

Health Spending in California

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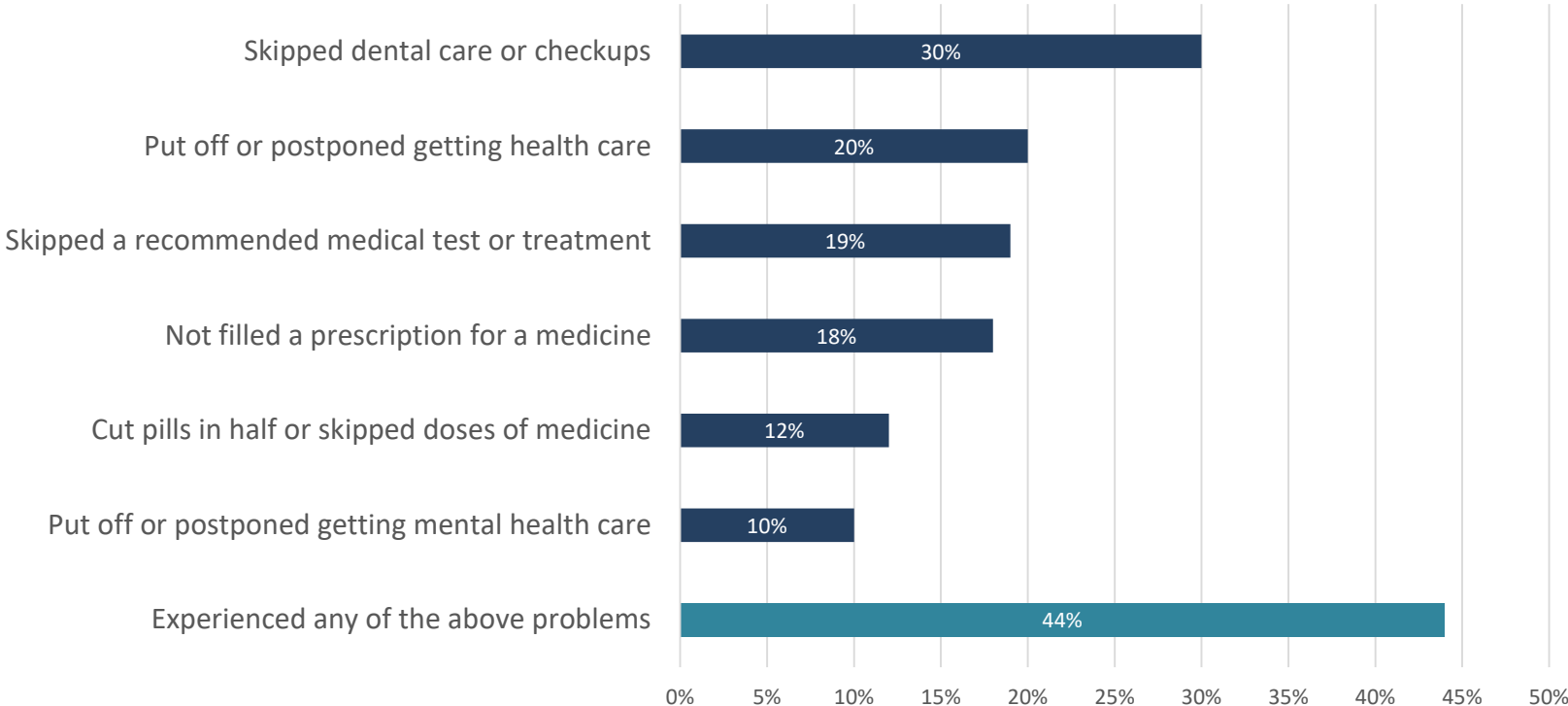
January 21, 2020

Health Spending in California

- Why we care
- What the data tell us
- Where to focus as a purchaser

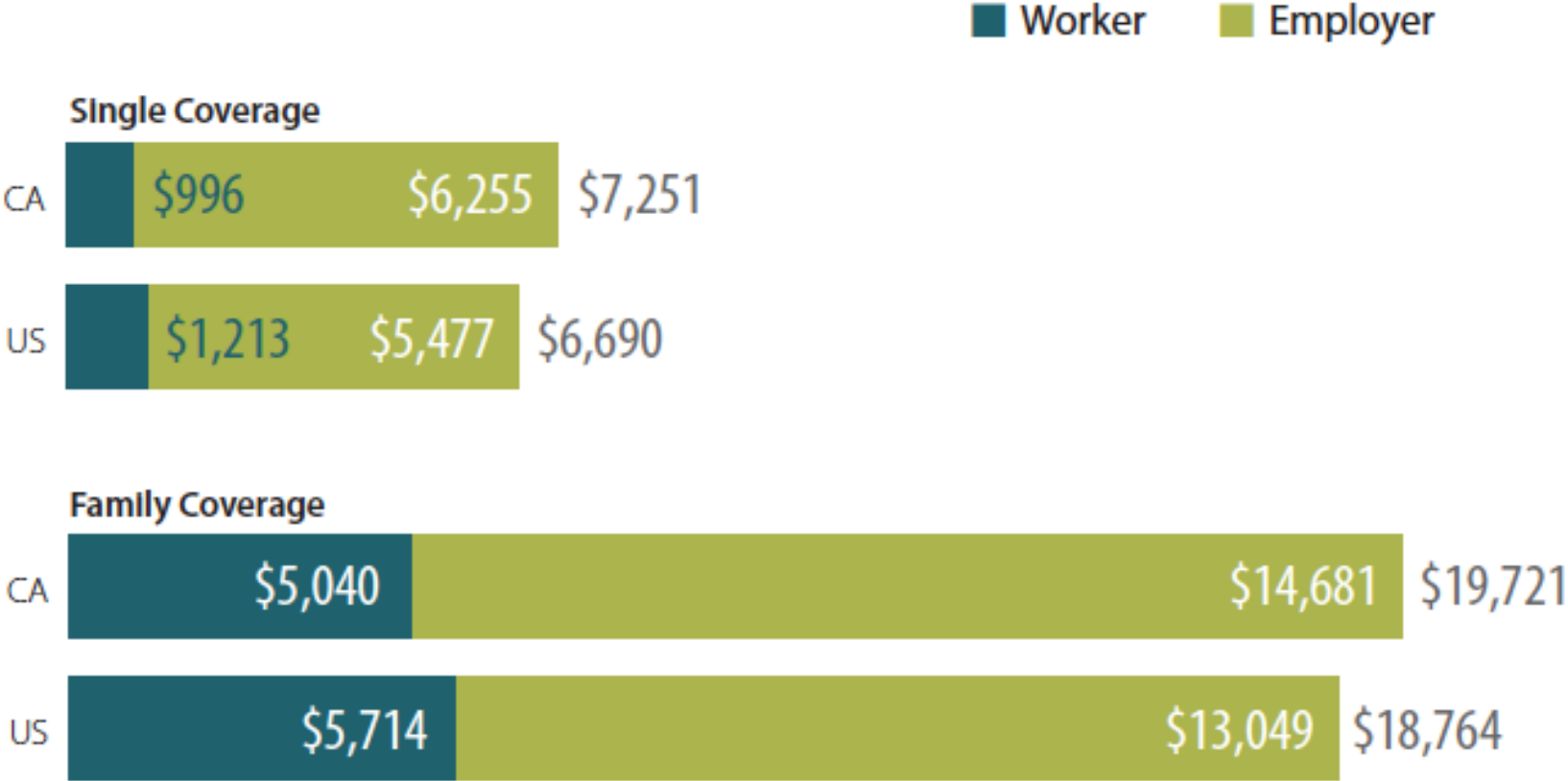
Almost Half of Californians Having Health Care Cost Problems

Percent who say they or a family member living in their household **have done each of the following** in the past twelve months **because of the cost**



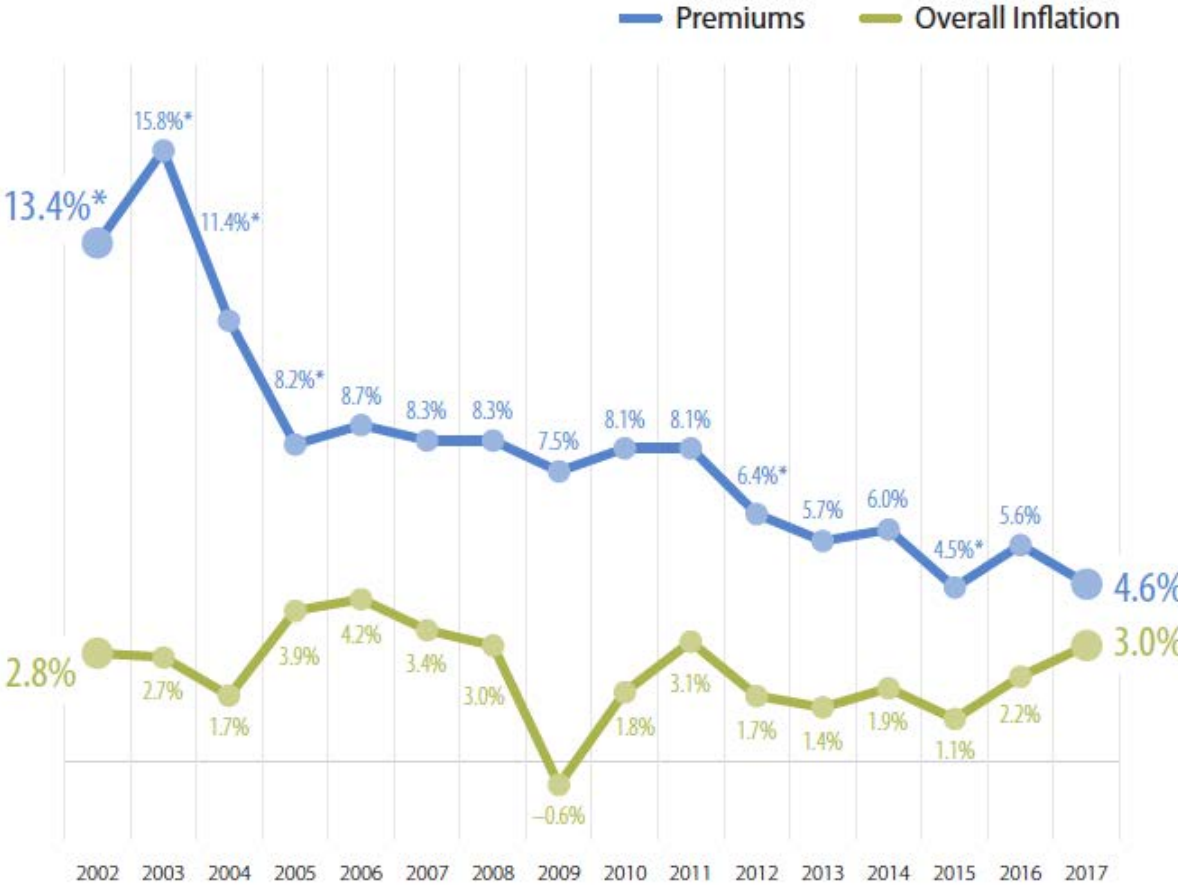
SOURCE: KFF/CHCF California Health Policy Survey (Jan 2019)

Annual Worker and Employer Premium Contributions California vs. United States, 2017



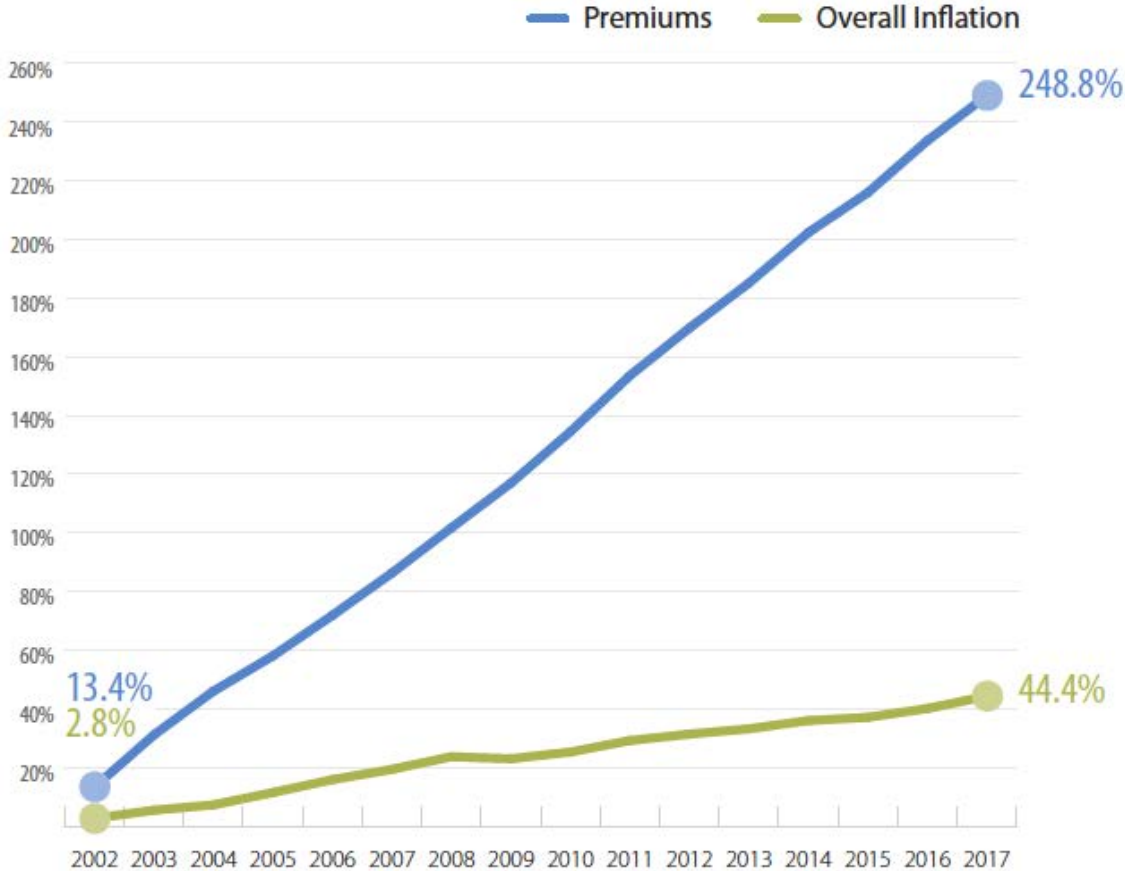
SOURCE: CHCF/NORC California Employer Health Benefits Survey (June 2018)

Annual Premium Growth Compared to Inflation Family Coverage, California, 2002 to 2017



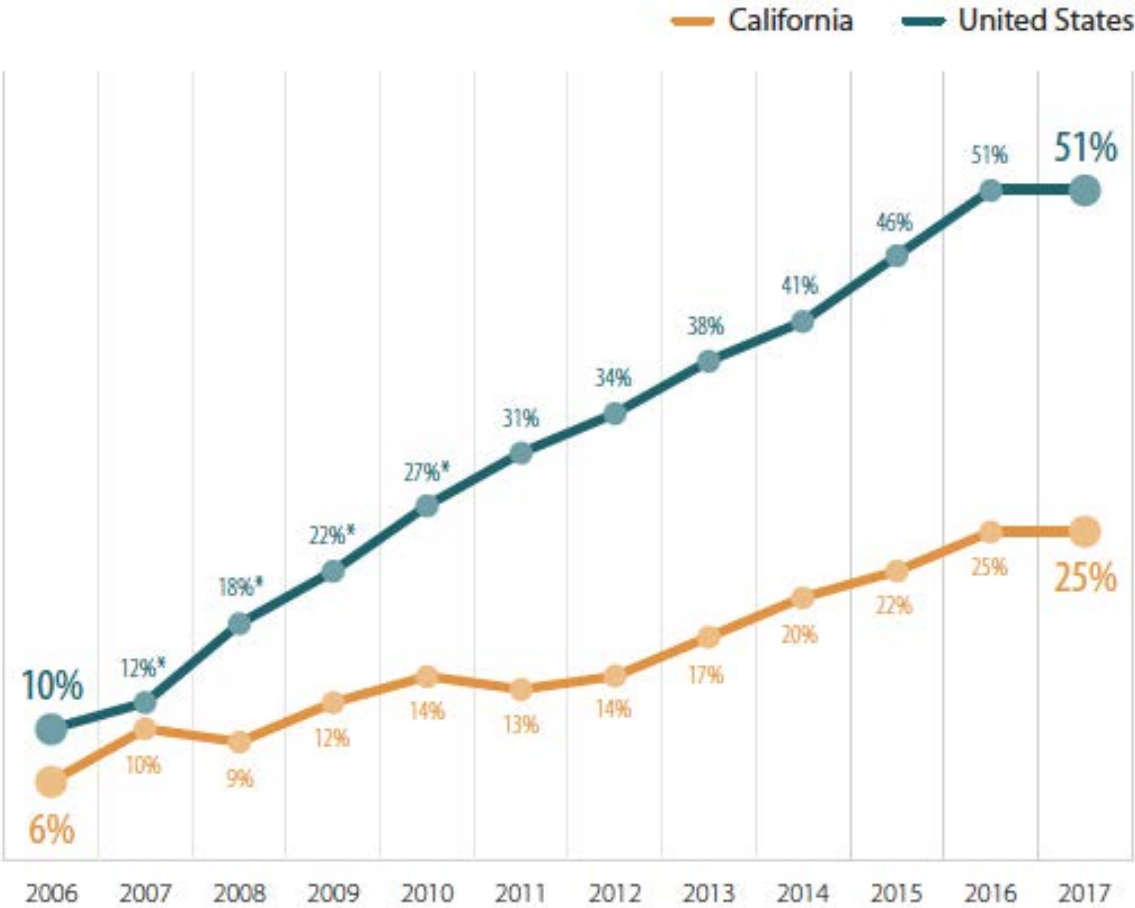
SOURCE: CHCF/NORC California Employer Health Benefits Survey (June 2018)

Cumulative Premium Growth Compared to Inflation Family Coverage, California, 2002 to 2017



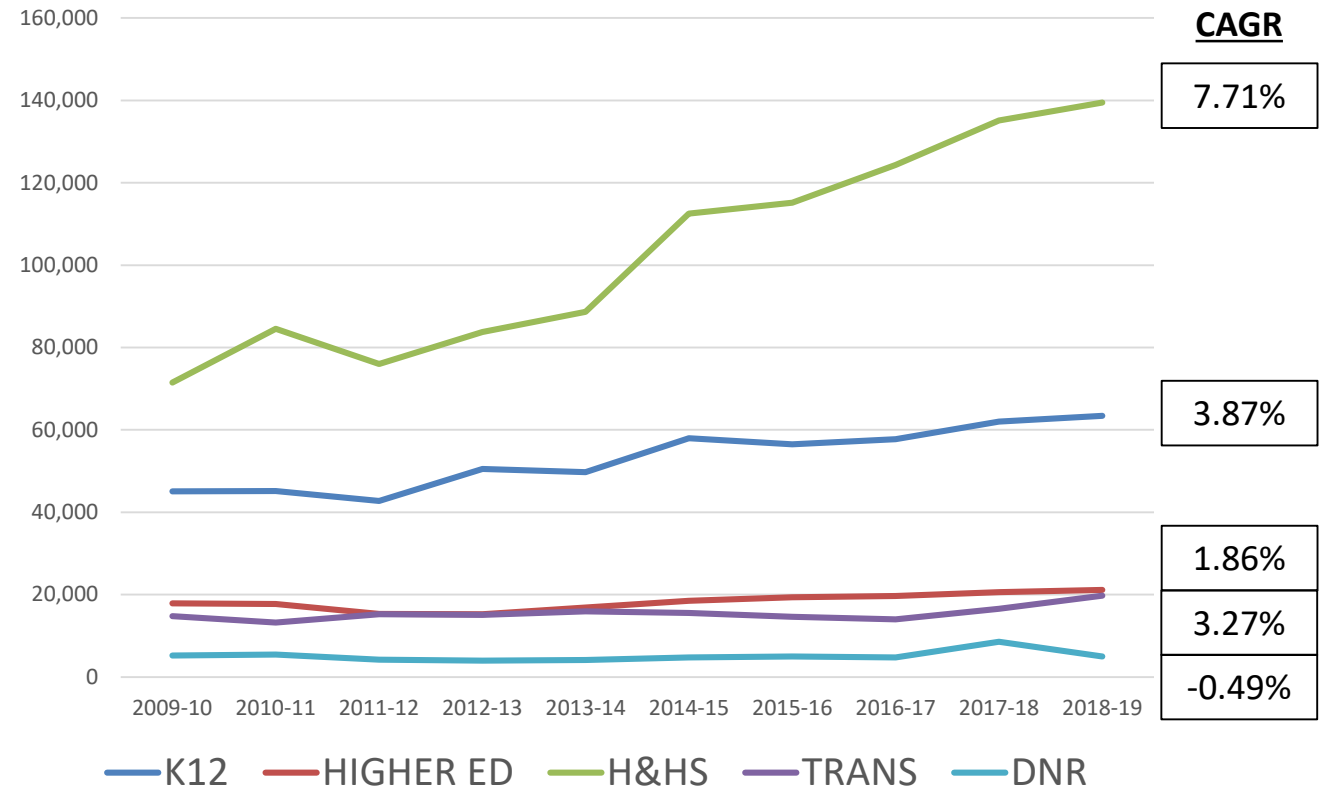
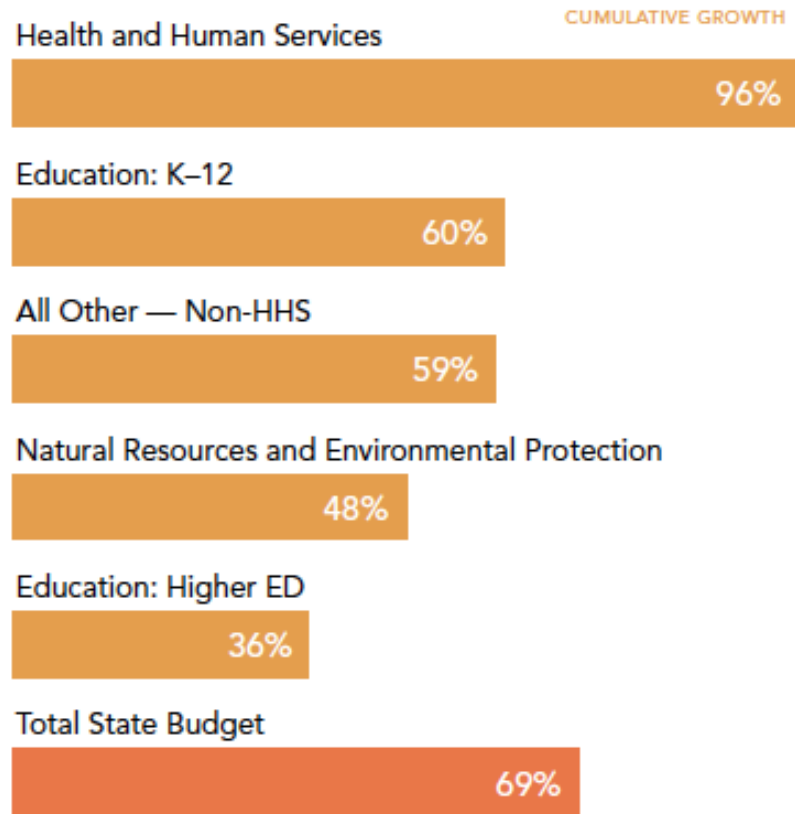
SOURCE: CHCF/NORC California Employer Health Benefits Survey (June 2018)

Workers with a Large Deductible (\$1,000+), Single Coverage California vs. United States, 2006 to 2017



SOURCE: CHCF/NORC California Employer Health Benefits Survey (June 2018)

California State Budget Spending, by Category FY 2009-10 to FY 2018-19



SOURCE: Author's estimates

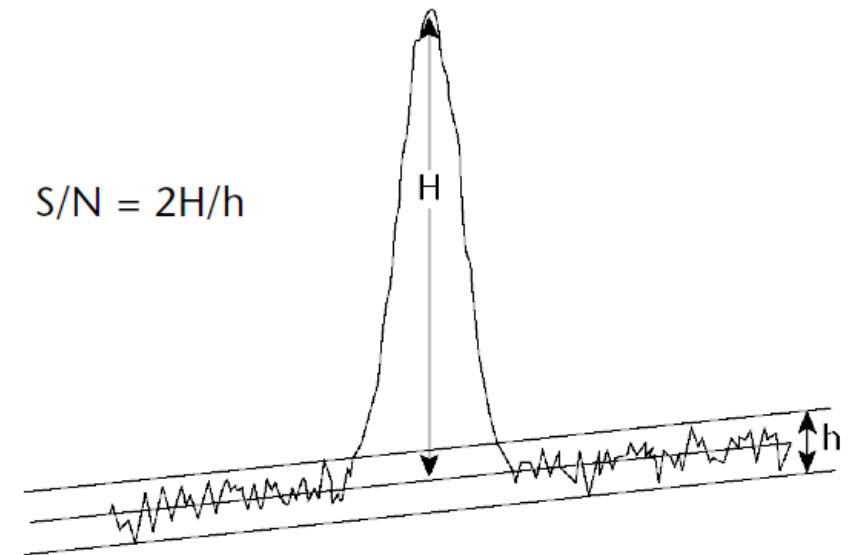
No Conclusive Source of CA Spending Data, Lots of Pieces

- Claims aggregators (e.g., HCCI, IHA Atlas)
- Individual payers (e.g., Blue Shield)
- Individual purchasers (e.g., CalPERS)
- Government sources (e.g., CMS, Covered California)
 - OSHPD HPD in progress

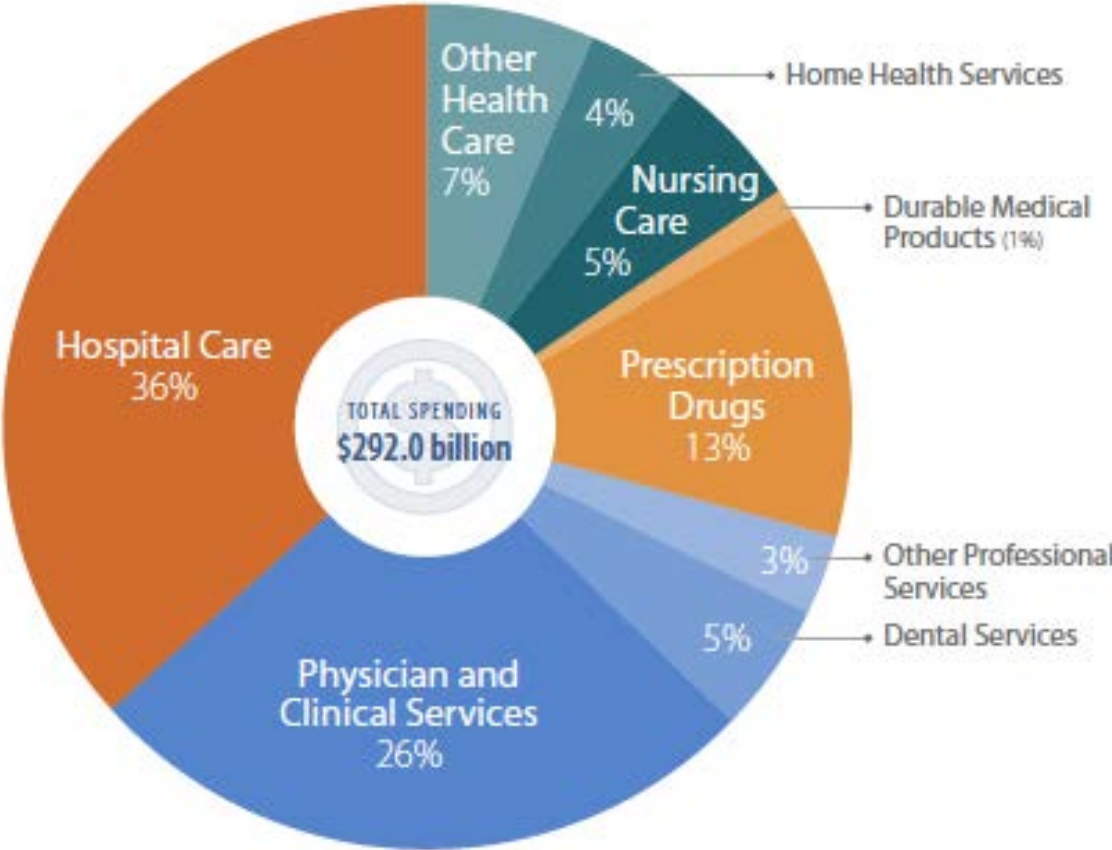


What the Data Tell Us

- Industry segment
 - Almost two-thirds of CA spending still in hospitals and clinics
- Payer type
 - Total public spending exceeds private, per enrollee spending growth higher in private
- Type of patient
 - Majority of spending on small (but changing) group of patients, mental health conditions often comorbid
- Region
 - SoCal cheaper than NorCal even after wage adjustment, provider and insurer consolidation impact price
- Site of service
 - ASCs cheaper than hospitals, but no conclusive quality studies



Total CA Spending by Industry Segment



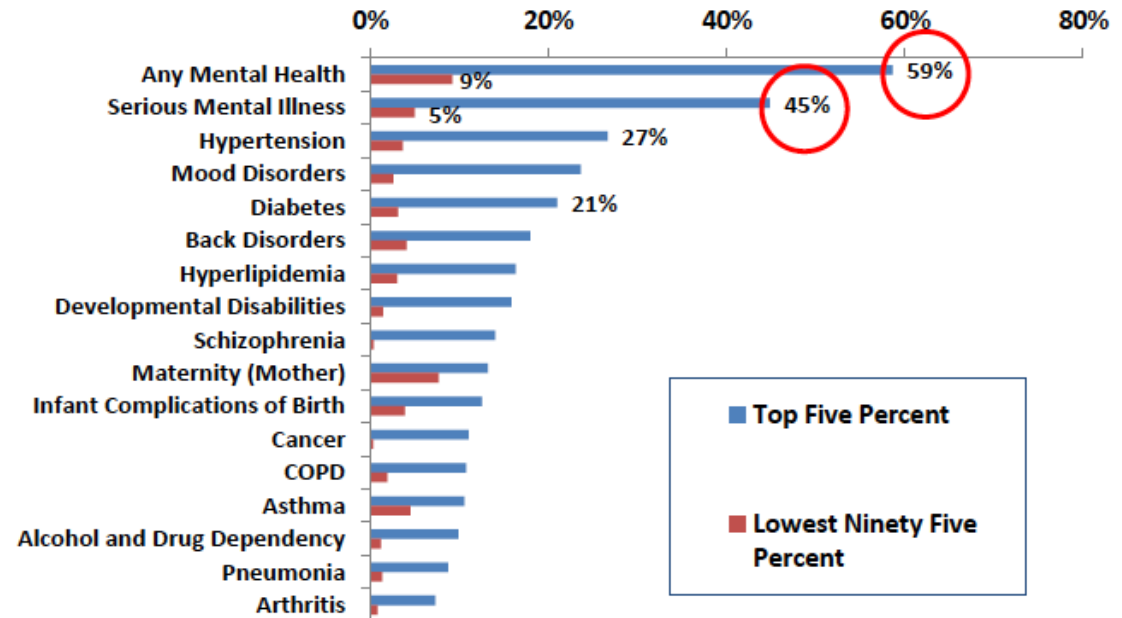
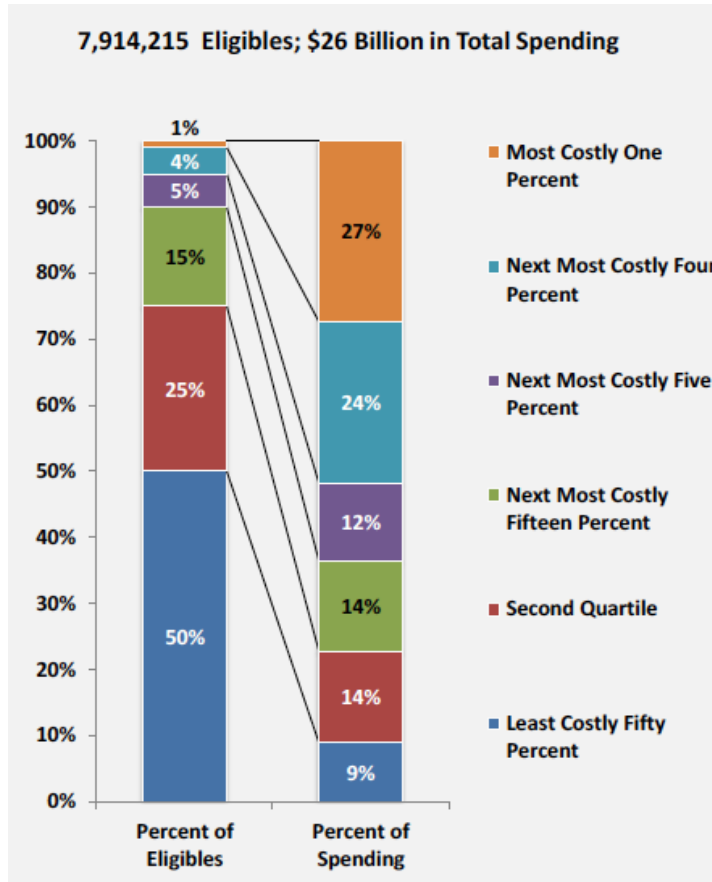
SOURCE: CHCF California Health Care Spending (Sept 2017)

CA Spending Growth by Segment, 2009-14

- Hospital Care – 6.2%
- Physician and Clinical Services – 3.7%
- Home Health Services – 4.8%
- Prescription Drugs – 3.8%
- Nursing Home Care – 5.4%

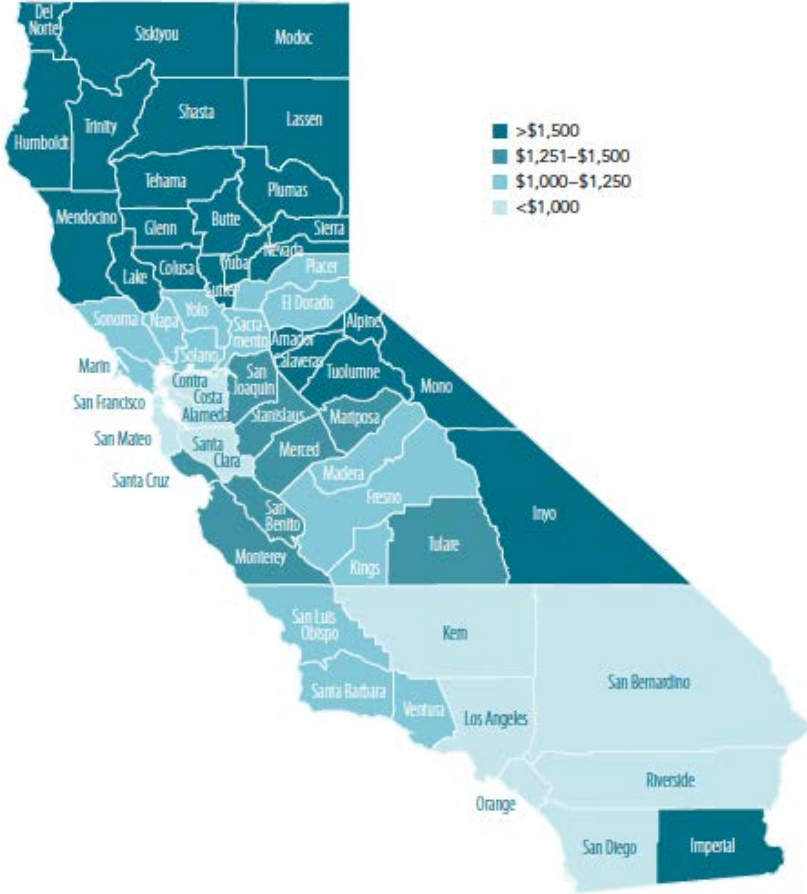
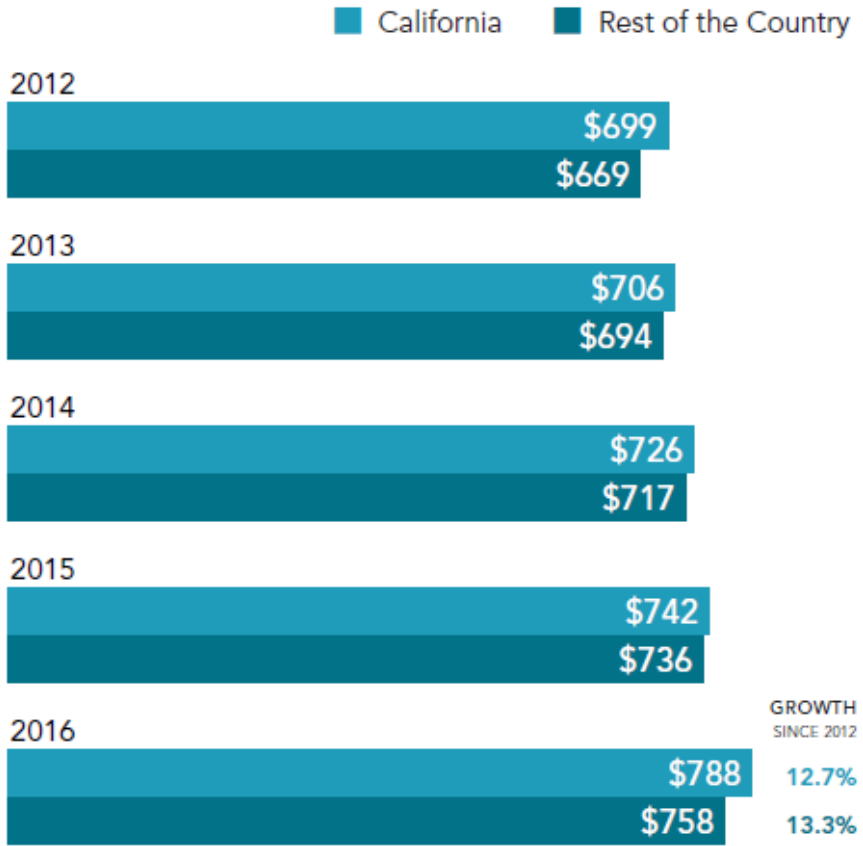
SOURCE: CHCF California Health Care Spending (Sept 2017)

Five Percent of Medi-Cal Population Accounts for 50 Percent of Spending, Similar Patterns in Commercial Market



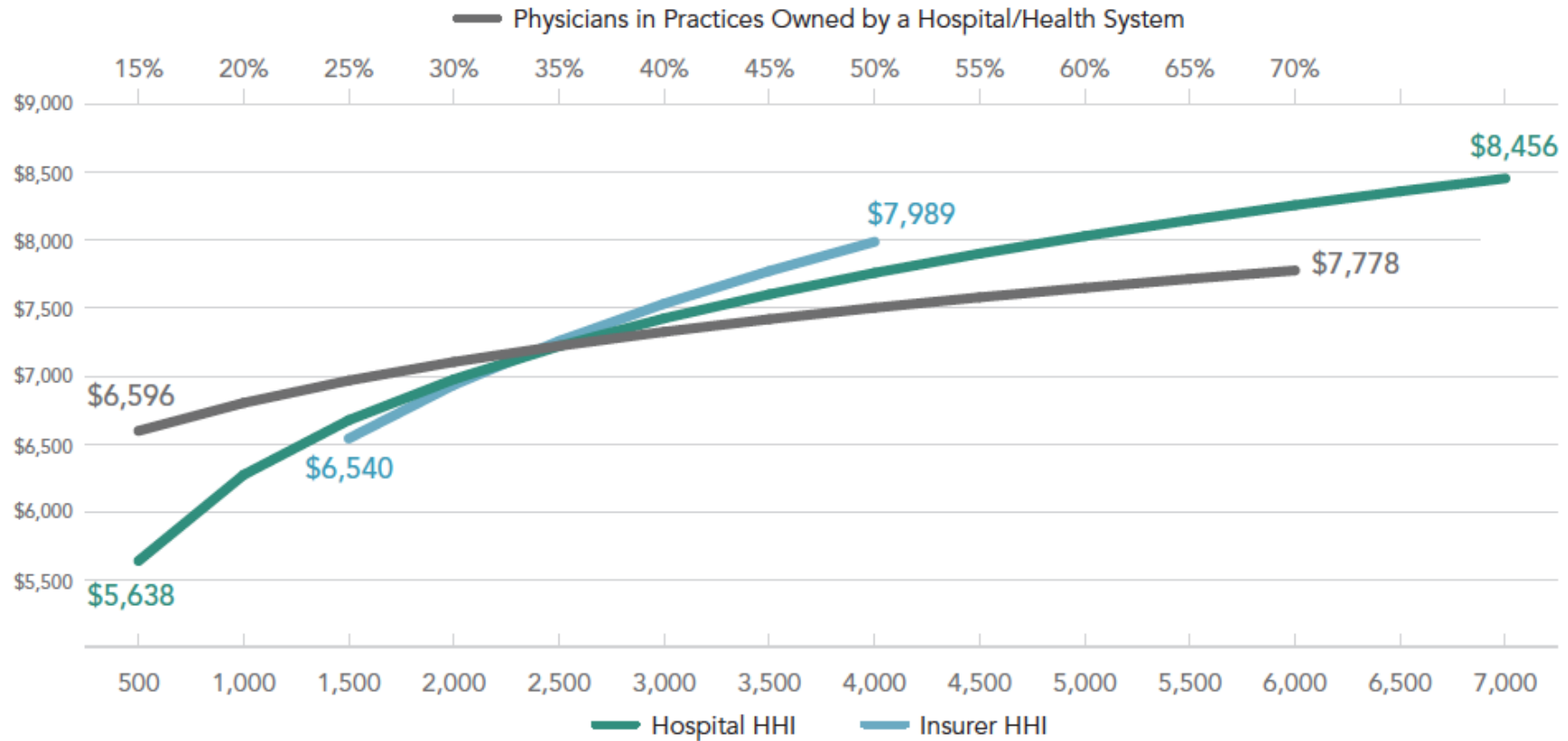
SOURCE: DHCS Understanding Medi-Cal High Cost Populations (June 2015)

Wage-Adjusted Price for Colonoscopy, California



SOURCE: Scheffler et al. The Sky's the Limit (Sept 2019)

Estimated Annual Covered California Premium by Horizontal and Vertical Concentration, 2019



SOURCE: Scheffler et al. The Sky's the Limit (Sept 2019)

Where to Focus

- Focus on value
 - Cost is one part of the value equation
 - But variation suggests significant waste/savings opportunity
- Focus on leverage
 - An individual patient
 - A purchaser with 1.5mm lives
- Focus on data
 - Claims and encounter data can be extremely useful



Q & A