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110 West C Street, Suite 714, San Diego, CA 92101 • P: (619) 234-6423 • F: (619) 234-7403 • www.sdcta.org

August 1, 2007

The Honorable Fabian Nunez
46th Assembly District
320 West 4th Street
Room 1050
Los Angeles, CA 90013

The Honorable Don Perata
9th Senate District
State Capitol
Room 205
Sacramento, CA 95814

Re: Assembly Bill (AB) 8 - Oppose

Dear Assemblyman Nunez and Senator Perata:

The San Diego County Taxpayers Association (SDCTA) recognizes the need for health care reform in California and applauds the effort set forth in AB 8 to provide health insurance to a significant portion of the uninsured in the state. However, the SDCTA cannot support an employer mandate such as AB 8 that does not account for the negative economic impacts its imposition is likely to create.

The creation of the Cal-CHIPP insurance pool achieves the significant benefit of insuring almost seventy percent of the current uninsured population in California according to the Gruber estimates, but faces a significant risk of under-funding due to unexpected over-enrollment and rising health care costs. We fear that an under-funded Cal-CHIPP pool leaves the Managed Risk Medical Insurance Board (MRMIB) with two options that both yield negative consequences. The first option is to increase the payroll percentage requirement imposed on businesses that is not subject to legislative approval. If this requirement is increased, the operation of a business in California becomes more and more expensive, creating negative economic consequences such as unemployment and possible firm relocation out of state. The second option available to the MRMIB in the event of an under-funded Cal-CHIPP pool is to underpay providers, creating a vicious cycle of cost-shifting to those individuals with private group or individual coverage, and a likely increase in Cal-CHIPP enrollment determined entirely by employers' decisions for their employees. The SDCTA cannot support a measure that creates an insurance pool managed by the state that is likely to be under-funded and consequently is left with only the options previously mentioned, neither of which produce desirable results.

Additionally, the SDCTA disagrees with the approach of an employer health insurance mandate which allows the employer to decide which product its employees consume. Employer mandates fail to properly align incentives because the individual consuming the insurance product does not make the consumption decision.

The SDCTA believes that health care reform in California is necessary, but cannot support AB 8 because of the significant risks of under-funding the Cal-CHIPP pool and the potential consequences that follow.

Sincerely,



Lani Lutar
President & CEO

cc: The Honorable Tom Torlakson The Honorable Joe Simitian
 The Honorable Dave Cox The Honorable Darrel Steinberg
 The Honorable Samuel Aanestad The Honorable Mark Wyland
 The Honorable Roy Ashburn The Honorable Lelan Yee
 The Honorable Jim Battin The Honorable Joel Anderson
 The Honorable Gilbert Cedillo The Honorable Denise Ducheny
 The Honorable Ellen Corbett The Honorable Martin Garrick
 The Honorable Robert Dutton The Honorable Dennis Hollingsworth
 The Honorable Dean Florez The Honorable Shirley Horton
 The Honorable Sheila Kuehl The Honorable George Plescia
 The Honorable Jenny Oropeza The Honorable Mary Salas
 The Honorable Mark Ridley-Thomas The Honorable Lori Saldana
 The Honorable George Runner The Honorable Mimi Walters