Can we stem the tide of healthcare inflation?

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Welcome to **Code WACK!,** where we shine a light on America's callous healthcare system, how it hurts us and what we can do about it. I'm your host **Brenda Gazzar**.

(music)

This time on **Code WACK!** Can California’s new **Office of Health Care Affordability** stem the rising tide of healthcare inflation? And what does the creation of the Office mean about the chance for single-payer, Medicare for All in the Golden State? To find out we spoke to **Ian Lewis,** the policy director for **Unite Here Local 2,** a union of over 15,000 hospitality workers in the San Francisco Bay Area. Ian previously served as a research director for the National Union of Healthcare Workers and is a board member of California’s **Office of Health Care Affordability** established in 2022. This is the second episode in a two-part series.

Q: Welcome back to Code WACK! Ian! Last time, we talked about California's new Office of Health Care Affordability, which is charged with slowing healthcare spending growth, promoting system performance and evaluating market consolidation. What else are you hearing from folks at the public hearings like those living in Monterey, California?

Lewis: You know, we've heard from patients who have driven, you know, an hour and a half away to get basic health services at Stanford Hospital because it is cheaper than the hospitals in Monterey and you can't help but hear those stories and the personal struggle that it puts people through and not recognize what a real problem we have.

Q: Wow. So what do you think can be done about that?

Lewis: This is exactly the sort of question that the Office of Health Care Affordability's kind of review of transactions and health markets is designed to look at and the folks from Monterey have been appealing for the office to really scrutinize that health market and analyze that health market and publish its results so that we can understand it better and when that piece of the law takes effect in the coming year early in 2024, we'll see but it's certainly very much on the minds of board members and the staff of the Office.

Q: And so who's doing the actual review of the data and collecting of data? Is it the staff itself and are they tapping experts?

Lewis: This office is in the process of being set up. We have an extraordinary staff, but it's only a fraction of what the full staffing of this office will be. They're doing an absolutely terrific job of setting up a very complex operation very quickly so the details of all of that have yet to be reported out to the board or publicly.

Q: So do you think the Office has the power to meaningfully affect the health insurance market and meet the goals of equality, high value and affordability? In other words, can we regulate our way out of our inequitable and unaffordable healthcare system?

Lewis: Whether we can regulate our way out of the affordability crisis, I don't know. I have my doubts. But certainly this office has a great deal more power and enforcement authority than its peers in Massachusetts or Oregon or some of the other states that have set up similar bodies so we are making the road by walking here, we are going to find out and I'm sure there are going to be things three or

four years from now that we look back and say, 'Oh, I wish we had known this or I wish we had taken this different course.'

But we can't let the perfect be the enemy of the good here. There really is a severe crisis facing our state. And I'm optimistic that we're going to at least bend the curve. We're not going to necessarily reduce the amount that we spend on health care, as some would argue we should, using this office. But I think we can meaningfully bend the curve of inflation at least.

Q: Right. Right. And that would be huge in and of itself. So is this, in your opinion, this office in California, the most powerful in terms of enforcement compared to other offices? You mentioned other states doing something similar in Massachusetts and Oregon.

Lewis: Yes, these will be starting in 2026 enforceable targets, which has not been the case in other states. Now, to be fair to other states, some of them have had a real head start on us. Massachusetts set up their Office of Health Care Affordability a decade ago and so we've had the benefit of learning from their experience.

Q: Right, right. That's true. So once the Office is set up, how easy would it be to upgrade or restructure it if you realize something could have been done differently?

Lewis: There are different levels of responsibility and authority that are written into the law that created the Office of Health Care Affordability. Some are delegated to the staff of the Office, who as I said, are a very, very impressive and capable staff. Some are delegated to the board itself and some are prescribed in statute and especially those if we want to change those that would require the legislature to take action.

Q: Got it. So studies have shown that single-payer systems can keep healthcare costs down while offering universal affordable coverage that isn't tied to employment, income or marital status. Can you briefly and simply explain how?

Lewis: This is a passion of mine. My family comes from countries that have had single-payer health systems for the better part of 75 years. I think at the core of it, there are two key features of a single-payer system that keep costs down. One is the simplification of the healthcare market. Instead of having thousands of purchasers piecing together funds to pay for people's health care, you have one purchaser, which is the state or the government.

And secondly, the decisions that go into how much we're going to spend, and how much we're going to pay for services are made by people who are accountable to democratically elected representatives instead of insurance companies.

You know, a lot of critics of single-payer health systems claim that they lead to waiting lists and the withheld care and inferior quality care and yet we have abundant waiting lists in this country waiting for care. We have poor quality care because the money isn't being used in the best way and we have poorer outcomes than other countries, people see doctors less here than they do in Europe, and they live less here than they do in Europe.

Q: So sad and true. 2024 looks like it will be a really big year for health care. Not only will the country face presidential, Congressional, and state elections – also CalCare, a new California based single-payer bill will be introduced in the state legislature. So what's at stake this year for healthcare affordability?

Lewis: The federal elections in November, I cannot overstate the importance of those elections. If the party of Donald Trump returns to power, it will set health access back by huge amounts and it'll really limit the ability of states like California that want to go in a different direction, their ability to do so because there is no path to a Medicare-for-All like system in California without the support of the federal government.

You know, in terms of that work and making it real, you know, I would highlight a bill that was passed this just this past year in 2023, SB 770, which has set the ball in motion to design a Medicare-for-All like system in partnership with the federal government, you know, creating that system is a hugely complicated enterprise. And as I said, it's going to require a lot of negotiations and discussion with the federal government and there are some big questions that should give us pause if the federal government is not going to support a particular way of doing things, we really have to evaluate if that's the right path to go down for California.

And so what's exciting about SB 770 is that we're actually going to find out in the next 12 to 18 months what President Biden's administration and the federal government is willing to support and what it's not willing to support as California designs its own health system. And that's different from any point in the past many decades on this question. So I'm excited. It is now the stated policy of the legislature and the governor of California to pursue what's called unified financing, you know, a single-payer like system, and to really do the hard work that is necessary to design that right and that's going to be happening in 2024 and that's very deep in the weeds and an academic thing and it's going to require a lot of

sophisticated policy expertise. But at the other end of this process, we're finally going to have the answers that we need to make an informed decision about creating a Medicare for All system here.

Q: Got it. So we'll know in 12 to 18 months about what Biden's administration is willing to do for a single-payer system in California. But what if there's another administration down the line? Is there any guarantee that whatever Biden works out is going to be able to continue with whatever regime or administration comes next, whether it's Trump or even another Democrat?

Lewis: That's one of the key questions that we're going to have to really dive into with the feds this coming year is how do we create a durable system that once we've set it up isn't at the whim of whoever happens to be in the White House? You know, the federal government pays for about, you know, I said that the state spends about $650 billion a year on health care. The federal government pays for 250 billion of that. And so what we have to do is figure out how do we continue receiving the benefit of those funds, which we as taxpayers have paid for – Medicare contributions and the money that goes into Medicaid and so forth. We need to continue receiving those funds that we're paying for as taxpayers, but not have them arbitrarily held hostage by future administrations that might not like California because we didn't vote for them.

Q: Right. What has the reaction been from the health insurance industry and from hospitals and providers to the Office of Health Care Affordability? I imagine they are also engaging in public comments during these monthly meetings? What are their main concerns and can they be addressed?

Lewis: Yeah, let me first say to their immense credit, there were certain insurers and provider groups that were at the table in designing the Office of Health Care Affordability. They do deserve tremendous respect for recognizing that we need to do something different and opening themselves up to regulation like this. You know, certainly provider groups and insurer groups and others have been following this closely and testifying regularly. I think they have a broad range of both concerns and expertise that they're bringing forth.

I think, you know, there is some fear that the enforcement of targets might punish those who have sicker populations, for instance, and have been very vocal in making sure that we don't do something like that that could adversely affect their ability to provide good care.

You know with regard to the review of transactions, mergers and acquisitions, there was quite a bit of concern expressed about the creation of a new bureaucracy that people have to navigate, or companies have to navigate when they're buying other companies. You know, and I think their input was heard and went into helping shape those regulations and those regulations, I think, struck a balance between some providers who on the one hand, were trying to minimize the complexity of the transaction review, and others who are trying to make it very detailed and very complex and there's a good balance struck, I think, by the staff in drafting those regulations.

Q: Was there anything else you wanted to say either about the Office of Health Care affordability, or the coming year about what we can expect with health care affordability?

Lewis: Let me tackle first on the Office of Health Care Affordability, just to tie that into the question of a Medicare-for-All like system, I don't see these as necessarily antithetical tracks. If we are going to create a truly universal health system for all Californians, we're going to need a good understanding of how we're spending the money today, a good theory about how it should be spent in the future and a close review of the private sector dynamics that are shaping the health landscape. And so you know, if and when California decides to create a universal system, all the work that we're doing with the Office of Health Care Affordability will be a cornerstone of that, I believe.

With the coming year I'm very worried about the perfect storm here of fast accelerating healthcare costs (and) an unsteady labor market that has been strained over the last few years. I fear that a lot more people are going to find themselves either without insurance or with ever more unaffordable insurance. So you know, this steady, chipping away at our health system as it's designed today is only accelerating in 2024, I think.

Thank you, Ian Lewis, of Unite Here Local 2.

Do you have a personal story you'd like to share about our 'wack' healthcare system? Contact us through our website at heal-ca.org.

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Code WACK!'s powered by HEAL California, uplifting the voices of those fighting for healthcare reform around the country. I'm Brenda Gazzar.