

THOMAS A. PETERSON
City Manager



recycled paper

The funding for all of this will come from an 8.9% employer tax on businesses with over 50 employees and lesser percentages for businesses with fewer employees, a 2.5% state income tax, and a \$1.00 per package tax on cigarettes. In addition, all of the present funding of the Departments of Health Services and Mental Health to the System as well as payments from Medicare and workers compensation payments for medical coverage will be transferred into the fund.

The opponents to the Act cite a number of concerns with the proposal:

1. Erases the cost-saving reforms regarding the managed care component of worker's compensation,
2. The \$40 billion in new taxes will be insufficient to meet the health care services outlined in the measure. They cite a study from the Graduate School of Public Policy and Health and Medical Sciences at the University of California, which predicts shortages of \$14.5 to \$27.5 billion per year.
3. The elected Health Commissioner is empowered to cut or ration services and procedures in the event of a shortfall. The Commissioner will have the sole power to establish and raise deductibles and co-payments with no legislative oversight. The Health Commissioner will be responsible for negotiating rates and deciding what is covered for all Californians.
4. The only alternative to rationing and cutbacks would be for the Legislature to raise additional taxes - by a two-thirds majority. While the debate goes on urgently needed health care could be unavailable.
5. The massive payroll tax increases in the initiative may have disastrous effects on California business and raise unemployment in the state.

As a matter of interest to the City Council, the Employee Relations Committee of the League of California Cities has forwarded a resolution to the General Assembly in opposition to this initiative.

FUNDING: none required

Respectfully submitted,



Jerry L. Glenn
Assistant City Manager

JG:br

Attachment

CCOM-112/TXTA.07A

RESOLUTION NO. 94-115

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A RESOLUTION OF THE LODI CITY COUNCIL
IN OPPOSITION TO PROPOSITION 186
(HEALTH CARE REFORM)

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WHEREAS, Proposition 186 amounts to a state government takeover of the entire health care system in California, including programs administered at the local level; and

WHEREAS, the \$40 to \$50 billion additional tax revenues required to operate this new system will double the tax revenues of the State of California; and

WHEREAS, projected deficits of from \$14.5 to \$27.5 billion in the new system will require additional taxes or rationing of medical services to close the deficit, and

WHEREAS, local governments lose control over health programs for their own employees and retirees; and

WHEREAS, local governments will be required to pay a payroll tax of 8.9 percent of payroll to the state fund, thus rendering local government little more than a collector of health care funds with no control over how the money is spent; and

WHEREAS, the rich package of benefits in Proposition 186 will likely attract non-residents to California seeking health care, thereby imposing ancillary costs on local governments; and

WHEREAS, Proposition 186 may undermine the sole remedy concept of workers' compensation by allowing injured workers to sue collateral sources, leading to a litigation explosion, and weaken the workers' compensation reforms enacted in 1993; and

WHEREAS, the vast shift of power to a single elected Health Czar in Sacramento embodied in Proposition 186 will undermine the health care delivery system and diminish the ability of cities and counties to provide for health needs of their constituents at the local level;

NOW THEREFORE BE IT RESOLVED that the City of Lodi opposes Proposition 186 and urges Californians to vote against this measure on the November 8, 1994 ballot.

Dated: October 5, 1994

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I hereby certify that Resolution No. 94-115 was passed and adopted by the Lodi City Council in a regular meeting held October 5, 1994 by the following vote:

Ayes: Council Members - Mann, Pennino, Snider and
Sieglock (Mayor)

Noes: Council Members - Davenport

Absent: Council Members - None


Jennifer M. Perrin
City Clerk

**Taxpayers Against the
Government Takeover**
Stop Government-Run Health Care

915 L Street #0240
Sacramento, CA 95814
916/852-6494

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No on Proposition 186

DATE: September 2, 1994
TO: California Mayors and Council Members
FROM: Robert Bartlett, Mayor, City of Monrovia
RE: Proposition 186

Of all the decisions voters will face this November, none is more important than the defeat of Proposition 186, the so-called single payer health care ballot measure.

Under this initiative, the state would takeover one seventh of California's economy, our private and public health care system. The state system would be administered by a newly elected State Health Commissioner, and would be paid for by a 2.5 to five percent income tax surcharge and a 4.4 to 8.9 percent payroll tax on public and private employers. **These tax increases are estimated by the Legislative Analyst to raise between \$40 and \$50 billion per year.**

This measure abolishes most private health insurance, but it does not stop there. It seeks to absorb under the Commissioner all health related functions at the local level, including current and retired employee health benefits. It even goes so far as to require that local fire districts provide all emergency medical services and emergency transportation. **In short, state government could take over every aspect of health care at the local level.**

This broad shift of power to the state has already caused the Public Employees Retirement System to raise serious questions about the initiative, since the funding for the PERS Health Benefits system would be absorbed by the state, and probably the program as well.

Cities are considered employers under the initiative, and as such must pay the payroll tax, in most cases at the 8.9 percent level. Cities will pay the state for their employees health services, but have no control over those services.

Perhaps most disturbing is this initiative's impact on the state's overall financial condition. An analysis prepared by Spectrum Economics projects a program deficit, when the initiative is fully implemented in 1998, of \$47 billion. A similar study by the Graduate School of Public Policy at UC Berkeley projects a deficit of \$12 billion when the system goes into effect in 1996 growing to at least \$34 billion by the time of full implementation. The Spectrum analysis underscores the highly detrimental impact of this initiative on local government:

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a coalition of nurses, business, seniors, taxpayers, insurers, and hospitals. CA FID # 941682

The initiative requires California to adopt a new open-ended entitlement program that would be by far the largest entitlement program in the state. The revenue sources required by the new program will not be sufficient to meet the costs of the services mandated by the initiative. The impact will be to create a new structural health deficit that will come on top of the state's existing structural deficit.

When California faces this size of deficit in its new entitlement program, political dynamics will probably force substantial priority for the health program.... Most of the health program's deficit will be solved, but primarily through starving other state programs. The most likely solution will be further reductions in state aid to education, police services, colleges and universities, welfare and local government to feed the ever growing health program deficits.

There is no question that the initiative wreaks havoc on local governments. Proposition 186 will create state deficits so monumental that the budget crises of the past several years will seem mild by comparison. One can well envision the political problems cities will face in Sacramento when a legislature that already is starving our programs faces further deficits in the tens of billions of dollars per year.

To the best of our knowledge, this highly complex and far reaching initiative was written by people with little experience with either public employee health insurance programs or the problems faced by local governments in providing medical care services at the local level. The authors of this 80 page-long initiative **paid no attention to the unique needs of local governments.**

Enclosed is a fact sheet further explaining Proposition 186, and a sample resolution.

We respectfully request that you join the many other coalition members of the campaign in our effort to defeat Proposition 186. We hope that you will vote to oppose Proposition 186 and that you will return the resolution to the "No on Proposition 186" campaign.

Please feel free to contact our campaign at (916) 852-6494, if you have any questions.

Thank you for your consideration of this request.

Fact Sheet

PROPOSITION 186'S ASSAULT ON LOCAL CONTROL IN CALIFORNIA

Proposition 186 is a disaster for local government in California.

- o Overnight it doubles the size of state government with \$40 to \$50 billion in new taxes, and no limits on future tax increases. But its open-ended benefits package and lack of cost controls assures massive deficits right from the start. UC Berkeley Graduate School of Public Policy predicts deficits of at least \$34 billion by 1998.
- o This massive deficit when added to the state's existing structural deficit will require the legislature to further starve local government and other programs, to close the deficit.
- o Local governments lose control over health programs for their own employees and retirees, and over current locally administered health care programs -- but they still must collect the funds for these programs and deliver them to state coffers.
- o Every local government in California will be required to pay a payroll tax of up to 8.9 percent for every local employee to the state health fund.
- o Virtually every health decision in California will be made by an elected Health Commissioner or appointed regional administrators, including statewide and regional global budgets. Locally elected officials will have little if any say over health funding at the city or county level.
- o A system totally financed and administered from Sacramento will be driven by budget concerns not health policy. Special health concerns at the local level will receive no more attention than the Commissioner desires.
- o This initiative with its rich package of benefits will act as a magnet to attract non-residents to California seeking coverage through the government-run system. This is likely to impose ancillary and unexpected costs on local governments in areas such as welfare and police services.
- o Nationally recognized and admired programs such as the Public Employees Medical and Hospital Care Act will be abolished and their funds absorbed by the state.

- o The initiative may undermine the sole remedy aspects of workers' compensation by allowing injured workers to sue collateral sources. This will lead to a litigation explosion for both private and public employers. It also may undercut the important bipartisan workers compensation reforms enacted in 1993.
- o Since beneficiaries will pay no premium regardless of the type of health care they receive, and providers will be on pay schedules fixed by the Commissioner, managed care incentives will disappear. There will be no incentives to hold down costs, assuring the system itself will drive higher and higher medical cost inflation.

The vast shift of power to Sacramento accomplished through Proposition 186 will further feudalize California government, making city and county officials little more than vassals of the all powerful State Health Commissioner. In every way, this initiative is an assault on local control over matters of fundamental concern to local constituents and employees.

**SAMPLE CITY RESOLUTION
IN OPPOSITION TO PROPOSITION 186**

WHEREAS, Proposition 186 amounts to a state government takeover of the entire health care system in California, including programs administered at the local level,

WHEREAS, the \$40 to \$50 billion required to operate this new system will double the size of state government,

WHEREAS, projected deficits in the new system will require additional taxes or cuts in existing programs to close the deficit, both of which will mean reduced revenues at the local level,

WHEREAS, Local governments lose control over health programs for their own employees and retirees,

WHEREAS local governments will be required to pay a payroll tax on each employee to the state fund, as well as continuing to provide funds for currently administered programs, thus rendering local government little more than a collector of health care funds with no control over how the money is spent,

WHEREAS the Public Employees Medical and Hospital Care Act will be abolished and its funds absorbed by the state,

WHEREAS, the rich package of benefits in Proposition 186 will likely attract non-residents to California seeking health care, thereby imposing ancillary costs on local governments,

WHEREAS, Proposition 186 may undermine the sole remedy concept of workers' compensation by allowing injured workers to sue collateral sources, leading to a litigation explosion, and weaken the workers' compensation reforms enacted in 1993,

WHEREAS, the vast shift of power to Sacramento embodied in Proposition 186 will further undermine the ability of cities and counties to provide for health needs of their constituents at the local level,

BE IT THEREFORE RESOLVED THAT THE CITY OF _____
OPPOSES PROPOSITION 186 AND URGES CALIFORNIANS TO VOTE AGAINST
THIS MEASURE ON THE NOVEMBER 8, 1994 BALLOT

**SAMPLE CITY RESOLUTION
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**Taxpayers Against the
Government Takeover**
Stop Government-Run Health Care

915 L Street, Suite C240
Sacramento, CA 95814
(916) 852-6494
FAX (916) 852-7954

No on Proposition 186

Yes! I'll help!

List me as a supporter of the Coalition.

Name
Home Address
City/State/Zip
Home Phone/Office Phone
Fax Number
Occupation
If joining as a company or association:
Name of Company/Association
Signature
<input type="checkbox"/> You can list my name/organization publicly as a member of Taxpayers Against the Government Takeover.
I can also help the Coalition in the following ways:
<input type="checkbox"/> Display materials in my place of business or home
<input type="checkbox"/> Write a "letter to the editor"
<input type="checkbox"/> Call a radio or TV talk show
<input type="checkbox"/> Distribute materials to friends and neighbors
<input type="checkbox"/> Outreach to other civic and business organizations
I am active in the following groups:

Please mail or FAX this form to:

Taxpayers Against the Government Takeover

915 L Street, Suite C240
Sacramento, CA 95814
(916) 852-6494
FAX (916) 852-7954

**For questions or to receive more information on the so-called
"California Health Security Act" call or write the Coalition.**

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*Paid for by Taxpayers Against the Government Takeover, No on Proposition 186,
a coalition of nurses, business, seniors, taxpayers, insurers and hospitals. CALD # 941682