A new sheriff in town?
How one state is curbing skyrocketing healthcare costs

“Many are going without care and that is an underreported … public health crisis. It's part of what is behind growing mortality rates in this country, declining life expectancy in this country.” – *Ian Lewis*

911. What's your emergency?

America's healthcare system is broken and people are dying.

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!** The New Year is ringing in higher healthcare premiums for many of us across the country while life expectancy continues to fall. Currently, American men have a life expectancy of only 73 years compared to Frenchmen who can expect to live to nearly 80. So what's California doing to curb skyrocketing healthcare costs and will it work? 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's previously served as a research director for the National Union of Healthcare Workers and as a board member of California's Office of Healthcare Affordability established in 2022. This is the first episode in a two-part series.

Welcome back to Code WACK!, Ian.

Lewis: Thank you. Good to talk to you again.

Q: So we're being told to expect big increases in our health insurance premiums in 2024. For example, employers can expect health benefit costs to rise around 5.4% nationwide. Why is this happening and how will it affect businesses?

Lewis: Well, we're already seeing big increases. It's not something that's theoretical, and in the future. It is here now. I think at the core of it, there are a lot of corporations, some of which are officially for-profit, and some of which have not-for-profit tax status, who are trying to boost their profit margins now that we're on the other side of the worst of COVID.

Q: Yeah, right. So what does that look like if they're trying to boost their profit margins?

Lewis: Well, here in California, we're seeing from the biggest insurer rate increases in excess of 8% or 9%. I've heard many, many funds and employers reporting increases as high as 25% so it's obviously causing a real crisis for economics, both for households and for employers.

Q: Wow, those are big numbers. Yeah, and here in California, according to Covered California, the average increase in 2024, for individuals will be around 9%. Are wages keeping pace with this and what does this mean for workers?

Lewis: Well, wages have not kept pace with health premiums for decades. Health premiums have gone up two or three times the rate that wages have gone up. You know, when I first joined the labor movement over 20 years ago, health benefits typically ranged 15% to 17% of an average workers income. Now they're over 50% in many places, and they're eating up more and more of the pie. And that's a very big part of the reason that people's wages have not been going up as much as we all would have liked over the last couple of decades because all that money is going to pay for health care, as opposed to the other necessities in life.

Q: Wow. When people can't afford to pay their premiums charged for private health insurance, what are their options?

Lewis: Well, there are government programs, and they've been absolutely crucial for years, but especially during the COVID period, there was a big expansion of

people enrolled in Medicaid. In California, it's called Medi-Cal, which has been absolutely essential. However, much of that assistance is being wound down, especially at the federal level and I think we're about to see a spike in the number of people who are uninsured. I think it's important to note, though, that the cost crisis isn't just for people who are uninsured. Growing numbers of people who have insurance have insurance with very, very high deductibles, very high co-pays as well as monthly out-of-pocket premiums so for 50% or more of the people who have insurance, even then health care is less and less affordable.

Q: So for people that simply feel or can't afford health insurance, what are they doing?

Lewis: Many are going without care, and that is an underreported, I think, public health crisis. It's part of what is behind growing mortality rates in this country, declining life expectancy in this country. Huge numbers of people are skipping medications on a regular basis or other treatment because they're trying to save the money and make the money go further and it's why Americans live less and are less healthy than people in other rich countries.

Q: Right. You know, I have to say, I've noticed it's not only very low income people or low income people that are forgoing health insurance, I'm also seeing middle-class people that I know that say they can't afford it and they're just risking it and going without (insurance) because they feel like it's, you know, $600 a month is too much for them to pay or $700 a month, whatever it is, even on the exchange. Is that something you're hearing as well?

Lewis: Very much so. Our country for many years has assumed that everybody who is of working age will get health coverage, and the government will just fill in the gaps, so to speak, of people who don't, especially very poor people. That model has been breaking for a quarter century. We've done relatively well, especially in California, in creating safety net programs for very poor people. Now, there are big problems with those programs. It's often very hard to find a provider who's willing to accept the coverage, there are long wait periods for care.

But California especially has done quite well in expanding and improving the benefits that are available through Medi-Cal and it continues to do so for that 50% of the population or just over 50% of the population that gets its coverage from employer-paid health care, though, it's becoming as I said, less affordable and it is funded in the most regressive way possible. The lower income you are, the more you pay, and the bigger percentage you pay towards health coverage and so it's

exactly the opposite approach that just about every other rich country in the world has taken. Middle income people pay a much higher share than rich people towards their health benefits.

Q: Wow. Yeah, that seems very unfair. So you're on the board of California's Office of Health Care Affordability. Thank you for serving in that capacity. The office was established in 2022, according to its website, to slow healthcare spending growth, to promote high-value system performance, and to assess market consolidation. What steps has the Office of Healthcare Affordability taken so far toward achieving its aims?

Lewis: I speak for myself and not for the Office of Healthcare Affordability here, but I was very excited when the law was passed to create this new regulator. I've worked for many years in Sacramento to increase the transparency and the regulation of health prices in this state for all the reasons we've been talking about so far and the Office of Healthcare Affordability is a big step in that direction. It has a number of mandates, the biggest of which is to set spending targets for the healthcare sector overall, and eventually sub sectors in health care, and to start enforcing those targets on hospitals and physician groups and health plans and other entities in the health sector.

And so as the office has been set up over the last 10 or 11 months, we have spent a lot of time looking at different ways of first documenting how much we spend for health care. You'd think that's a fairly straightforward thing, but it's not. And then the methodologies that we might use for saying how much health care should go up in future years.

In addition, the office is charged with evaluating corporate mergers and acquisitions, and assessing what impacts those might have on consumer affordability and the local economies where those are happening. So it's a very ambitious project. It's a project that a number of other states have also tried, but not with the teeth and the enforceability that California is attempting to set up over the next couple of years.

Q: Wow, that's so exciting. Okay, so tell me about the Office's enforcement powers and can you give an example of enforcement action, if any has been taken so far, and if not what that would be in the future?

Lewis: Well, all the details have yet to be hashed out and they're being discussed in a public forum, which right now is happening about once a month and the public can participate in these both in person and online and give their input into how this

should take shape. But the concept here is that the office starting this coming year in 2024, is going to develop a formula for how much health spending should increase over time and there are different ideas about how that might be done.

It might be pegged to household income, it might be pegged to any number of other economic measures, and then starting in 2026, which is the first year that health entities, companies, public agencies and so forth are subject to enforcement and they're held to this, there will be a progressive enforcement system, probably starting with a corrective plan of action if somebody exceeds the measure or the target.

But it could get more aggressive. The enforcement could get more aggressive and could come along with fines and recoupment of funds, if they continue to exceed their target. Now, I should say there are legitimate reasons that a healthcare company might exceed the target and so it won't be a broad brush necessarily. I think each case will be examined quite closely and to make sure that we're not punishing entities for taking good care of sick people or what have you.

Q: Right, right. Good point. So are we talking about enforcement over health insurance companies?

Lewis: Health insurers and health plans are covered by this as are providers, hospitals, physician groups, other categories of providers, so it's pretty broad across the entire health sector.

Q: ***Wow. Well I can see how this would be a fine balance to strike in a way because on the one hand, you do want patients to get the care they need, and that can cost money and on the other hand, you don't want costs to go up too much. So it sounds like a tricky balance to strike. Is it or am I imagining that?***

Lewis: Absolutely, though, I will say I have heard that just the simple presence of a target that parties can know the target is out there, it's going to be 3% next year, that alone creates a pressure on the industry to keep within bounds when it comes to enforcement. Like I said, there are certain things for instance, investing in the workforce and making sure that we have adequate numbers of providers, and they're able to recruit and retain, you know, a skilled workforce that will be in, you know, a protected category of spending, but simply boosting profits and putting more and more into the bottom line in excess of that spending growth target that would not necessarily be a legitimate reason to exceed the target.

Q: So Ian, what do you see as the biggest obstacles facing the Office today, and what can be done about it?

Lewis: I think the biggest obstacle is the health market is extraordinarily complex, particularly in California, where there are many, many layers of entities involved, just to take your listeners through a little bit of that complexity, you know. Your employer might set money aside towards a not-for-profit health fund that goes out and purchases insurance for the workers and their families at that workplace. That fund goes and contracts with insurers like Blue Shield, or Kaiser Permanente, or others and those companies in turn, go and contract with hospitals and with physician groups and other providers and those themselves go out and contract for employment services, for durable equipment, for drugs, and so forth.

There are many, many transactions so even though we think that California spends somewhere well north of $600 billion a year on health care overall, we don't have a very fine way of understanding where exactly that money is going and so the first challenge is to get our arms around how much we are spending today, then we can look and discuss and debate what the appropriate growth of that spending is. We don't want to create a situation where there's a growing crisis of access to care that we are causing by regulating this market. But we also need to rein in the spending because there is a crisis of access to care because it is less and less affordable or affordable to fewer and fewer people.

So what that methodology is, what the right benchmarks are to say health spending should grow this much, but no more, that's a tricky question with no simple answer. It's going to be a very interesting debate at the board and in health policy circles, something that your listeners can certainly participate in. And I'd underscore a lot of members of the public have spoken at these meetings with really profound effect. The public comment really does shape the discussion, form the discussion of the board and ground the board's discussion in what's really going on for people in California.

Q: That's great. That’s great. Are the meetings virtual/ online?

Lewis: They're online so people can call in and comment or join via teams online. They can also come to the meet thing in person in Sacramento. There's a dedicated group of folks from the Monterey Bay Area in Salinas who've been driving all the way up because they say the spiraling cost of hospital services there is such a crisis for them that they take time off of work and they drive the hours each direction to come and speak in person and hold us to account for the mission and the purpose of the Office of Health Care Affordability.

Thank you, Ian Lewis. Stay tuned for next time when we dive deeper with Ian about ways to further keep our health care costs down.

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.

And don't forget to subscribe to Code WACK! wherever you find your podcasts. You can also find us on ProgressiveVoices.com and on Nurse Talk Media.

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