Written by Michael Tennant on May 25, 2017

California's "Free" Healthcare Bill Expected to Cost $400 Billion a Year

California Democrats' desire to saddle their state with a Canadian-style single-payer healthcare plan has just run into a major roadblock: An analysis by the Democrat-controlled Senate Appropriations Committee found that implementing such a program would more than double the state's entire budget and require a concomitant increase in taxes.

Earlier this month, Democrats in the state Senate introduced the Healthy California Act, which would replace all existing private and government health insurance with a single state-run program that would cover legal residents and illegal aliens alike. According to Vox, "The state would pay for almost all of its residents' medical expenses — inpatient, outpatient, emergency services, dental, vision, mental health, and nursing home care — under the plan, and Californians would not have any premiums, copays, or deductibles."

Such a sweeping proposal was certain to be expensive, and now taxpayers know just how expensive: $400 billion per year, according to the committee's analysis. The *Sacramento Bee* reports that the price tag "is higher than the $180 billion in proposed general fund and special fund spending for the budget year beginning July 1."

That means, of course, that the state would have to increase its already steep taxes by 100 percent or more to pay for "free" healthcare.

"Needless to say, doubling California's tax burden would give them the highest taxes in the country by far," Joe Henchman, vice president of state projects for the Tax Foundation, told *Reason*.

Moreover, notes the *Bee*, "The estimate assumes the state would retain the existing $200 billion in local, state and federal funding it currently receives to offset the total $400 billion price tag." If not, taxes would have to be hiked even further.

The committee report suggests taxing away the $100 billion to $150 billion that employers currently spend annually on health insurance since they will no longer have to provide coverage under the proposal. It also recommends instituting a new, 15-percent payroll tax.

Neither of these is likely to win many converts to the cause of universal healthcare. Indeed, as *Reason* observes, "When voters find out how much a single-payer system will cost, they are much less likely to support one." The magazine points to various polls bearing this out, including a recent California survey that saw opposition to single-payer, already at 66 percent, increase by nine percentage points when those polled were told the program would cost $179 billion a year. It also highlights states where crushing costs have doomed similar proposals, including Colorado and Vermont, whose junior U.S. senator, Independent Bernie Sanders, has been campaigning for single-payer in the Golden State.

Even some California Democrats found the cost estimate troubling, according to the San Jose *Mercury News*. The newspaper reports that at a Monday appropriations committee hearing, at least two Democratic senators voiced doubts about the healthcare proposal, with one of them, Steven Bradford, saying, "I don't want California to move toward a program that is not sustainable and one we cannot manage."

The bill's sponsors, Senators Ricardo Lara and Toni Atkins, remain undaunted. According to the *Bee*:

> Lara and Atkins say they are driven by the belief that health care is a human right and should be guaranteed to everyone, similar to public services like safe roads and clean drinking water. They seek to rein in rising health care costs by lowering administrative expenses, reducing expensive emergency room visits, and eliminating insurance company profits and executive salaries.

The notion that healthcare is a right presumes, naturally, that someone else must pay for care for those who cannot afford it. In other words, it gives some the right to steal from others.

Even more ludicrous is the idea that putting the government in charge of healthcare will reduce administrative expenses or otherwise cut costs. As Jon Coupal, president of the Howard Jarvis Taxpayers Association, told the *Mercury News*, "Whenever there is a lack of competitive pressure as there is with any government program, the costs run out of control."

Medicare, often held up as a model single-payer program, is a prime example. At its inception, the program was projected to cost $12 billion in 1990; it ended up costing $107 billion. Who doubts that the California program's outlays would quickly outstrip even the $400 billion the Senate panel thinks it will cost?

Lara also believes that putting the state in charge of healthcare will redound to the benefit of healthcare providers. "Doctors and hospitals," he maintained, "would no longer need to negotiate rates and deal with insurance companies to seek reimbursement." Instead, they would be stuck with whatever state bureaucrats decided to pay them; and, as the examples of Medicare and Medicaid show, those reimbursements are likely to be far below market rates, inducing providers to hightail it to other states. That, combined with the increase in demand created by the program, will inevitably produce shortages and rationing of care.

The good news for Californians is that the Lara-Atkins bill has to pass the Senate by June 2 in order to advance to the Assembly. That gives supporters a little more than a week, with a holiday weekend intervening, to convince their fellow senators to vote for a bill that is prohibitively expensive and certain to degrade the quality of their constituents' care. "Progressives in California," remarks *Reason*, "have their work cut out for them."