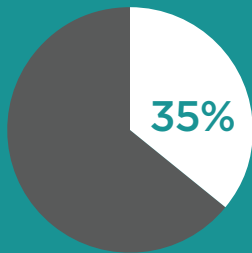


California Health Plan Profit Margins: Lower Than You May Think.

The vast majority of health plan spending in California goes to pay for medical services like hospital and doctor visits, prescription drugs, lab tests, x-rays, and medical supplies. **In 2017, health plans spent more than \$155 billion, or 88 cents out of every health plan dollar, on medical care.**

Premiums Tied To Medical Costs

Health plan premiums directly reflect the cost of goods and services. When the price of medical services goes up, premiums increase.



Hospital care accounts for **35%** of overall health care spending

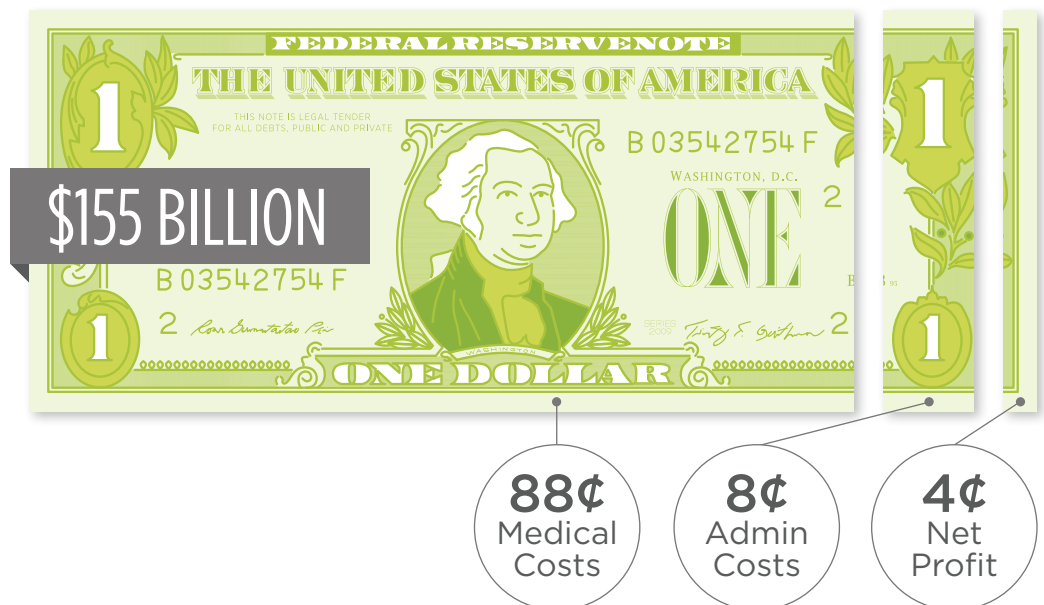
Source: Covered California



Prescription drug spending growth is projected to **increase 4.6%** in 2019

Source: CMS

Health Plan Dollar Breakdown



Health Plan Profit Margins Remain Among Lowest In Health Care Sector



4%
HEALTH CARE PLANS



13.5%
Medical Instruments & Supplies



19.3%
Major Drug Manufacturers



22.4%
BIOTECHNOLOGY

Source: Yahoo! Finance

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.

Rate Review

Rates Must Be...



Certified by Actuaries



Reviewed by Regulators



Made Available for Public Comment

Consumer Protections Limit Health Plan Profits

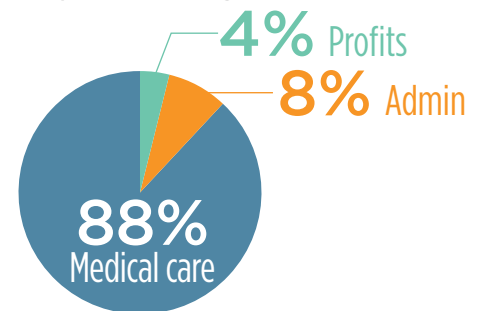


80-85¢
out of every dollar must be spent on medical care

If insurers don't meet these requirements, they are required to issue rebates under state and federal law.

Medical Care Consumes 88% of Premiums in California

California health plans are efficient and maintain low administrative costs and profit margins.



88% for Medical Care — that's more than \$155 billion.

Medi-Cal Managed Care Dollars

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 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).