



OFFICE OF THE GOVERNOR

May 25, 2021

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Biden,

With your and Vice President Harris' leadership, we are truly at a new day. I am heartened by what you have already done to provide more affordable health care to millions and what you can – and I hope will – do in the coming months. The opportunity before you and the nation is historic, and I hope you will seize the moment to act boldly to finish the job of the Affordable Care Act--to provide affordable access to health care to all Americans. Specifically, I call on you with two requests:

- Work with Congress to enact a new law enabling states to apply for Transformational Cost and Universal Coverage Waivers to re-invest federal funding, combined with state funds, to transform health care delivery in each state; and
- Include in the proposed American Family Plan needed improvements to help struggling Americans afford and get access to quality health coverage.

Historically, California has led the nation in designing and executing innovative policy solutions to help address our most pressing problems. California families continue to struggle with rising health care costs, and this has been exacerbated by the COVID-19 pandemic. We have taken action and will do more to make quality health care more affordable and available for all Californians including:



- Expanding coverage and affordability for Californians, including those in the middle class, by launching state-only subsidies that provided a roadmap for the important changes made in the American Rescue Plan;
- Enacting a state Individual Shared Responsibility Provision;
- Providing state-based support to provide comprehensive coverage to our younger undocumented Californians;
- Establishing a Healthy California for All Commission to look at unified health care financing structures for all Californians;
- Including in my most recent budget proposal an Office of Health Care Affordability to address underlying health care cost drivers and an Office of Medicare Innovation and Integration that will explore strategies and models to strengthen and expand low- and middle- income Californians' access to high-quality services and supports; and
- Addressing rising prescription drug prices by counterbalancing the bargaining power of the pharmaceutical industry.

However, California's spirit of innovation is stifled by federal limits on how we can innovate and experiment. Existing federal law permits only limited, piecemeal innovation – not the comprehensive reform necessary to address the myriad challenges that Californians face when navigating today's health care system.

To address this ongoing health care cost crisis in the most effective way, we must have the federal tools to support California's ability to provide quality health care for everyone, financed through a single-payer model like Medicare. States are the laboratories of innovation, and I would like to build on our work with the Healthy California for All Commission towards a more comprehensive, universal system that works for patients, providers, and taxpayers alike.

I ask that you work with Congress to amend federal law to enable states to apply for and receive Transformational Cost and Universal Coverage Waivers, empowering California to truly innovate and to begin transformative reforms that provide the path to a unified financing and health care delivery system. I am eager to take these challenges head-on with my colleagues in the California Legislature and with the benefit of federal policies that promote innovation, quality, efficiency, and cost-effectiveness to create an affordable, equitable, and easy-to-navigate health care system for all Californians.

In the near term, we also have the opportunity to create federal and state partnerships that support the positive transformation of health coverage and care throughout our country. California has aggressively implemented the ACA and will amplify important actions taken by your Administration to address affordability issues through the American Rescue Plan (ARP). Building on the ACA also addresses health and economic equity, as the benefits of these efforts disproportionately benefit lower income Americans and communities of color.

Our work, however, is far from done. Despite the financial support provided by the ACA and your recent significant expansion of premium assistance through the ARP, our health care system remains too expensive and too complex even for Californians who have insurance. High and rising health care costs mean workers' wages have not increased to the extent they should have, and small businesses struggle to offer coverage to their employees. The rising costs are unsustainable and are exerting immense pressure on the budgets of state and local governments, employers, and families.

As I explain below, with both transformational waivers that empower states to truly innovate and building on the successes of the Affordable Care Act, we would enable California and other states to finally achieve affordable health care for all:

1. Create New State Transformational Cost and Coverage Waivers

The states have always been the laboratories for change. The federal government has given states the flexibility to make some innovative changes in health care through the use of waivers. However, the existing State Innovation Waiver is too limited to effectively design and implement comprehensive solutions to our pressing challenges.

In this spirit, the federal government should enact new law enabling states to apply for Transformational Cost and Universal Coverage Waivers to re-invest federal funding – combined with state funds – to increase coverage, contain costs, and drive improvements in health care quality. States would be able to design and tailor more comprehensive solutions, such as a unified financing or a single-payer system.

Under this approach, states would be able to apply to:

- Reallocate funds to best meet the needs of all the state's population;
- Use a public exchange or exchanges as a platform for portable benefits, leveraging funding from multiple sources;
- Assure competition by making public plan(s) options available;
- Use tools such as all-payer pricing to address rising health care costs;
- Promote improvements to how care is delivered, supporting care coordination and payment systems that reward better quality and delivery of value-based services;
- Integrate critical public health initiatives into the health care delivery system to address emerging and ongoing threats to health, such as the COVID-19 pandemic and conditions precipitated by climate change; and
- Finance locally anchored programs that address health disparities and underlying social determinants of health.

Unlike the current standards tied to "budget neutrality," this new waiver would be fiscally aligned with the federal government's goal of reducing the uninsured rate, lowering costs, improving quality, and addressing health equity and many social determinants of health. The waivers would serve as the funding mechanism to reward states that are relatively more successful in achieving these goals. For example, additional funding should be made available for states that are more effective at lowering the rate of the eligible uninsured and containing costs while promoting quality and improving health outcomes.

While California and other states look for ways to improve upon the health coverage and care systems currently in place, we also need to preserve the national standards that provide vital consumer support and protection, along with much needed access to coverage and care. Federal waivers should focus on meeting the explicit goal of driving positive change in health care, whether through expanded coverage, increased quality and equity, or lowered costs.

2. Make Permanent Improvements to the Affordable Care Act that Build on Your Commitments and Seize the Moment

The ACA greatly increased the number of Americans with affordable health coverage by expanding Medicaid, setting affordability standards for employer-sponsored coverage, and establishing health benefit exchanges tasked with administering the Act's premium tax credits and cost-sharing reductions. Your administration now has the opportunity to make permanent improvements to the ACA Key elements would include:

Work with Congress to make the ARP's improvements to the Affordable Care Act permanent and build on the goals you articulated in your platform. The ARP greatly increased the affordability of individual market coverage through a two-year expansion of federal premium tax credits which guarantee that no one will have to pay more than 8.5 percent of their income for an exchange benchmark plan through 2022. While the ARP provided an immediate infusion of affordability support during the economic recovery, more permanent changes are needed to address long-standing affordability challenges in both premium and cost sharing. Needed changes include:

- Making the ARP subsidies permanent to both increase affordability for Americans under 400 percent FPL and eliminate the ACA "cliff" above 400 percent FPL.
- Increasing the benchmark plan from the Silver level of coverage to Gold.
- Increasing the value of cost-sharing reductions and expanding eligibility up to 400% FPL.
- Remove eligibility barriers for receiving subsidies in an exchange.

Allowing Consumers to Choose the Most Affordable Coverage Option. As you well know, many Americans with an offer of or coverage from their employer would be able to get a better deal by purchasing a plan through an exchange. This choice can only be enabled through changes in federal law. I encourage your administration to actively explore this policy area to ensure that we have the tools available to fully address affordability challenges within the framework of our current system. At minimum, affordability standards should be aligned across the individual market and employer-sponsored coverage.

We must focus on meeting the needs of all Americans by promoting the goals of universal coverage; the promise of simplicity and protecting those who are sick or need care; substantially lowering health care costs for consumers and assuring premium dollars are spent on needed care that is high quality. We must, as you have said, make it a new reality for all Americans that healthcare is a right, not a privilege.

A comprehensive solution to affordable and universal health care will require both wisdom and courage, with states and the federal government working together as partners. First and foremost, I call on you and Congress to amend federal law to enable states to apply for Transformational Cost and Universal Coverage Waivers, empowering California to pursue transformative health care reform, such as a single-payer system. I also call on you and Congress to enact an American Family Plan that makes real and meaningful progress in addressing the affordability and coverage challenges faced by millions of Americans.

The opportunity to transform health care is now, on the heels of the devastating pandemic, when health delivery systems are being restructured and access to care is reimaged. There is no better time to infuse states with the opportunity to capitalize on this experience and to accelerate a radical transformation of healthcare quality and affordability for all.

We stand ready to partner. To act swiftly, with innovation in mind. California has the foundation, the structures, and the will. We now only need authority, continued, reliable federal funding, and flexibility to transform.

Sincerely,



Gavin Newsom
Governor of California