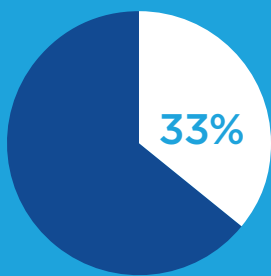


The vast majority of health plan spending in California goes to pay for medical services like hospital and doctor visits, prescription drugs, lab tests, x-rays, and medical supplies. **In 2018, health plans spent more than \$164 billion, or 88 cents out of every health plan dollar, on medical care.**

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 **33%** of overall health care spending

Source: CMS



Prescription drug spending growth is projected to **increase 5.2%** in 2020.

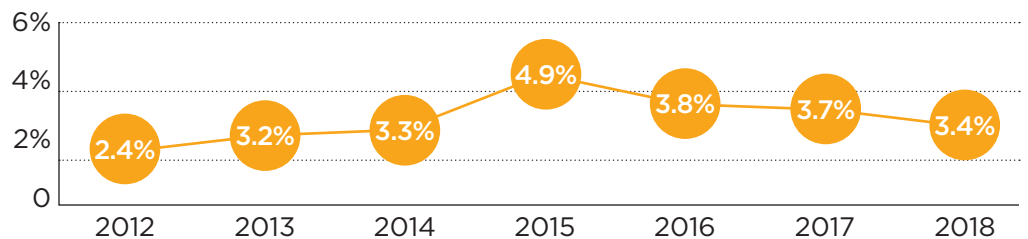
In 2018, health plans picked up 92% of the tab of the 25 most costly prescription drugs.

Source: CMS, DMHC

Health Plan Dollar Breakdown



Average Health Plan Profits Consistently Remain Below 5%



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

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

Health Plan Profit Margins Remain Among Lowest In Health Care Sector



3.4%
HEALTH CARE PLANS



11.9%
Medical Instruments & Supplies

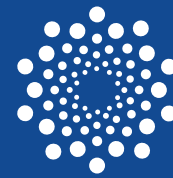


17.7%
Major Drug Manufacturers



22.6%
BIOTECHNOLOGY

Source: 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

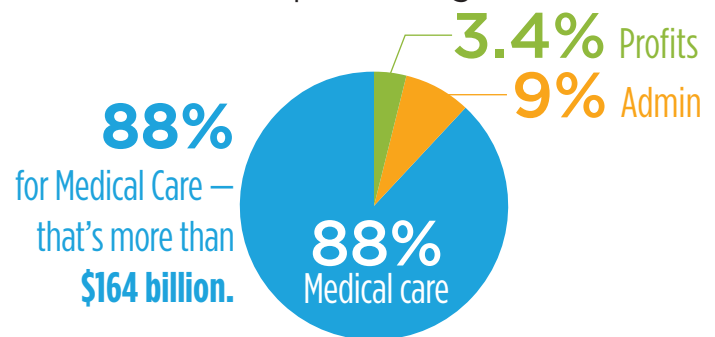


80-85¢
out of every dollar must
be spent on medical care

If insurers don't meet these requirements, they are required to issue rebates 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.



Source: DMHC



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).