The vast majority of health plan spending in California goes to pay for medical services like hospital and doctor visits, lab tests and x-rays, medical supplies, and prescription drugs. In 2015, health plans spent more than $127 billion, or 87 cents out of every health plan dollar, on medical care – with just 3 cents going toward profit.

**Premiums Tied To Medical Costs**

Because health plans are required to spend at least 80-85 cents of every dollar on medical care, premiums directly reflect the cost of goods and services. When the price of medical services goes up – or when more people use them – premiums increase.

**Health Plan Dollar Breakdown**

- **Medical Costs**: 87¢
- **Admin Costs**: 9¢
- **Net Profit**: 3¢

**Health Plan Profit Margins Remain Among Lowest In Health Care Sector**

- **Health Care Plans**: 3.2%
- **Medical Laboratories & Research**: 6.7%
- **Medical Instruments & Supplies**: 11.4%
- **Biotechnology**: 19.7%
- **Major Drug Manufacturers**: 21.4%

**Spotlight On EpiPens**

Escalating drug prices affect everyone whether they take expensive medications or not. Higher health care costs directly impact taxpayer-funded programs like Medi-Cal and Medicare, monthly premiums and consumer out-of-pocket costs.

**Price of a Hospital Admission in CA:**

- **74%** since 2004

**Prescription Drug Spending in 2015:**

- **8.5%** after discounts and rebates

**For more information, please go to www.calhealthplans.org**
California’s Health Care Dollar

PREMIUMS vs. OUT-OF-POCKET COSTS

The cost of care must be paid for through premiums and co-pays/deductibles. The split between the two varies but ultimately needs to cover health care costs. As prices for medical care increase, there is a ripple effect on the total cost of health coverage.

- All health plans cover certain preventive services at 100% with no cost-sharing.
- On average, employer premiums cover 80%-90% of health care costs.
- In the individual market, consumers can choose from lower cost plans that have moderate co-pays (bronze/silver) or more expensive plans with lower co-pays (gold/platinum).

AVERAGE HEALTH CARE COSTS BY PLAN

<table>
<thead>
<tr>
<th>Plan</th>
<th>Premium</th>
<th>Out-of-Pocket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>90% VS. 10%</td>
<td></td>
</tr>
<tr>
<td>Gold</td>
<td>80% VS. 20%</td>
<td></td>
</tr>
<tr>
<td>Silver</td>
<td>70% VS. 30%</td>
<td></td>
</tr>
<tr>
<td>Bronze</td>
<td>60% VS. 40%</td>
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</tbody>
</table>

Consumer Protections In California

Health plans in California are tightly regulated and must comply with extensive transparency requirements for how they set prices and spend taxpayers’, employers’, and consumers’ health care dollars.

HEALTH PLANS ARE REQUIRED TO SPEND 80-85 CENTS of every premium dollar on medical care, effectively limiting spending on administration, marketing, taxes and fees, and profits. If health plans don’t meet this Medical Loss Ratio (MLR), THEY MUST ISSUE REBATES

STRONG CAPS ON annual out-of-pocket maximums and specialty drug co-pays

The state of California relies on managed care plans to provide comprehensive health coverage to 10 million residents, or 3 out of 4 Medi-Cal enrollees. Consumers face no out-of-pocket costs, and most pay no monthly premiums.

THE STATE SETS THE RATES IN MEDI-CAL. RATES MUST BE CERTIFIED BY INDEPENDENT ACTUARIES AND REVIEWED AND APPROVED BY CMS.

Medi-Cal Managed Care Rates

Medi-Cal Managed Care plans must meet an 85% medical loss ratio (MLR) for their expansion populations (CA expanded eligibility to adults with incomes up to 138% of the Federal Poverty Level in 2014). Beginning in 2018, plans must report their MLRs for all Medi-Cal enrollees.