



Los Angeles Area
Chamber of Commerce

TUESDAY | August 8, 2006

THE BUSINESS PERSPECTIVE:

Wanted: A Real Health Care Solution



Coming up at the Chamber

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FRI | Aug. 11
International Trade & Investment Committee
Featuring Rep. Howard Berman

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TUE | Aug. 15
Southern California Leadership Network
Recruitment Reception

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WED | Aug. 16
Fixing Our Schools - An Education Action Summit

[more info](#)

THU | Aug. 17
Export Seminar Session #8
Freight and Logistics - Delivering Goods

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FRI | Aug. 18
Policy Briefing with U.S. Senator Barbara Boxer
For Circle Level Members Only

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FRI | Aug. 18
Leadership L.A. Session #8
For Leadership L.A. Participants Only

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TUE | Aug. 22
Referral Network

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The Los Angeles Area Chamber of Commerce is the voice of business in L.A. County. Founded in 1888, the Chamber promotes a prosperous economy and quality of life in the Los Angeles region. For more information, visit www.lachamber.org

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Skyrocketing health care costs are a serious problem for every large and small business in California. Gov. Arnold Schwarzenegger emphasized this fact when he called together key leaders in business, health care, education labor and government at a Health Care Affordability Summit three weeks ago at UCLA. The state Legislature should be having similar serious discussions about how to fix the fundamental flaws in our state's health care system. But instead of tackling this tough challenge, some lawmakers have their sights on a usual scapegoat – large employers.

Such is the case with [SB 1414](#) authored by State Sen. Carole Migden. Modeled after the [“Wal-Mart” bill introduced in Maryland](#), this legislation would force employers with at least 10,000 employees to spend no less than 8 percent of their total payroll on health insurance or contribute the equivalent amount to the Medi-Cal program.

So in a state with six million uninsured citizens, what's wrong with this legislation?

First, as in Maryland, SB 1414 is targeted against one company – Wal-Mart which employs 70,000 workers throughout California. But unlike Maryland, California is home to 68 other employers who meet the 10,000 employee threshold including AT&T, Foster Farms, Kaiser Permanente, Levi Strauss & Co., Pacific Gas & Electric Company, Stanford University and 61 other major employers and taxpayers in our state. According to the state Assembly's legislative analysis, Migden has yet to identify how much these employers currently spend on health care or their existing level of employee coverage, yet this bill has been introduced and is making its way through the legislature.

Also, targeting Wal-Mart and other big businesses is also likely to be a “foot in the door” strategy that will eventually target all businesses, large and small. The majority of uninsured Californians work for small businesses that face the difficult choice of providing comprehensive health insurance coverage or laying off staff, or worse yet, going out of business. Targeting big business may be politically expedient, but it is extremely shortsighted and is a strategy that will have a ripple effect on every business in our state.

SB 1414 is probably unconstitutional. A federal judge recently [struck down the Maryland law](#) stating that it caused a “legally cognizable injury” on Wal-Mart and that federal Employee Retirement Income Security Act (ERISA) preempts any state law that relates to any employee benefit plans. Migden's bill is so closely modeled after the Maryland legislation that it will likely face the same fate. All the Maryland legislature accomplished was to succeed in damaging their state's business climate in the eyes of the entire nation.

This bill does nothing to address the underlying problems facing our health care system. It will succeed in driving more jobs to other states, scaring away new investment and threatening the viability of California's major companies. The McKinsey Quarterly predicts that the [average Fortune 500 company may soon be spending as much on health benefits as it earns in profits](#). SB 1414 will only speed up this prediction. The negative effects will not just be limited to these 68 employers, but will be felt by other businesses and consumers throughout the state.

In the final analysis, the state Legislature (and Congress) is long overdue in addressing the root cause of the health care affordability. That was the purpose of the Governor's Health Care Affordability Summit. It would be exciting to learn that as a result of this summit, a coalition including business, labor, the healthcare community and government were poised to temporarily bypass short term and politically motivated solutions to discuss long term ways to reduce the cost of health care and create a new system that will spread responsibility among individuals, employers, the health care industry and government.

Much work lies ahead before a formal reform plan is developed, but it is a much more serious conversation than what is currently taking place in the halls of the Assembly and Senate in Sacramento. In the meantime, there is no question that SB 1414 must be defeated. Then, the legislature can start working on the real problems facing our health care system.

And that's *The Business Perspective*.

by
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L.A. Business THIS WEEK

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*The Business Perspective is a weekly opinion piece by Gary Toebben,
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