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California Senate approves tax on health insurers

The measure would help prevent the removal of nearly 700,000 children from a government health insurance program for the working poor. The bill now moves to the Assembly.

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Reporting from Sacramento

State lawmakers pushed forward Wednesday with a \$196-million plan to keep nearly 700,000 children from being yanked off a government health insurance program for the working poor.

The state Senate passed a measure to create a new tax on insurance companies and bring in federal money to rescue the decade-old Healthy Families program, which had been cut deeply in recent months as lawmakers scrambled to balance the state budget.

Assembly officials expressed confidence that they would garner the needed two-thirds vote in the lower house, where the bill is expected to be taken up today. Administration officials said Gov. Arnold Schwarzenegger would sign the measure.

"Sitting on our hands in this situation is not an option for California's children," said state Sen. Dave Cox (R-Fair Oaks), one of three Republican lawmakers to break ranks with tax-wary GOP colleagues and join with the majority Democrats in approving the measure 27 to 8.

As many as two-thirds of the nearly 1 million children covered by Healthy Families were to be stripped of their coverage under the budget signed by Schwarzenegger in July, and they will lose it if the new funding isn't approved. More than 70,000 applicants have been added since mid-July to a waiting list that grows longer by the day.

"There are 700,000 reasons for supporting" the bill, said state Senate leader Darrell Steinberg (D-Sacramento). "This is a shared solution to a disaster . . .that will occur if we don't intervene."

The insurers -- Kaiser, Anthem Blue Cross, Blue Shield and others -- agreed to the levy. But Republicans have been under pressure from anti-tax forces, such as the Howard Jarvis Taxpayers Assn. and conservative blogger Jon Fleischman, to resist it; they view it as a new tax on California business.

"Who pays is the bottom line here," said state Sen. Sam Aanestad (R-Grass Valley), who voted against the bill.

But the plan would actually come at minimal cost to insurers, for whom Healthy Families generates considerable business.

The legislation, by Assembly Speaker Karen Bass (D-Los Angeles), would impose a 2.35% tax on the insurance companies. That tax revenue would be used to acquire about \$97 million in federal matching funds.

The federal funds would help sustain Healthy Families, and the insurance firms would recoup most of their levies from the remaining money.

An additional \$81 million to help Healthy Families would come from the state's First 5 early childhood development program, approved by voters in 1998 and flush with tobacco tax revenue. [AB 1422](#)

Nearly \$18 million more would come from a shift by Healthy Families to cheaper dental coverage and from higher premiums and co-payments for Healthy Families enrollees. The only unaffected participants would be those with the lowest incomes -- less than \$27,500 annually for a family of three.

The new tax would replace an existing 5.5% levy set to expire in October, prompting some lawmakers to quip that the new levy is actually a tax reduction. It would expire at the end of next year, and the insurers would be reimbursed for most of their cost.

"Of course the insurance companies want this -- it won't cost them a penny," Aanestad said.

Howard Kahn, chairman of the California Assn. of Health Plans and chief executive of L.A. Care, said reluctant Republican lawmakers "can stand on the principle of no new taxes at the cost of the kids -- but in fact there is no cost to California."

Noting that California historically has paid more federal taxes than have been recouped in services, Kahn said the Bass bill "feels very reasonable."

"This is one of those rare opportunities to do the right thing on a bipartisan basis," echoed Wendy Lazarus, founder of the Children's Partnership, a nonprofit health advocacy organization.

The Senate also passed dozens of other bills Wednesday, which go to the governor after the Assembly approves minor amendments:

* A measure requiring law enforcement agencies to report to the state annually how many rape kits they collect, process and destroy each year. AB 1017 is in response to reports that Los Angeles city and county had about 10,000 rape kits containing evidence of sexual assault that had not been fully processed so criminals could be identified, according to its author, Assemblyman Anthony Portantino (D-La Cañada Flintridge).

* AB 951 would increase from \$1,000 to \$5,000 the civil fines that can be charged against

charter bus companies that violate laws and regulations. Introduced after a series of fatal charter bus accidents in California, the measure is meant to persuade "bad actors" to pay closer attention to safety regulations, said Sen. Carol Liu (D-La Cañada Flintridge). The bill's author is Assemblyman Ted Lieu (D-Torrance).

* A bill by Assemblyman Paul Krekorian (D-Burbank), AB 1319, would prohibit talent scouts from demanding an advance fee for arranging a job or audition. The Los Angeles city attorney's office said complaints about acting and modeling scams have - in an era of "American Idol" -- doubled every year since 2006 and now total 1,000.

* A proposal by Sen. George Runner (R-Lancaster) would allow the Santa Monica Mountains Conservancy to expand the Rim of the Valley Trail to include an area near Santa Clarita including Elsmere Canyon. AB 110 could set the stage for filling a gap in the trail if the new owner of the canyon decides to sell or dedicate land.

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