Health Care Costs Overview

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Informational Hearing
Health Spending Has Been Historically Volatile
....and has always outpaced inflation rates
Average Annual Growth Rates in Health Spending
United States, 1962 to 2012

11.3% 13.6% 9.9% 6.7% 5.5%

Recent Detail
2008 4.7% 2009 3.8% 2010 3.8% 2011 3.6% 2012 3.7%

Note: Health spending refers to National Health Expenditures.
CA Health Spending as a Share of the Economy Lower than U.S. Average....

California vs. the United States, 1991 to 2009, selected years

PERCENT OF GDP
- California
- United States

1991: 10.3%
1994: 11.1%
1997: 10.2%
2000: 9.6%
2003: 10.9%
2006: 10.8%
2009: 12.2%

*Personal health care (PHC), as reported by Centers for Medicare and Medicaid Services (CMS). See Appendix B for additional detail on spending categories.

Notes: Spending relative to the economy is computed here based on PHC, the most comprehensive measure available at the state level. In many publications, US health spending as a share of GDP is based on national health expenditures, a metric which includes additional spending categories, such as construction, public health activities, and administrative costs. CMS, Office of the Actuary, State Health Expenditures by State of Provider, 1980–2000; www.cms.gov.

......But CA Employer-Based Premium Rates are Higher

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>California</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single coverage - HMO</td>
<td>$555</td>
<td>$502</td>
</tr>
<tr>
<td>Single coverage - PPO</td>
<td>$613</td>
<td>$503</td>
</tr>
<tr>
<td>Family coverage - HMO</td>
<td>$1,439</td>
<td>$1,379</td>
</tr>
<tr>
<td>Family coverage - PPO</td>
<td>$1,501</td>
<td>$1,389</td>
</tr>
</tbody>
</table>

Source: CHCF Employer Benefits Survey, 2013
ESI Premium Increase Compared to Inflation
Family Coverage, California, 1999 to 2013

Introduction of Rate Review

*Estimates are statistically different from the previous year shown.
Individual Market: Premium Rate Increases
Existing Products - 2011 to 2014

Notes: Because many 2014 products are new, they are not associated with a rate increase and therefore not reflected here.
Source: Analysis for the California HealthCare Foundation by Katherine Wilson of California Rate Filings for the Individual Market, as reported in June, 2014.
Regional Differences in Premiums in Covered California
Silver Plan, single 40 year old, $75,000 income

Avg. $258

Avg. $381

Los Angeles
San Francisco

Plan 1
Plan 2
Plan 3
Difference in Hospital Payments

OSHPD - Net Revenue Per Adjusted Patient Day (Third Party)

$7,740 $4,292
ACA Provisions Likely to Increase Premium Rate Growth

- Expansion of coverage
  - Guaranteed issue
  - Children covered to age 26
- Prohibitions on lifetime limits
- Mandated benefits
- Increased demand for services
ACA Provisions Likely to Decrease Premium Rate Growth

- Medical Loss Ratio Limits
- Standardized Actuarial Value (Metal Levels)
- “3 Rs”
  - Reinsurance
  - Risk Corridors
  - Risk Adjustment
- Other: Delivery system changes, comparative effectiveness, etc.