CALIFORNIA HEALTHCARE FOUNDATION

Health Care Costs Overview

Maribeth Shannon

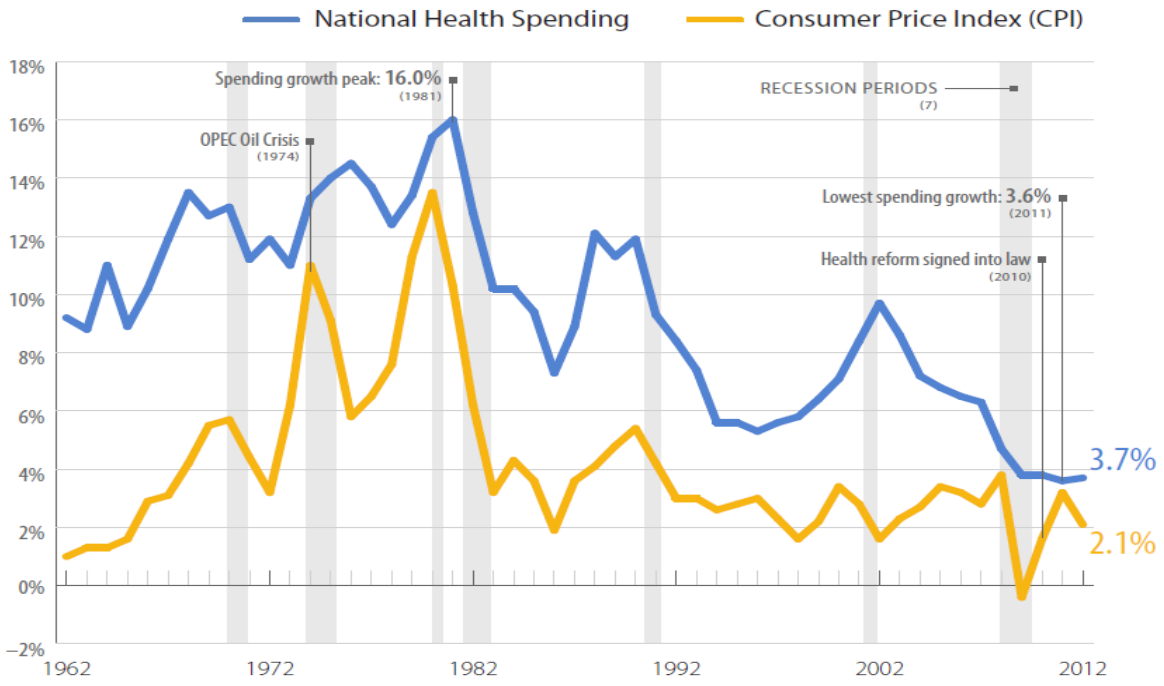
July 2, 2014

Informational Hearing

Health Spending Has Been Historically Volatile

….and has always outpaced inflation rates

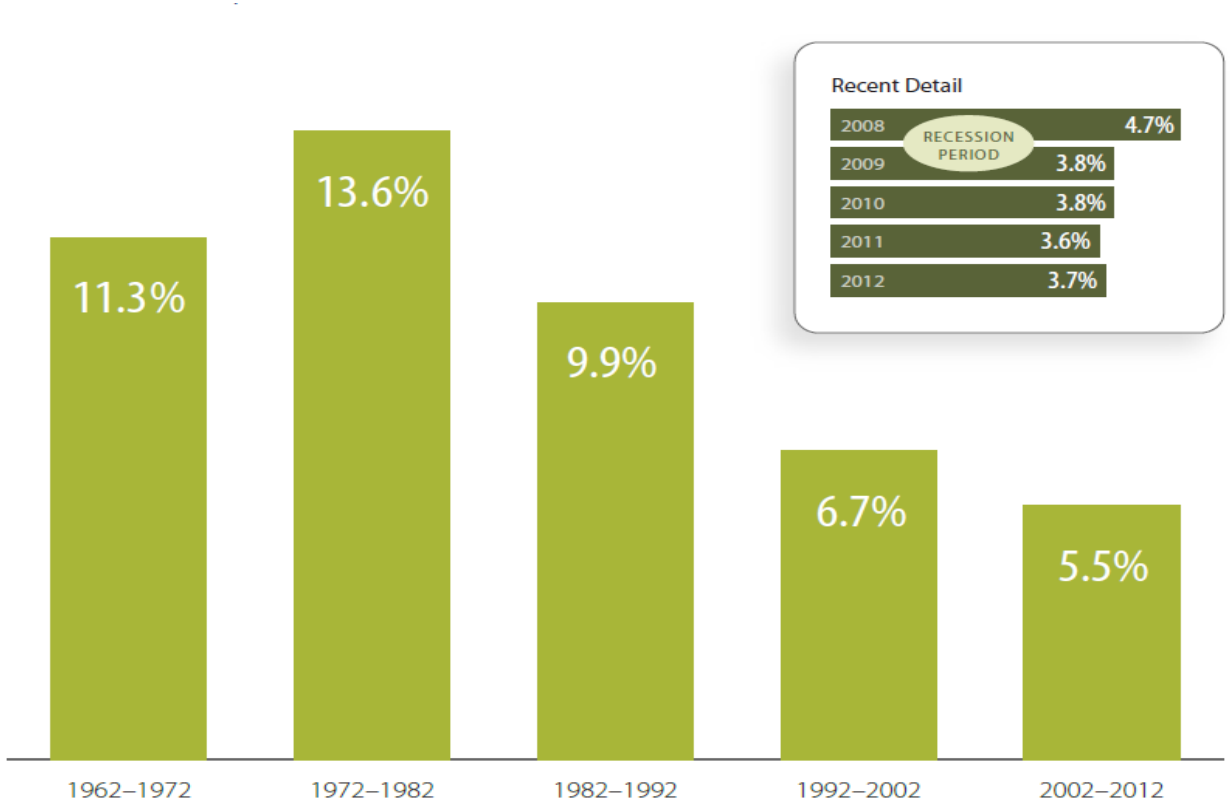
Annual Growth Rates, Health Spending vs. Inflation
United States, 1962 to 2012



Notes: Health spending refers to National Health Expenditures. Per capita growth in health spending in 2012 (3.0%) was also greater than inflation's 2.1%.
Sources: Centers for Medicare & Medicaid Services (CMS), National Health Expenditures, 2014 release, www.cms.gov. Bureau of Labor Statistics, CPI-U, US city average, annual figures.

Average Annual Growth Rates in Health Spending

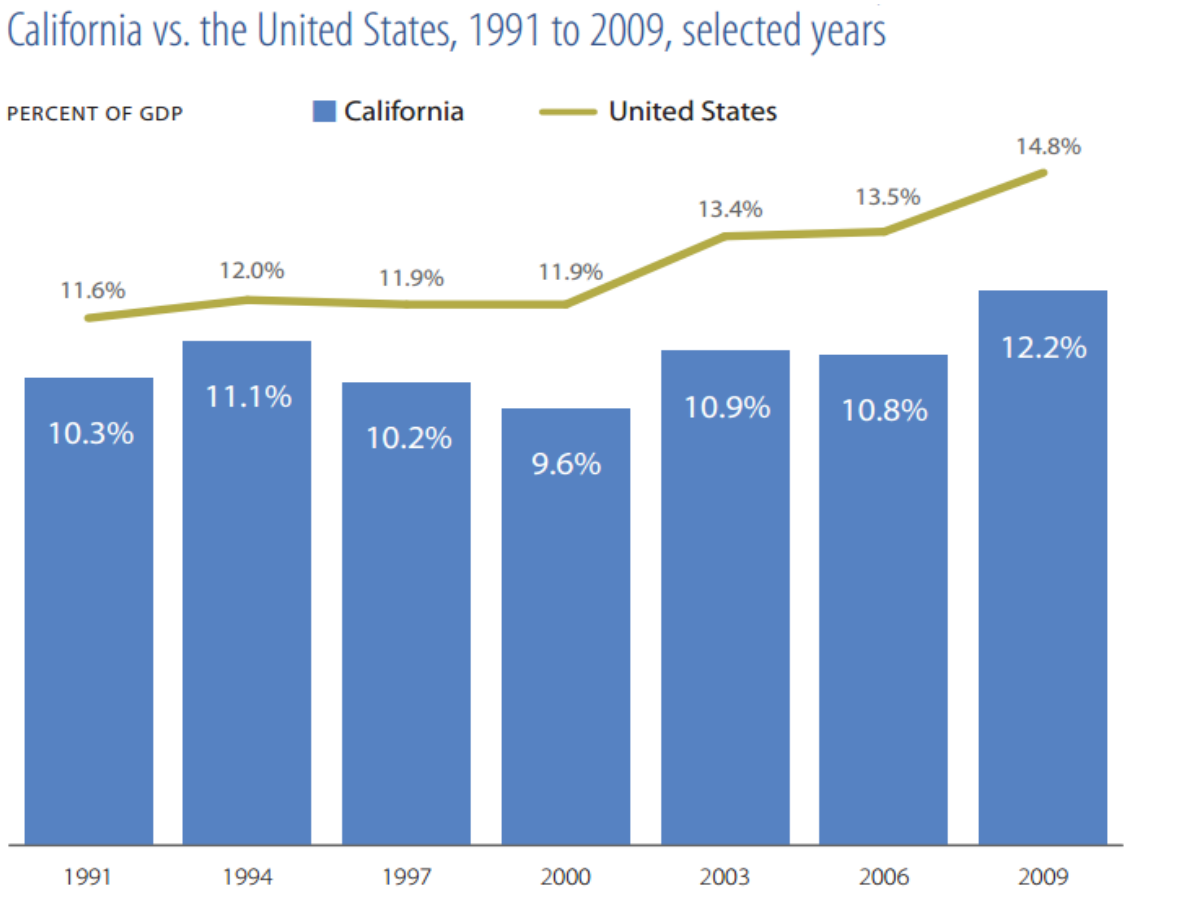
United States, 1962 to 2012



Note: Health spending refers to National Health Expenditures.

Source: Centers for Medicare & Medicaid Services (CMS), National Health Expenditures, 2014 release, www.cms.gov.

CA Health Spending as a Share of the Economy Lower than U.S. Average….



*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 administration.

Source: CMS, Office of the Actuary, State Health Expenditures by State of Provider, 1980–2009, www.cms.gov.

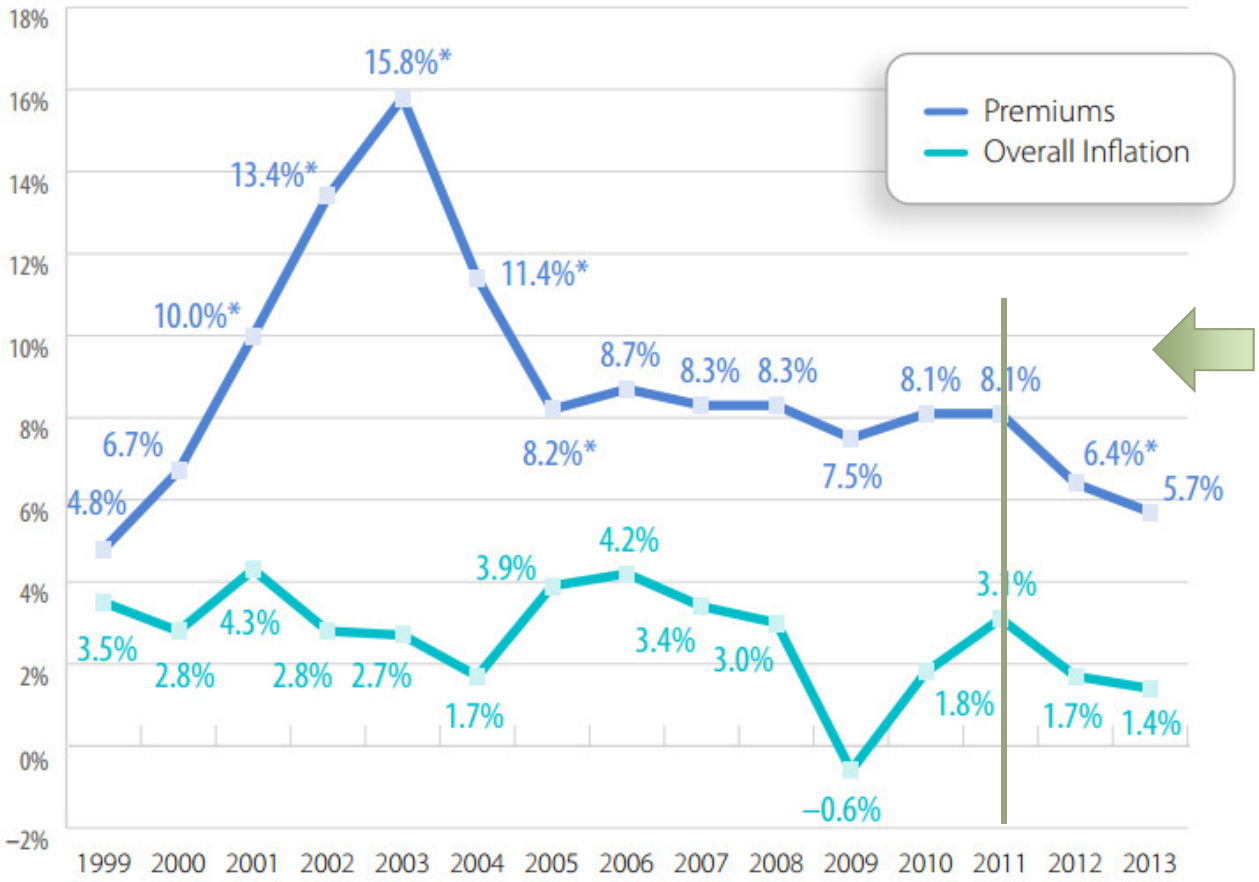
……But CA Employer-Based Premium Rates are Higher

Plan Type	California	U.S.
Single coverage - HMO	$555	$502
Single coverage - PPO	$613	$503
Family coverage - HMO	$1,439	$1,379
Family coverage - PPO	$1,501	$1,389

Source : CHCF Employer Benefits Survey, 2013

ESI Premium Increase Compared to Inflation

Family Coverage, California, 1999 to 2013



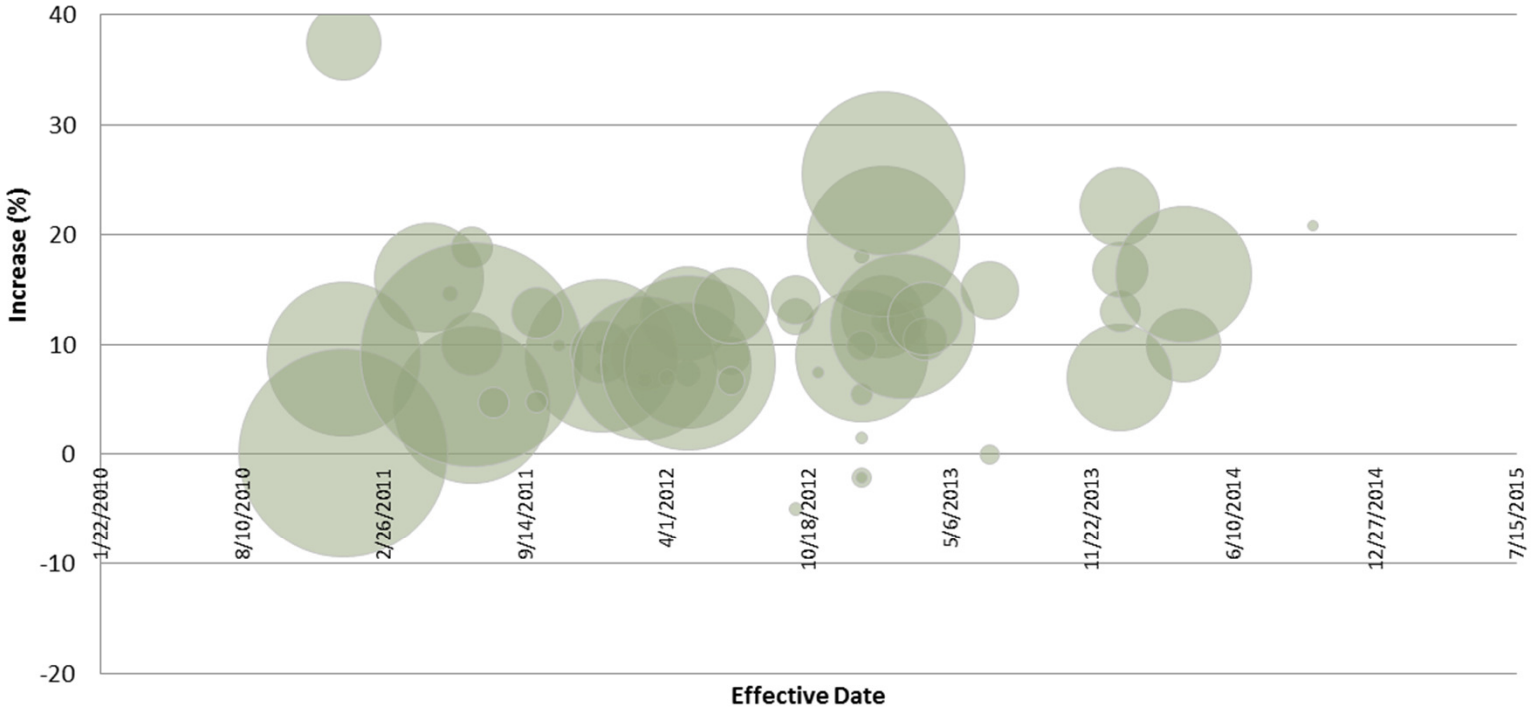
Introduction of Rate Review

*Estimates are statistically different from the previous year shown.

Sources: CHCF/NORC California Employer Health Benefits Survey: 2007–2013; CHCF/HSC California Employer Health Benefits Survey: 2005–2006; CHCF/HRET California Employer Health Benefits Survey: 2004; Kaiser/HRET California Employer Health Benefits Survey: 1999–2003; California Division of Labor Statistics and Research, Consumer Price Index, California Average of Annual Inflation (April to April) 1999–2013.

Individual Market: Premium Rate Increases

Existing Products - 2011 to 2014



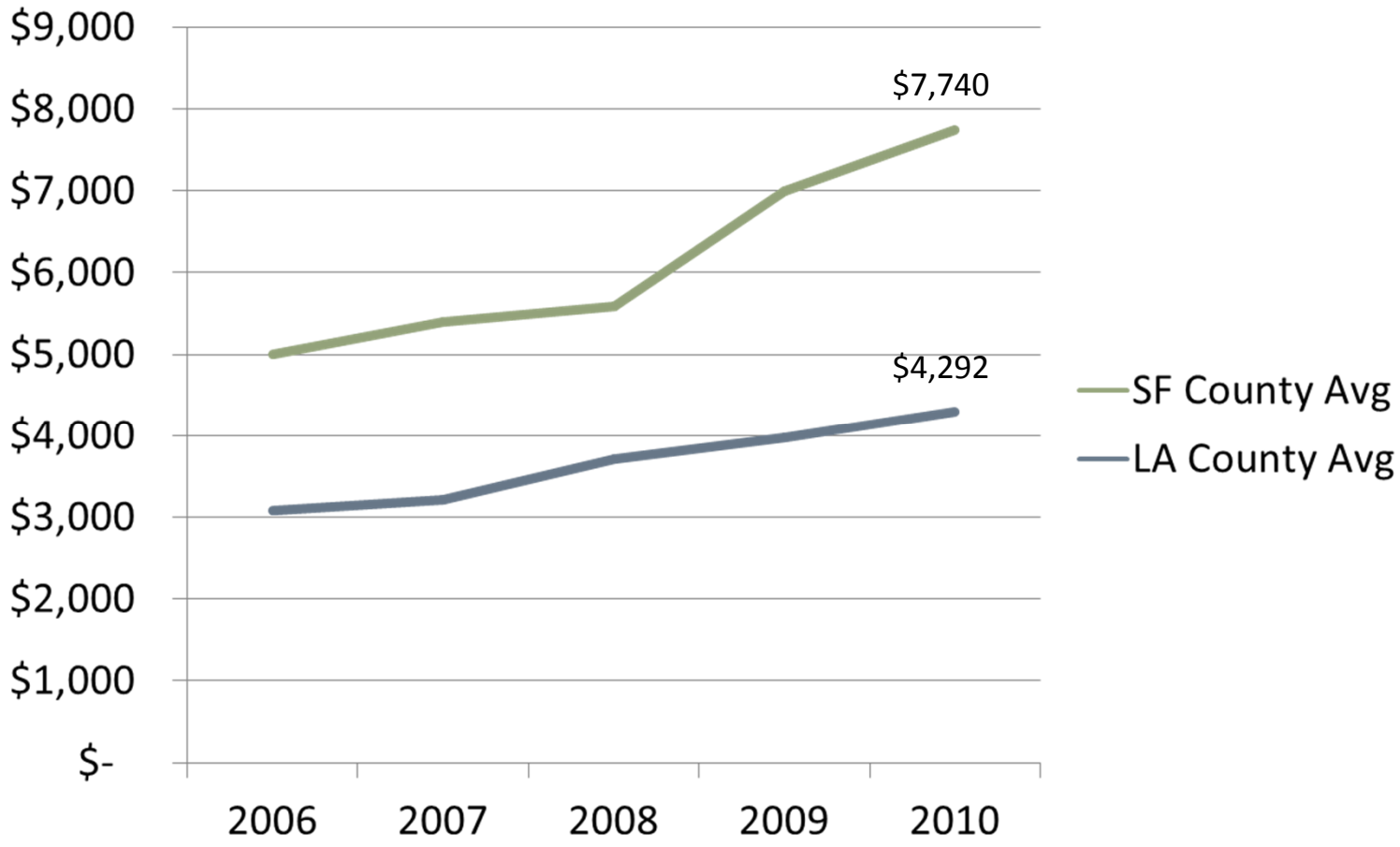
Notes: Because many 2014 products are new, they are not associated with a rate increase and therefore not reflected here.
Source: Analysis for the California HealthCare Foundation by Katherine Wilson of California Rate Filings for the Individual Market, as reported in June, 2014.

Regional Differences in Premiums in Covered California

Silver Plan, single 40 year old, $75,000 income

Difference in Hospital Payments

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



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.