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 2018, health plans spent more than $164 billion, or 88 cents out of every health plan dollar, on medical care.

### Health Plan Dollar Breakdown

- **$164 BILLION**
- **88¢** Medical Costs
- **9¢** Net Profit
- **33%** Hospital care

### Average Health Plan Profits Consistently Remain Below 5%

- **2012**: 2.4%
- **2013**: 3.2%
- **2014**: 3.3%
- **2015**: 4.9%
- **2016**: 3.8%
- **2017**: 3.7%
- **2018**: 3.4%

Health plan profits fluctuate yearly based on various factors such as cost of medical services, accounting changes, enrollment increases, regulatory changes, among many others.

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

- **3.4%** HEALTH CARE PLANS
- **11.9%** Medical Instruments & Supplies
- **17.7%** Major Drug Manufacturers
- **22.6%** BIOTECHNOLOGY

Source: CMS, DMHC

Source: DMHC. *Includes all 46 CAHP member plans.

For more information, please go to www.calhealthplans.org

January 2020
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 to consumers under state and federal law.

Spending on medical care accounts for 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 $164 billion.
- 3.4% Profits
- 9% Admin

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).

For more information, please go to www.calhealthplans.org

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