THE BUSINESS PERSPECTIVE:

AB 8 is Not the Solution to a Broken System

This year began with high hopes that Gov. Arnold Schwarzenegger and the state Legislature would make 2007 the year of health care reform. California would once again lead the nation while Washington partisans dithered over failed immigration reform. Thirty-four days remain before the Legislature adjourns. And as the budget impasse continues, prospects for meaningful health care reform are fading.

Earlier this year, the Chamber created a task force of business leaders charged with drafting a set of principles to guide us as we evaluated the different reform proposals. The task force represented a diverse cross-section of our economy and businesses of all sizes. Based on their recommendations, the Chamber adopted an 18-point vision for health care reform based on shared responsibility, incentives to contain costs and access for all Californians, regardless of immigration status.

Unfortunately, the health care proposal working its way through the Legislature during these final days is a cure far worse than the disease—AB 8, introduced by the leaders of the state Assembly and state Senate. This “reform” proposal fails to do anything to rein in the skyrocketing costs of health care, which is the major problem in the first place. It fails to provide any type of individual mandate or incentive that would give the consumer more responsibility for their health care choices. And it fails to mandate the important goal of shared responsibility—in which employers, individuals, health care providers and government all contribute their fair share.

Instead, AB 8 encourages the status quo and hands the bill to business. The proposal is financed almost entirely by a 7.5 percent payroll tax on employers who do not already spend that much on health care—a tax increase of more than $6.5 billion across the board. There are no exemptions for startups, small businesses or companies that are able to provide health insurance at a lower cost. And most disturbingly, 7.5 percent is a floor, not a ceiling. Once this tax is in place, it can be raised at any time by an unelected board of government appointees. And since nothing in AB 8 will curb the rising cost of health care, you can be sure that the next tax increase on business will be right around the corner.

Meaningful health care reform must contain incentives for all stakeholders to reduce health care costs and promote healthier living at home, school and in the workplace. Individuals should be given the tools to better understand how their health care dollars are spent and more responsibility for managing their particular coverage. No one will be incentivized or empowered to build a new, stronger health care system if the solution from lawmakers is to simply pass the cost increases on to business employers.

We cannot afford to perpetuate what Gov. Schwarzenegger has called a broken system. If health care reform is to take place this year, the Legislature must work with the governor on a bill that meets the principles outlined by our task force last spring. AB 8 is not that solution. It is a cure that is worse than the disease.

And that’s The Business Perspective.

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The Business Perspective is a weekly opinion piece by Gary Toebben, President & CEO of the Los Angeles Area Chamber of Commerce, produced with the input of Senior Policy Advisor Rusty Hammer.

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