

Health Care Trends and Indicators in California and the United States

A Chartbook from the
Kaiser Family Foundation

PRIMARY AUTHORS

Center for Health and Public Policy Studies
University of California, Berkeley
School of Public Health

Helen Halpin Schauffler, Ph.D.
Sara McMenamín, M.P.H.
Hal Zawacki

The Kaiser Family Foundation

Larry Levitt
Janet Lundy

The authors thank Christina Atwood, Rebecca Abbott Hambright, Jennifer Mordavsky, Jeremy Pickreign, Jain Wang, and Heidi Whitmore for their assistance.

**Health Care Trends
and Indicators in
California and
the United States**

**A Chartbook from the
Kaiser Family Foundation**



CALIFORNIA

Fresno

Bakersfield

Los Angeles

Anaheim

San Diego

DEATH VALLEY

MOJAVE DESERT

Las Vegas

Santa Barbara

Simi Valley

Burbank

San Bernardino

Riverside

Palm Springs

Palm Desert

Fallbrook

Vista

Escondido

Poway

El Cajon

Santa Barbara Channel

SANTA CRUZ ISLAND

SANTA ROSA ISLAND

SAN NICOLAS ISLAND

SANTA CATALINA ISLAND

SAN CLEMENTE ISLAND

Gulf of Santa Catalina

SALT TON

SEA

Table of Contents

| | |
|---|----|
| List of Exhibits | v |
| Executive Summary | 1 |
| Section One | 5 |
| Demographic Profiles of the Population | |
| Section Two | 13 |
| Health Status and Access to Preventive Care | |
| Section Three | 21 |
| Trends in Health Insurance Coverage | |
| Section Four | 31 |
| Trends in Employer-Sponsored Health Insurance | |
| Section Five | 47 |
| Trends in Public Health Insurance Programs | |
| Section Six | 57 |
| Trends in Health Care Spending | |
| Section Seven | 61 |
| The Changing Health Care Marketplace | |

List of Exhibits

Demographic Profiles of the Population

| | |
|--|----|
| EXHIBIT 1.1 | 8 |
| Percentage of the Population Residing in California and the Rest of the United States, 1999 | |
| EXHIBIT 1.2 | 8 |
| Trends in Per Capita Personal Income, California and the United States, 1994–1998 | |
| EXHIBIT 1.3 | 9 |
| Trends in the Percentage of the Population Below Poverty, California and the United States, 1980–1998 | |
| EXHIBIT 1.4 | 10 |
| California and United States Population by Race/Ethnicity, 1999 | |
| EXHIBIT 1.5 | 10 |
| Citizenship Status of California and United States Population, 1999 | |
| EXHIBIT 1.6 | 11 |
| Trends in the Percentage of the Population Who Are Naturalized Citizens, California and the United States, 1994–1999 | |
| EXHIBIT 1.7 | 11 |
| States with the Highest Percentage of Non-Citizens, 1999 | |
| EXHIBIT 1.8 | 12 |
| Cumulative and Projected Population Growth Since 1980, California and the United States, 1980–2025 | |
| EXHIBIT 1.9 | 12 |
| Rural Population, as a Percentage of Total Population, California and the United States, 1990 | |

Health Status and Access to Preventive Care

| | |
|--|----|
| EXHIBIT 2.1 | 16 |
| Self-Reported Health Status Among Adults 18 and Older in California and the United States | |
| EXHIBIT 2.2 | 17 |
| Infant Mortality Rates in California and the United States, 1990 and 1998 | |
| EXHIBIT 2.3 | 17 |
| Rates of Low Birthweight Babies Born in California and the United States, 1990 and 1996 | |
| EXHIBIT 2.4 | 18 |
| Trends in New AIDS Cases Per 100,000 Population, California and the United States, 1994–1998 | |
| EXHIBIT 2.5 | 18 |
| Trends in the Rates Per 100,000 Population of Persons Living with AIDS, California and the United States, 1993–1998 | |
| EXHIBIT 2.6 | 19 |
| Percentage of Women 50 and Older Who Have Had a Mammogram in the Last Two Years, California and the United States, 1995 and 1998 | |
| EXHIBIT 2.7 | 19 |
| Percentage of Women 40 and Older Who Have Never Had a Mammogram, California and the United States, 1995 and 1998 | |
| EXHIBIT 2.8 | 20 |
| Smoking Rates Among Adults 18 and Older, California and the United States, 1995 and 1998 | |

| | | | |
|--|----|---|----|
| EXHIBIT 2.9 | 20 | EXHIBIT 3.8 | 30 |
| Percentage of Adults 18 and Older Who Are Obese, California and the United States, 1995 and 1998 | | Rates of Uninsurance in the Non-Elderly Population (Ages 0–64), by Race/Ethnicity, California and the United States, 1998 | |
| Trends in Health Insurance Coverage | | Trends in Employer-Sponsored Health Insurance | |
| EXHIBIT 3.1 | 24 | EXHIBIT 4.1 | 34 |
| Trends in the Rates of Uninsurance and Numbers of Uninsured in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998 | | Distribution of Firms and Workers, by Firm Size, California and the United States, 1999 | |
| EXHIBIT 3.2 | 25 | EXHIBIT 4.2 | 35 |
| Trends in the Rates of Uninsurance and Numbers of Uninsured Among Children (Ages 0–18), California and the United States, 1994–1998 | | Percentage of Firms Offering Health Benefits, by Firm Size, California and the United States, 1999 | |
| EXHIBIT 3.3 | 26 | EXHIBIT 4.3 | 35 |
| Trends in the Rates of Uninsurance and Number of Uninsured Among Non-Elderly Adults (Ages 19–64), California and the United States, 1994–1998 | | Percentage of Small Firms (3–50 Workers) in Which Workers Are Offered Health Insurance, by Percentage of Workforce That is Low Wage, California and the United States, 1999 | |
| EXHIBIT 3.4 | 27 | EXHIBIT 4.4 | 36 |
| Trends in Employer-Sponsored Health Insurance Coverage in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998 | | Percentage of Workers in Firms in Which Non-Traditional Partners Are Offered Health Insurance, by Firm Size, California and the United States, 1999 | |
| EXHIBIT 3.5 | 27 | EXHIBIT 4.5 | 37 |
| Trends in Rates of Individually Purchased Health Insurance in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998 | | Eligibility, Take-Up Rates, and Coverage in Firms Offering Coverage, California and the United States, 1999 | |
| EXHIBIT 3.6 | 28 | EXHIBIT 4.6 | 38 |
| Trends in Rates of Medicaid Coverage in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998 | | Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Plan Type, California and the United States, 1999 | |
| EXHIBIT 3.7 | 29 | EXHIBIT 4.7 | 39 |
| Change in Rates of Insurance Coverage by Source in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998 | | Percentage of Covered Workers with a Choice of Health Plans, California and the United States, 1999 | |

| | | | |
|---|----|---|----|
| EXHIBIT 4.8 | 39 | EXHIBIT 4.17 | 45 |
| Percentage of Employers Providing a Choice of Health Plans, by Firm Size, California and the United States, 1999 | | Trends in the Number of Firms Participating in Employer Purchasing Coalitions in California, 1996–1999 | |
| EXHIBIT 4.9 | 40 | EXHIBIT 4.18 | 45 |
| Percentage of Covered Workers, by Type of Health Plan, California and the United States, 1999 | | Trends in the Number of Enrollees Covered Under California Employer Purchasing Coalitions, 1996–1999 | |
| EXHIBIT 4.10 | 41 | EXHIBIT 4.19 | 46 |
| Average Monthly Premiums for Single and Family Coverage, California and the United States, 1999 | | Changes in HMO Premium Rates for Selected California Employer Purchasing Coalitions, 1994–2000 | |
| EXHIBIT 4.11 | 41 | | |
| Percentage Change in Health Insurance Premiums from Previous Year, by Plan Type, California and the United States, 1998–1999 | | Trends in Public Health Insurance Programs | |
| EXHIBIT 4.12 | 42 | EXHIBIT 5.1 | 50 |
| Percentage Change in Health Insurance Premiums, by Firm Size, California and the United States, 1998–1999 | | Percentage of Medicaid Enrollees in Managed Care Plans, California and the United States, 1987–1998 | |
| EXHIBIT 4.13 | 42 | EXHIBIT 5.2 | 51 |
| Percentage Change in Health Insurance Premiums, by Plan Type and Funding Arrangement, California and the United States, 1998–1999 | | California’s Medi-Cal Enrollment by County, July 1999 | |
| EXHIBIT 4.14 | 43 | EXHIBIT 5.3 | 52 |
| Average Monthly Worker Premium Contributions for Single and Family Coverage, California and the United States, 1999 | | Total Medicaid Expenditures Per Beneficiary, California and the United States, 1988–1997 | |
| EXHIBIT 4.15 | 43 | EXHIBIT 5.4 | 53 |
| Percentage of Premiums Paid by Covered Workers for Single and Family Coverage, California and the United States, 1999 | | Percentage of Previously Uninsured Children Enrolled in the State Children’s Health Insurance Program, California and the United States, 1999 | |
| EXHIBIT 4.16 | 44 | EXHIBIT 5.5 | 54 |
| Family Planning Benefits Offered to Covered Workers, by Plan Type, California and the United States, 1999 | | Healthy Families Program Enrollment by County, January 2000 | |
| | | EXHIBIT 5.6 | 55 |
| | | Profile of Medicare Beneficiaries, California and the United States | |

| | | | |
|--|----|--|----|
| EXHIBIT 5.7 | 56 | EXHIBIT 7.3 | 65 |
| Percentage of Medicare Beneficiaries Enrolled in Managed Care, California and the United States, 1989–1999 | | States with the Highest/Lowest Share of Population in HMOs, January 1999 | |
| EXHIBIT 5.8 | 56 | EXHIBIT 7.4 | 66 |
| Highest and Lowest Medicare+Choice Market Penetration Rates, by California County, September 1999 | | Enrollment in the Five Largest HMOs in California, 1999 | |
| Trends in Health Care Spending | | EXHIBIT 7.5 | 66 |
| EXHIBIT 6.1 | 59 | Total HMO Enrollment in National Managed Care Firms, January 1999 | |
| Trends in Personal Health Care Expenditures Per Capita, California and the United States, 1980–1993 | | EXHIBIT 7.6 | 67 |
| EXHIBIT 6.2 | 59 | Percentage of HMO Enrollees in Non-Profit HMOs, California and the United States, 1995–1998 | |
| Changes in Personal Health Care Expenditures Per Capita and the CPI, California and the United States, 1981–1993 | | EXHIBIT 7.7 | 68 |
| EXHIBIT 6.3 | 60 | Hospital Beds Per 100,000 Population, California and the United States, 1985–1998 | |
| Trends in Personal Health Care Expenditures as % of GSP/GDP, California and the United States, 1980–1993 | | EXHIBIT 7.8 | 69 |
| EXHIBIT 6.4 | 60 | Distribution of Hospitals by Tax Status and Ownership, California and the United States, 1989 and 1998 | |
| Distribution of Total State and National Health Expenditures, by Type of Service, California and the United States, 1993 | | EXHIBIT 7.9 | 70 |
| The Changing Health Care Marketplace | | Non-Federal Physicians Per 100,000 Civilian Population, California and the United States, 1975–1997 | |
| EXHIBIT 7.1 | 64 | EXHIBIT 7.10 | 71 |
| Percentage of the Population in HMOs, California and the United States, January 1999 | | Mean Physician Net Income, California and the United States, 1994–1997 | |
| EXHIBIT 7.2 | 64 | EXHIBIT 7.11 | 71 |
| Percentage of the Population in HMOs, by California Counties, 1999 | | Mean Physician Net Income for Primary Care and Specialist Physicians, California and the United States, 1997 | |
| | | EXHIBIT 7.12 | 72 |
| | | Sources of Physician Practice Revenue, California, 1994–1998 | |
| | | EXHIBIT 7.13 | 72 |
| | | Sources of Physician Practice Revenue, United States, 1994–1998 | |

Executive Summary

California is not only the largest and most diverse state in the country, but its health system is often an indicator of trends to come in the rest of the health system – whether the focus is the growth of managed care or the increase in the number of uninsured. To provide a resource for policymakers, journalists, and stakeholders in California and nationally, we have prepared this chartbook to summarize key trends and indicators in California's health care system and to compare and contrast the California experience with the rest of the country. Among the key findings are:

Demographics (SECTION 1)

California's population (33 million in 1999) differs from that of the United States (273 million) in almost every respect. These differences present special challenges for the state in designing and operating a health care system that is accessible, affordable, and meets the needs of all Californians.

- The ethnic makeup of California's population is far more diverse than the United States' as a whole.
- Compared to the United States, California has a smaller percentage of its population that is White (50.3% vs. 71.0%) or African American (6.5% vs. 12.6%), and a much higher proportion that is Hispanic (30.3% vs. 11.7%) or Asian (12.2% vs. 3.9%).
- California has a higher percentage of non-citizens (15.8%) than any other state in the country.
- California's population is also growing at a much faster rate than the United States' population as a whole.

Health Status and Access to Preventive Care (SECTION 2)

One of the goals for our health care system is to maintain and improve the health of the population. However, there is little progress being made towards achieving this goal either in California or the United States. Most of the health status indicators we examined have improved very little or have declined in recent years. A much greater effort will be needed to integrate preventive care and health promotion more fully into the health care system to improve the health of the population.

- Reported health status is similar in California and the country as a whole, with 57% – 58% of the population reporting that they are in excellent or very good health. However, Hispanics in California are almost twice as likely as those in the whole United States to say they are in fair to poor health.
- The infant mortality rate has declined significantly in both California and the United States from 1990 to 1998. Infant mortality remains lower in California (5.7 deaths per 1,000 live births) than in the United States as a whole (7.2 deaths per 1,000 live births).
- The rate of new AIDS cases per 100,000 population has also been declining. However, while the rate of new AIDS cases is now similar in California and the United States as a whole (17 per 100,000 population), the overall rate of persons living with AIDS is higher in California (122 vs. 98 people living with AIDS per 100,000 population) and continues to grow.
- On average, rates of mammography screening are higher in California than in the United States, and smoking and rates of obesity are lower in California than the United States.

Health Insurance Coverage (SECTION 3)

The proportion of the population that is uninsured continues to climb in both California and the United States, despite the longest period of economic growth and the lowest unemployment rates in history. Efforts at the federal and state levels to increase access to health insurance for low-income children and persons employed in small businesses, and the adoption of new rules to increase the portability of health insurance when workers change or lose their jobs, have done little to slow the growth of the uninsured.

- In 1998, the number of uninsured non-elderly people reached 7.3 million in California (24.4% of the population) and 43.6 million in the United States (18.3%).
- The number of uninsured children is growing in California, and stood at more than 2 million in 1998 (20.8% of all California children) and nearly 12 million in the U.S. (15.5%).
- As is true in the United States overall, the rate of employer-sponsored coverage has remained essentially unchanged in California over the last four years (58.3%), while Medicaid enrollment of the non-elderly has dropped significantly in the wake of welfare reform (from 14.3% to 11.1%).

Employer-Sponsored Health Insurance (SECTION 4)

While employer coverage remains the most important source of health insurance for both Californians and all other Americans, employers of every size in California are less likely to offer health benefits to their workers compared to firms nationwide.

- Fewer than half (48%) of the firms in California offer their workers coverage, compared to 61% nationwide.
- While Californians are less likely to be insured through their employer, those who are offered employer-sponsored insurance are more likely to be offered a choice of health plans and tend to receive more comprehensive benefits (particularly for family planning services). California workers also pay lower premiums (\$171 single, \$458 family) for their health benefits per month than the average covered American (\$189 single, \$478 family).

- Covered California workers are more likely than covered workers in the United States to have HMO coverage (53% vs. 28%) and less likely to have PPO (22% vs. 38%) or POS coverage (21% vs. 25%).
- Approximately 9% of insured Californians obtain their insurance through a state or employer purchasing group.

Public Health Insurance Programs (SECTION 5)

A larger share of the population is covered by Medicaid in California than in the nation as a whole, but smaller proportions are covered by Medicare and the State Children's Health Insurance Program (SCHIP, called Healthy Families in California). Federal and state expenditures for Medicaid continued to grow throughout the late 1980s and 1990s in California and the United States, though the rate of growth has slowed; per capita Medicaid expenditures continue to be lower in California than in the nation as a whole. A higher proportion of California's Medicare beneficiaries are enrolled in managed care compared to the United States.

- Per beneficiary expenditures for Medicaid in California were \$2,418 in 1997, significantly less than the average of \$3,582 across the United States.
- From 1994 to 1998, the proportion of the non-elderly population covered by Medicaid declined from 14.3% to 11.1% in California and from 10% to 8.4% in the United States.
- The proportion of California's population covered under Medicare (11.9%, or 3,903,432 beneficiaries) is smaller than for the United States (14.4%, or 38,976,551).
- As of September 1999, California had enrolled a smaller proportion of the uninsured into its State Children's Health Insurance Program (SCHIP, or Healthy Families in California) compared to the enrollment of eligible children nationwide (11.0% vs. 16.8%).
- A higher proportion of Medicaid enrollees nationwide (54%) are enrolled in managed care plans compared to California's Medicaid enrollees (46%). The opposite trend is seen in the Medicare program, where 40% of beneficiaries in California are in managed care versus 17% nationally.

Health Care Spending (SECTION 6)

While the growth in health expenditures slowed during the early to mid-1990s, it began to increase rapidly again at the end of the decade. California's health care dollars are distributed very differently from national health care expenditures.

- From 1980 to 1993, personal health care expenditures grew as a percentage of both the United States Gross Domestic Product (from 8.1% to 12.3%) and California's Gross State Product (from 8.0% to 11.2%).
- California spends fewer health care dollars on hospitalization and nursing home care, and more on physician services, compared to national health care expenditures.

Health Care Marketplace (SECTION 7)

California has one of the highest rates of managed care market penetration in the country. The major trends in managed care in both California and the United States include: increasing consolidation among private health plans resulting in a growing concentration of market share in fewer and fewer plans; a shrinking supply of hospital beds as hospital admissions and lengths of stay continue to fall; and a decelerating rate of growth in the supply of physicians.

- California has one of the highest rates of health maintenance organization (HMO) penetration in the country (52%, compared to 30% nationally). There are 17,024,945 Californians enrolled in one of the state's 36 HMOs. This represents 21% of the 81,333,008 HMO enrollees in 643 plans nationally.

- In California, 78% of total HMO enrollment is concentrated in five HMOs, while the top five national managed care firms in the United States hold 68% of national HMO enrollment.
- Hospital beds per 100,000 population have steadily declined since 1985, but remain quite a bit lower in California (277) than in the United States as a whole (378).
- The number of non-federal physicians per 100,000 civilian population was nearly identical in California (278) and the United States (276) in 1997.
- Mean physician net income is lower in California (\$172,400) compared to the national average (\$199,600) for both primary care and specialist physicians. While mean physician income has grown each year since 1994 in the United States as a whole, it has been declining in California since 1995.

section one

Demographic Profiles of the Population

Demographic Profiles of the Population

California's population differs from that of the United States in almost every respect. The ethnic makeup of California's population is far more diverse than the United States as a whole, and California has a higher percentage of non-citizens than any other state in the country. California's population is also growing at a much faster rate than the United States population. These differences present special challenges for the state in designing and operating a health care system that is accessible, affordable, and meets the needs of all Californians.

General Population

- As of July 1, 1999, California's population was 33 million, representing 12.2% of the 273 million people living in the United States (EXHIBIT 1.1).

Changes in Personal Income and the Population Living in Poverty

- Average per capita personal income has been increasing steadily since 1994 in both California and the United States. Between 1994 and 1998, average incomes rose by 20% in both California and the United States. At the same time, the average per capita income in California has remained consistently higher than the average for the United States (EXHIBIT 1.2).
- During the early 1980s, the percentage of the population living below the federal poverty level in California was lower than the average in the United States. By 1988, the rates were equal, with approximately 13% of both the California and national population living below poverty. Between 1989 and 1993, the percentage rose dramatically in both California and the United States, with rates in California exceeding those in the United States over this time period. Since 1993, the percentage below poverty has declined, though California's rates have remained above those of the United States with 5,118,000 Californians (15.4%) and 34,476,000 Americans (12.7%) living in poverty in 1998 (EXHIBIT 1.3).

Differences in Race/Ethnicity and Citizenship Status

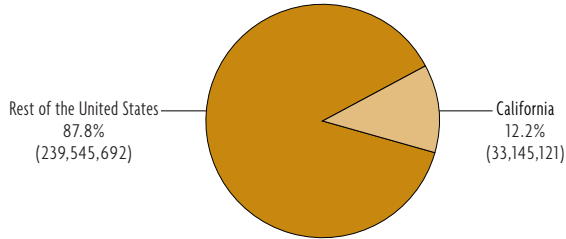
- The racial and ethnic makeup of California's population is strikingly different from that of the country as a whole. Approximately 70% of the United States population was White in 1999, compared to half in California (EXHIBIT 1.4).
- A notable difference between California and the nation as a whole is the proportional size of the Hispanic population, which is nearly three times as large in California (30.3%) as in the United States as a whole (11.7%). Another significant difference is the high percentage of Asian Americans and Pacific Islanders, which is also three times higher in California compared to the United States. In contrast, California has a significantly smaller proportion of African Americans (EXHIBIT 1.4).
- A much smaller proportion of California's population is comprised of United States citizens compared to the United States population as a whole. The percentage of non-citizens in California (15.8%) is more than double the percentage in the United States (6.1%) (EXHIBIT 1.5).
- The proportion of the population that is comprised of naturalized citizens has been growing since 1994 in both California and the United States. In 1999, California had more than double the proportion of naturalized citizens as the United States (8.2% vs. 3.6%) (EXHIBITS 1.5 and 1.6).
- California has a higher percentage of non-citizens (15.8%) than any other state. In 1999, the only other states with more than 10% non-citizens were New York and Arizona (EXHIBIT 1.7).

Trends in Population Growth

- The rate at which California's population grew between 1980 and 1995 (33% increase) was more than twice that of the United States population growth (16% increase) over the same time period. The projected differences in growth rates in the 21st century, using 1980 as a baseline, are truly staggering. By 2025, California's population is expected to have more than doubled (108%) since 1980, compared to an expected increase of less than half this rate (48%) for the United States population (EXHIBIT 1.8).
- A much smaller proportion of the population in California resides in rural areas compared to the United States (EXHIBIT 1.9).

EXHIBIT 1.1

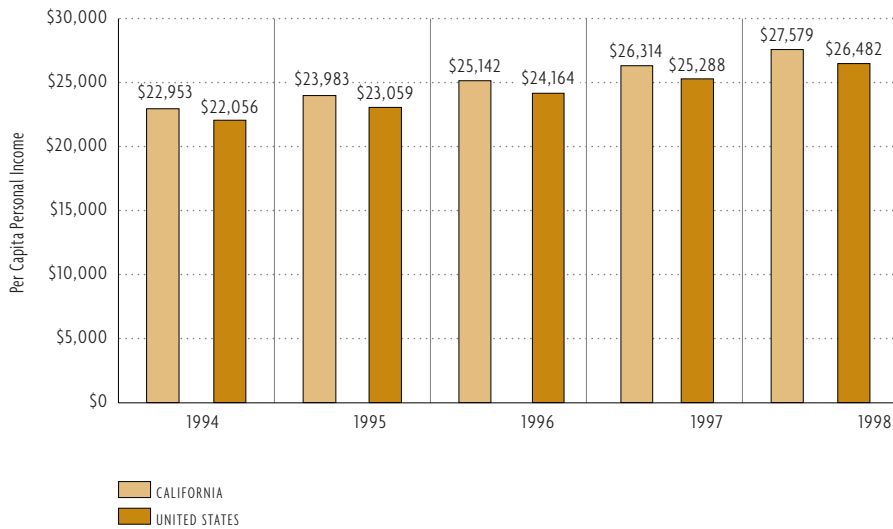
Percentage of the Population Residing in California and the Rest of the United States, 1999



SOURCE: Population Estimates Program, Population Division, U.S. Bureau of the Census, release date December 29, 1999, www.census.gov/population/estimates/state

EXHIBIT 1.2

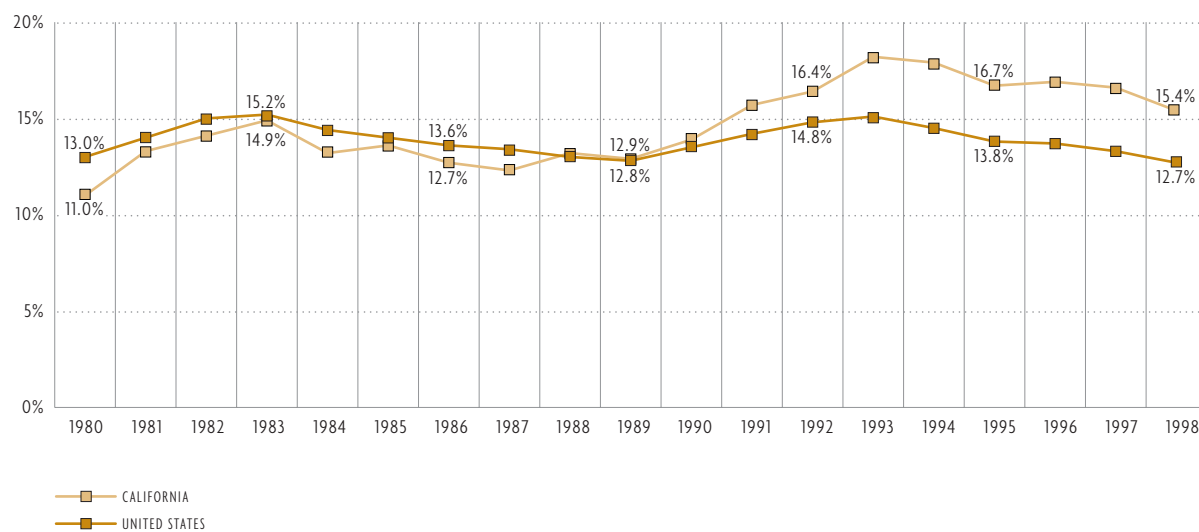
Trends in Per Capita Personal Income, California and the United States, 1994-1998



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis: Regional Accounts Data, State Personal Income, www.bea.doc.gov/bea/regional/spi/pcpi.htm

EXHIBIT 1.3

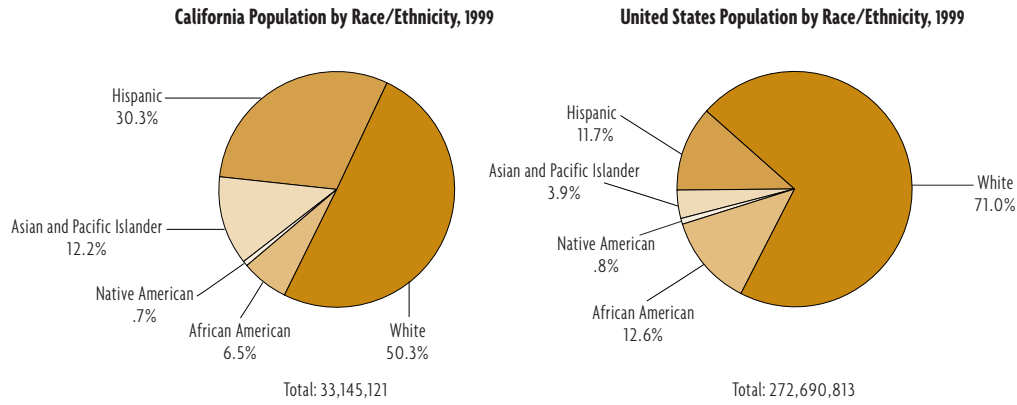
Trends in the Percentage of the Population Below Poverty, California and the United States, 1980–1998



SOURCE: California: U.S. Bureau of the Census, Poverty and Health Statistics Branch/HHES Division, www.census.gov/income/histpov/hstpov21.txt
 United States: U.S. Bureau of the Census, Poverty and Health Statistics Branch/HHES Division, www.census.gov/income/histpov/hstpov02.txt
NOTE: In the 1992 California data, the Census Bureau revised the rate based on 1990 census population controls.

EXHIBIT 1.4

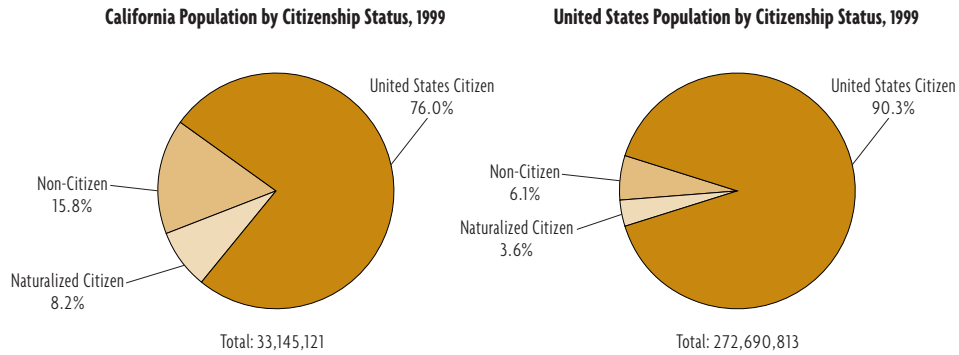
California and United States Population by Race/Ethnicity, 1999



SOURCE: UC Berkeley analysis of March Current Population Survey (CPS), March 1999.
 NOTE: In the categories given above, Native American includes Eskimo and Aleut.
 "Hispanic" includes all Hispanics regardless of race.

EXHIBIT 1.5

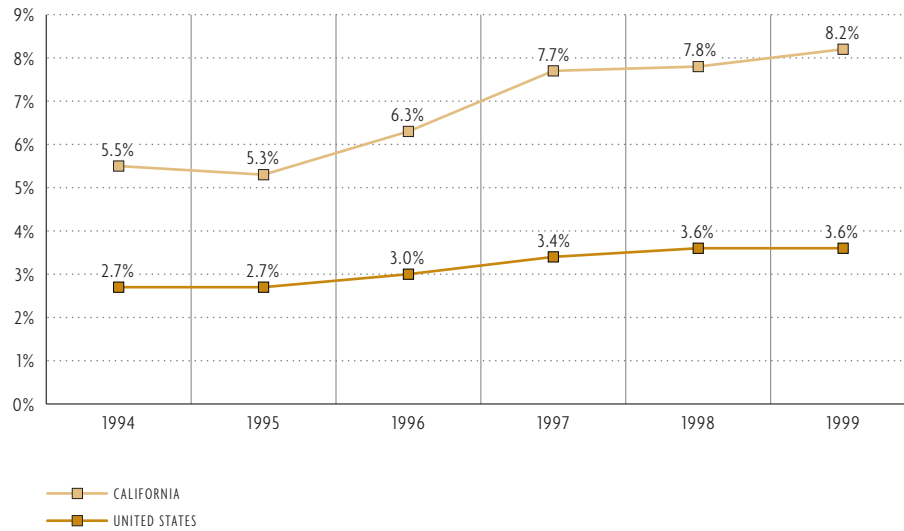
Citizenship Status of California and United States Population, 1999



SOURCE: UC Berkeley analysis of March Current Population Survey (CPS), March 1999.
 NOTE: CPS undercounts non-citizens.

EXHIBIT 1.6

Trends in the Percentage of the Population Who Are Naturalized Citizens, California and the United States, 1994–1999



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1994–1999.

EXHIBIT 1.7

States with the Highest Percentage of Non-Citizens, 1999

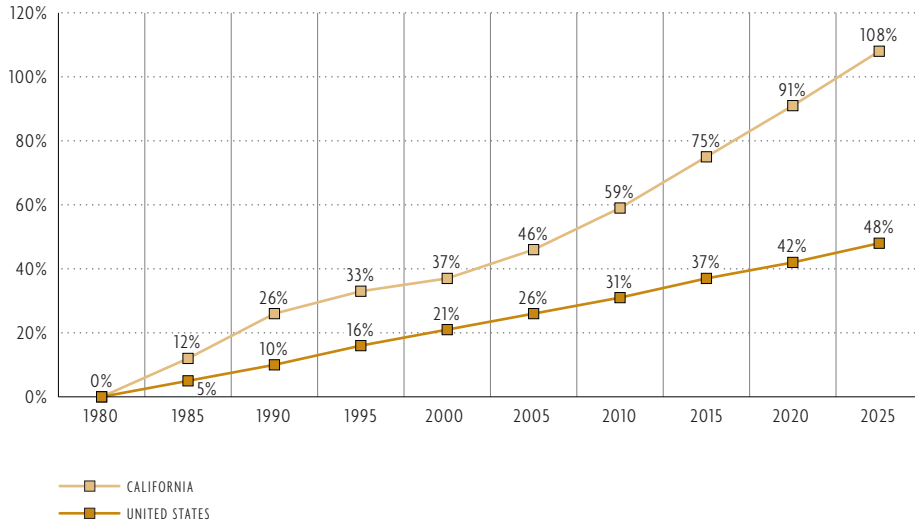
| STATE | Percentage of Non-Citizens in the Population |
|------------|--|
| California | 15.8% |
| New York | 11.2% |
| Arizona | 10.1% |
| Nevada | 9.1% |
| Florida | 8.9% |
| New Jersey | 8.6% |
| Texas | 8.3% |

SOURCE: UC Berkeley analysis of March Current Population Survey, March 1999.

NOTE: Non-citizens make up 4% or less of the population in nine states.

EXHIBIT 1.8

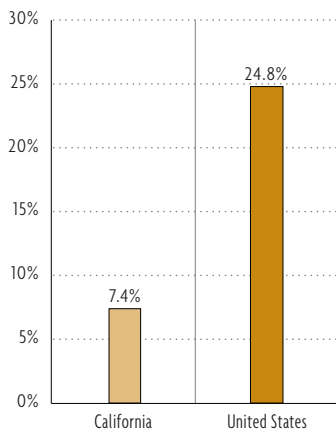
Cumulative and Projected Population Growth Since 1980, California and the United States, 1980–2025



SOURCE: 1980 to 1989 data from Population Estimates Branch, U.S. Bureau of the Census, issued November 1993, www.census.gov/population/estimates/state/stts/; 1990 to 1995 data from Population Estimates Program, Population Division, U.S. Bureau of the Census, release date June 15, 1999, www.census.gov/population/estimates/state/; 2000 to 2025 data from Current Population Reports: Population Projections – States, 1995–2025, U.S. Bureau of the Census, Population Division, May 1997.
 NOTE: 1980–1995 are actual increases; 2000 and later are projected increases.

EXHIBIT 1.9

Rural Population, as a Percentage of Total Population, California and the United States, 1990



SOURCE: U.S. Census Bureau, Urban and Rural Population: 1900 to 1990. U.S. Census Bureau, released October 1995, www.census.gov/population/censusdata/urpopo90.txt

section two

2

Health Status and Access to Preventive Care

Health Status and Access to Preventive Care

One of the goals for our health care system is to maintain and improve the health of the population. However, with a few exceptions (e.g., infant mortality and AIDS), there is little progress being made towards this goal in either California or nationwide. Most health status indicators have improved very little or declined over the past decade.

Changes in Self-Reported Health Status

- Between 1995 and 1998, the proportion of adult Californians who considered themselves to be in excellent or very good health increased slightly (from 56% to 58%), with a slight decline among all United States adults (from 59% to 57%) (EXHIBIT 2.1).
- A slightly higher proportion of California's adult population in 1998 rated their health status as fair or poor compared to the United States population. The proportion rating their health status as fair or poor grew by one percentage point, from 14% to 15% from 1995 to 1998 in California, but remained flat at 13% in the United States as a whole. Hispanics in California were significantly more likely than those in the United States as a whole to report they were in fair or poor health (23.8% vs. 14.8%), while other racial or ethnic groups reported similar responses in California compared to the United States (EXHIBIT 2.1).

Trends in Infant Mortality and Low Birthweight Rates

- Between 1990 and 1998, the infant mortality rate declined significantly both in California and the nation as a whole, with the California rate remaining lower than the average for the United States (EXHIBIT 2.2).
- The rate of low birthweight infants increased slightly from 1990 to 1996 in both California and the United States. However, the rate of low birthweight has consistently been lower in California compared to the nation as a whole (EXHIBIT 2.3).

Trends in AIDS

- Since 1994, the AIDS case rate (39 new cases per 100,000 population) has declined every year, and by 1998 both California and the United States reported 17 new AIDS cases per 100,000 population (EXHIBIT 2.4).
- The rate of persons living with AIDS per 100,000 population, however, has continued to rise every year since 1994 in both California and the United States, which reflects relatively stable incidence coupled with a decline in HIV-related deaths. The rate in California has been consistently higher than that of the United States (EXHIBIT 2.5).

Trends in Mammography Screening for Breast Cancer

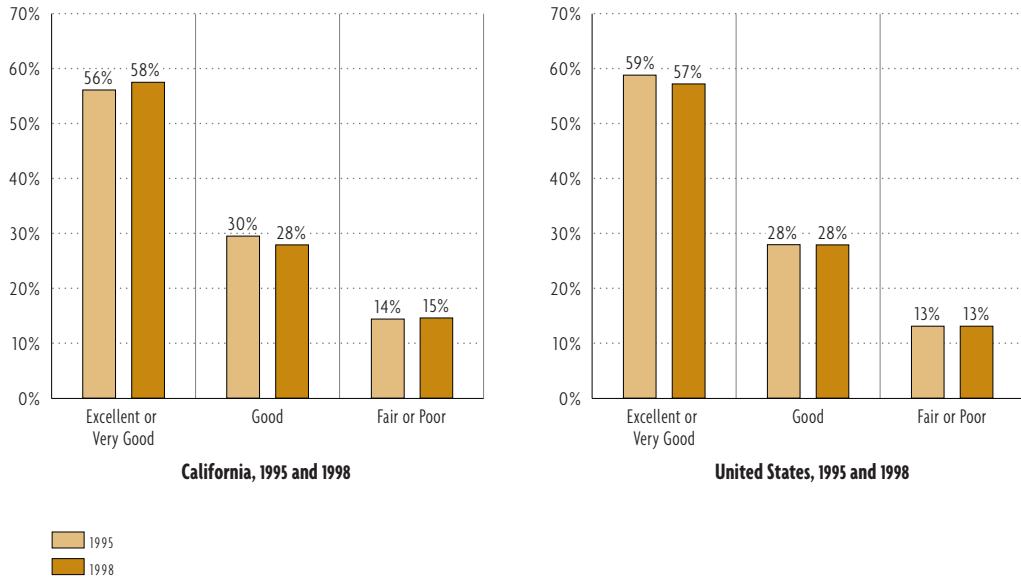
- The rates at which women 50 years and older received mammograms increased slightly in both California and the United States from 1995 to 1998. Mammography screening rates in California have remained consistently higher than the national rate (EXHIBIT 2.6). It has been recommended that women over 50 should have a mammogram once every two years in order to reduce breast cancer mortality rates.
- The proportion of women 40 years and older who report never having had a mammogram declined between 1995 and 1998 in both California and the nation, with the proportion in California lower than that in the United States (EXHIBIT 2.7).

Trends in Risk Factors for Chronic Disease

- Despite past successes and continuing efforts to control tobacco use, adult smoking rates in both California and the United States increased between 1995 and 1998. However, smoking rates in California are lower than those for the United States as a whole (EXHIBIT 2.8). Smoking is the single most preventable cause of disease, disability, and premature death, and this recent increase is cause for concern.
- Rates of obesity in the adult population also increased in both California and the United States between 1995 and 1998. However, obesity rates in California have remained slightly lower than the rates for the United States (EXHIBIT 2.9). Recent research has confirmed that obesity is a significant risk factor for the future health of the population.

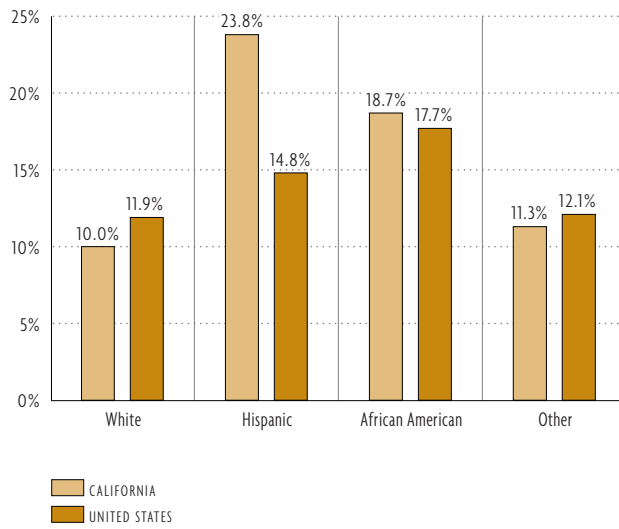
EXHIBIT 2.1

Self-Reported Health Status Among Adults 18 and Older in California and the United States



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

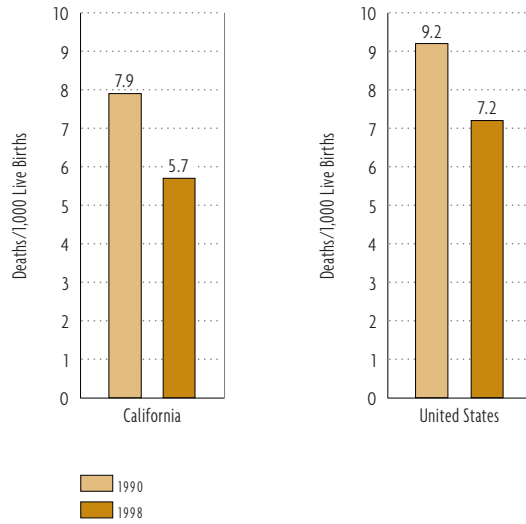
Fair or Poor Self-Reported Health Status Among Adults 18 Years and Older in California and the United States, by Race/Ethnicity, 1998



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

EXHIBIT 2.2

Infant Mortality Rates in California and the United States, 1990 and 1998

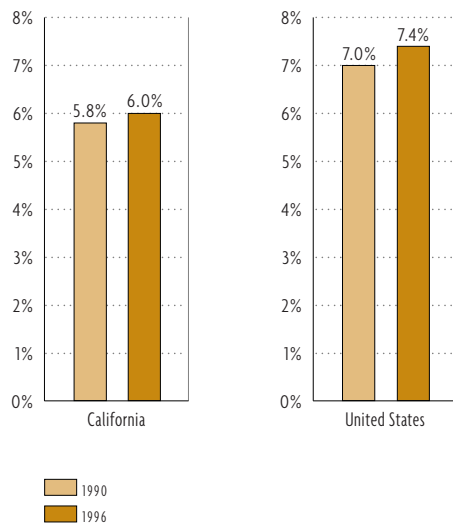


SOURCE: California Department of Health Services, Vital Statistics Data Tables, www.dhs.cahwnet.gov/hisp/chs/OHIR/caustable.htm

NOTE: Infant mortality rates are deaths of those under one year of age per 1,000 live births.

EXHIBIT 2.3

Rates of Low Birthweight Babies Born in California and the United States, 1990 and 1996

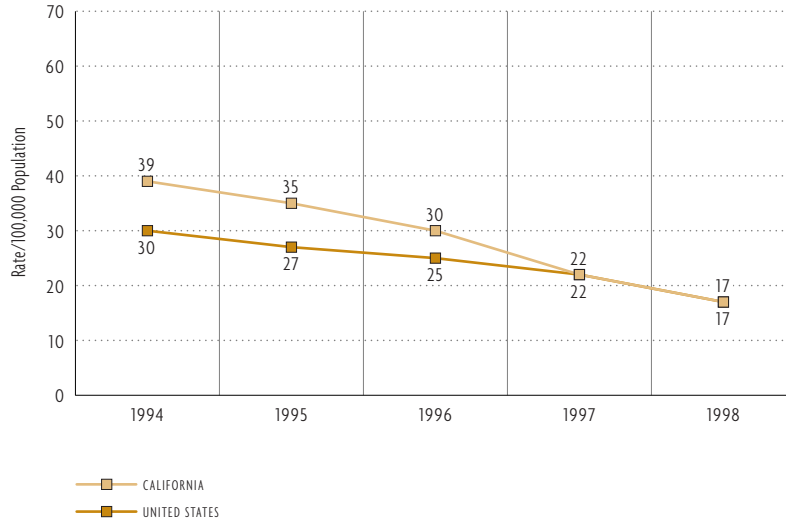


SOURCE: U.S. Department of Commerce, Bureau of the Census, State and Metropolitan Area Data Book 1997–98, 5th Edition, Table A7, p. 8.

NOTE: Low birthweight is defined as under 2500 grams (5 lbs. 8 oz).

EXHIBIT 2.4

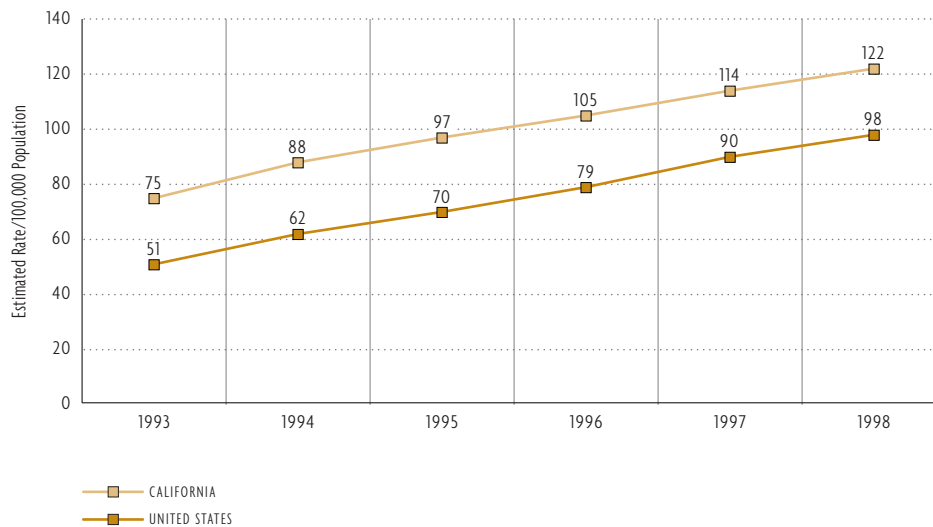
Trends in New AIDS Cases Per 100,000 Population, California and the United States, 1994–1998



SOURCE: Centers for Disease Control and Prevention. HIV/AIDS Surveillance Reports, 1995–1998.
 NOTE: Data for the 50 U.S. States and the District of Columbia.

EXHIBIT 2.5

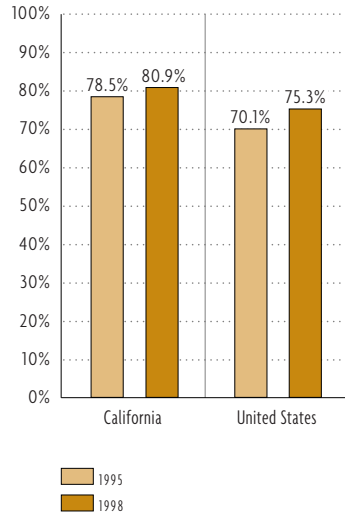
Trends in the Rates Per 100,000 Population of Persons Living with AIDS, California and the United States, 1993–1998



SOURCE: Centers for Disease Control and Prevention. HIV/AIDS Surveillance Reports, 1993–1998.
 NOTE: Rates are calculated using population data from the U.S. Census Bureau.

EXHIBIT 2.6

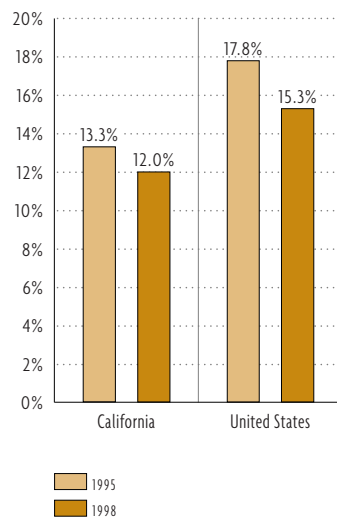
Percentage of Women 50 and Older Who Have Had a Mammogram in the Last Two Years, California and the United States, 1995 and 1998



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

EXHIBIT 2.7

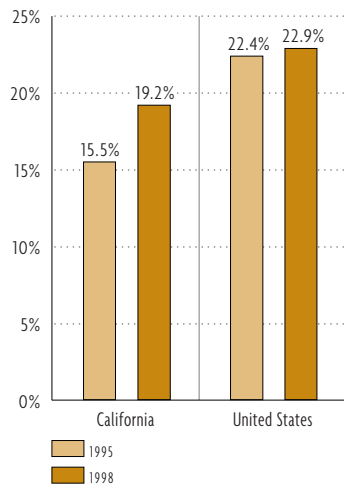
Percentage of Women 40 and Older Who Have Never Had a Mammogram, California and the United States, 1995 and 1998



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

EXHIBIT 2.8

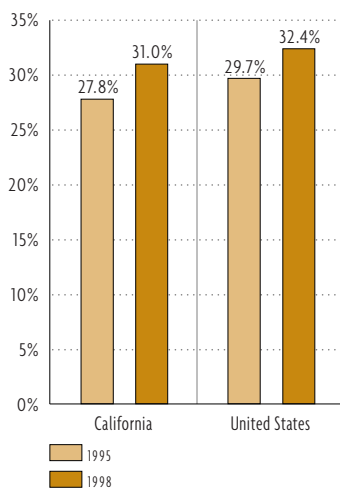
Smoking Rates Among Adults 18 and Older, California and the United States, 1995 and 1998



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

EXHIBIT 2.9

Percentage of Adults 18 and Older Who Are Obese, California and the United States, 1995 and 1998



SOURCE: Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion, Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Online Prevalence Data, 1995–1998, www2.cdc.gov/nccdphp/brfss/index.asp

NOTE: Obesity is classified as Body Mass Index ≥ 30 . $BMI = \text{weight} / (\text{height squared})$, where weight is in kilograms and height is in meters.

section three

Trends In Health Insurance Coverage

Trends in Health Insurance Coverage

The percentage of the population with no health insurance coverage continues to climb in both California and the United States, despite 1) a booming economy, 2) recent attempts at the federal and state levels to increase access to health insurance for low-income children and persons employed in small businesses, and 3) the adoption of new rules to increase the portability of health insurance when workers change or lose their jobs. In 1998, the number of uninsured non-elderly people reached 43.6 million nationwide and 7.3 million in California. Employer-sponsored coverage has remained essentially unchanged over the last four years, rates of privately purchased health insurance have declined, and Medicaid enrollment has dropped significantly in the wake of welfare reform.

Trends in Health Insurance Coverage

- Despite ongoing efforts at the federal and state levels to expand eligibility for Medicaid and to increase access to insurance for small employers and for low-income children, the rates of non-elderly uninsured in California and the nation continued to climb between 1994 and 1998. The rates of uninsured were consistently higher in California than in the United States over this time period. In 1998, 24.4% of Californians under 65 were without health insurance coverage, compared to 18.3% of non-elderly United States residents. (In 1998, there were 29,866,287 Californians and 238,609,671 United States residents under age 65) (EXHIBIT 3.1).
- From 1994 to 1998, the number of the non-elderly uninsured has grown from 6.4 million to 7.3 million in California and from 38 million to more than 43.6 million nationwide (EXHIBIT 3.1).
- The proportion of children who are uninsured in both California and the United States has also grown since 1994. In 1998, one out of every five children living in California and nearly one out of every six children in the United States had no health insurance coverage. These figures translate into more than 2 million uninsured children in California and nearly 12 million uninsured children in the United States (EXHIBIT 3.2).
- Uninsurance rates among non-elderly adults (ages 19–64) in both California and the United States have also grown since 1994. In 1998, one out of every four non-elderly adults living in California and nearly one out of every five non-elderly adults in the United States had no health insurance coverage. These percentages translate into more than 5 million uninsured non-elderly adults in California and almost 32 million uninsured non-elderly adults in the United States (EXHIBIT 3.3).

Sources of Health Insurance Coverage

- Despite a booming economy, the percentage of the non-elderly population with employer-sponsored health insurance coverage has remained essentially unchanged, increasing by only one percentage point from 1994 to 1998 in California (from 56.8% to 58.3%) and the United States (from 66.2% to 67.2%). A much smaller proportion of Californians under age 65 receive health insurance coverage through employers compared to the United States' population (EXHIBIT 3.4). This difference is due largely to the fact that California employers are significantly less likely to offer health insurance to their workers than firms nationwide (see SECTION 4, EXHIBIT 4.2).

- Between 1994 and 1998, the rate at which non-elderly individuals purchased private health insurance on their own increased slightly in California – though it had been dropping since 1996 after two years of increases – while declining in the United States as a whole. Californians are slightly more likely to purchase individual coverage (4.5%) compared to the United States population (4.1%), possibly due in part to the much lower rates of employer-sponsored insurance in the state (EXHIBIT 3.5).
- Despite efforts to maintain eligibility for Medicaid coverage in the face of substantive changes in the welfare system in the United States and California, the proportion of the non-elderly population covered by Medicaid in California declined from 14.3% in 1994 to 11.1% in 1998. The percentage of the United States population covered by Medicaid also dropped, but not nearly as dramatically. Nevertheless, throughout this same time period, the proportion of non-elderly Californians covered through Medicaid has remained higher than the proportion of non-elderly Americans (EXHIBIT 3.6).
- From 1994 to 1998, rates of uninsurance grew by almost 2% in both California and the United States. During this same time period, rates of employer-sponsored health coverage increased by roughly 1%, while rates of Medicaid coverage declined 3.2% in California and 1.6% in the United States. Rates of coverage through individually purchased plans decreased slightly in the United States (0.7%) and increased slightly in California (0.3%) (EXHIBIT 3.7).

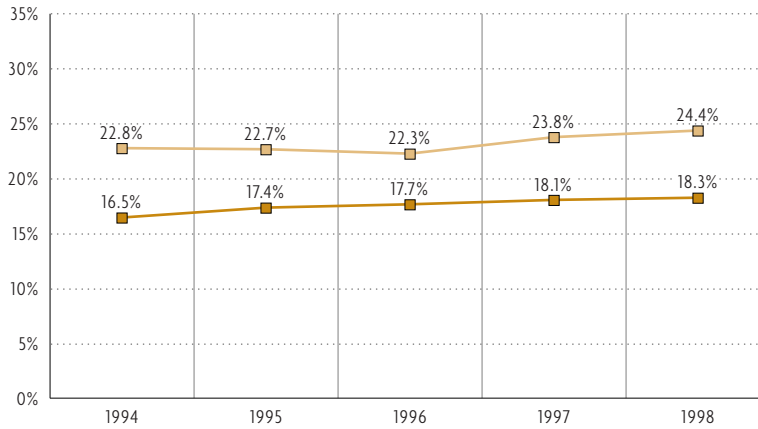
Uninsurance by Ethnic Group

- Rates of uninsurance vary greatly by ethnic group. Hispanics have the highest rates of uninsurance both in California and the United States. More than one-third of Hispanics are without health insurance coverage, which is more than double the rate of uninsurance for whites. Uninsurance rates among African Americans and Asian/Pacific Islanders are similar, with one in four not having health insurance coverage, and are similar in California and the United States (EXHIBIT 3.8).

EXHIBIT 3.1

Trends in the Rates of Uninsurance and Numbers of Uninsured in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998

Rates of Uninsurance (Ages 0–64)



Uninsured Non-Elderly (Ages 0–64)

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| California | 6.4M | 6.5M | 6.4M | 7.0M | 7.3M |
| United States | 38.0M | 40.3M | 41.4M | 42.8M | 43.6M |

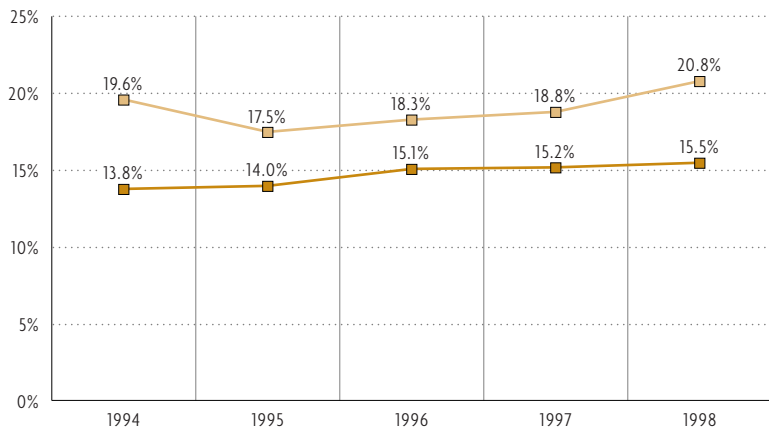
■ CALIFORNIA
■ UNITED STATES

SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.2

Trends in the Rates of Uninsurance and Numbers of Uninsured Among Children (Ages 0–18), California and the United States, 1994–1998

Rates of Uninsurance (Ages 0–18)



Uninsured Children (Ages 0–18)

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| California | 1.8M | 1.7M | 1.7M | 1.8M | 2.0M |
| United States | 10.2M | 10.5M | 11.3M | 11.5M | 11.8M |

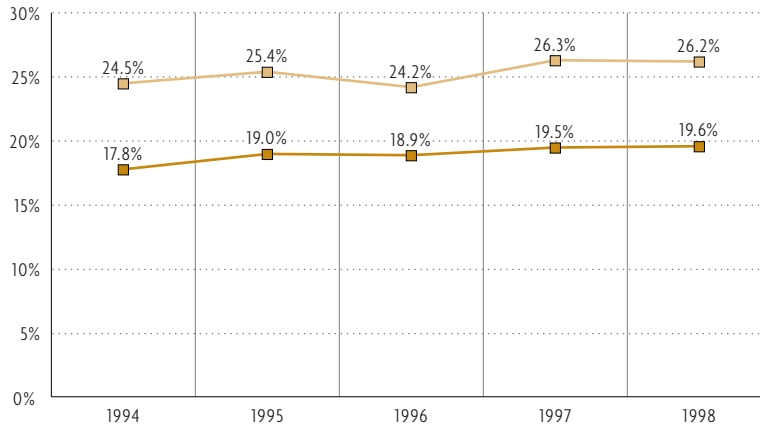


SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.3

Trends in the Rates of Uninsurance and Number of Uninsured Among Non-Elderly Adults (Ages 19–64), California and the United States, 1994–1998

Rates of Uninsurance (Ages 19–64)



Uninsured Non-Elderly Adults (Ages 19–64)

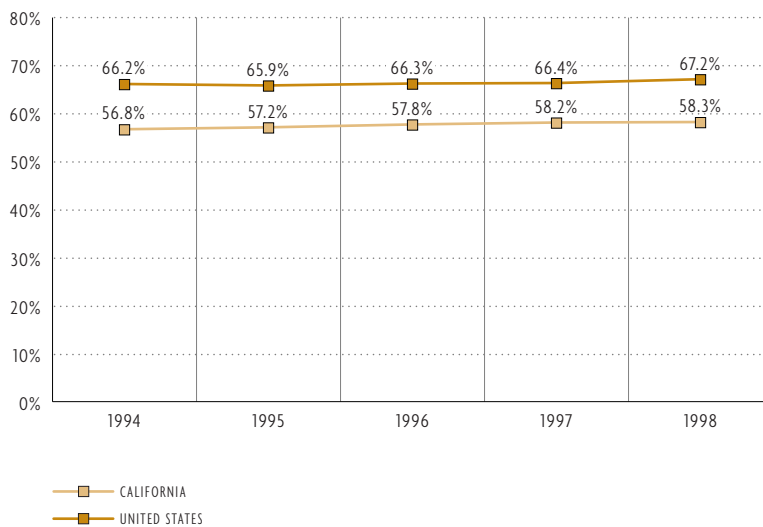
| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| California | 4.6M | 4.8M | 4.7M | 5.2M | 5.3M |
| United States | 27.8M | 29.8M | 30.1M | 31.4M | 31.9M |

■ CALIFORNIA
■ UNITED STATES

SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.4

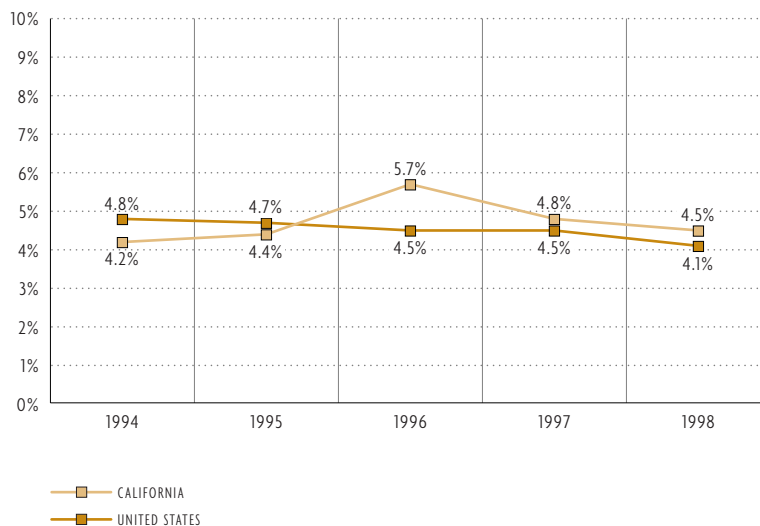
Trends in Employer-Sponsored Health Insurance Coverage in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.5

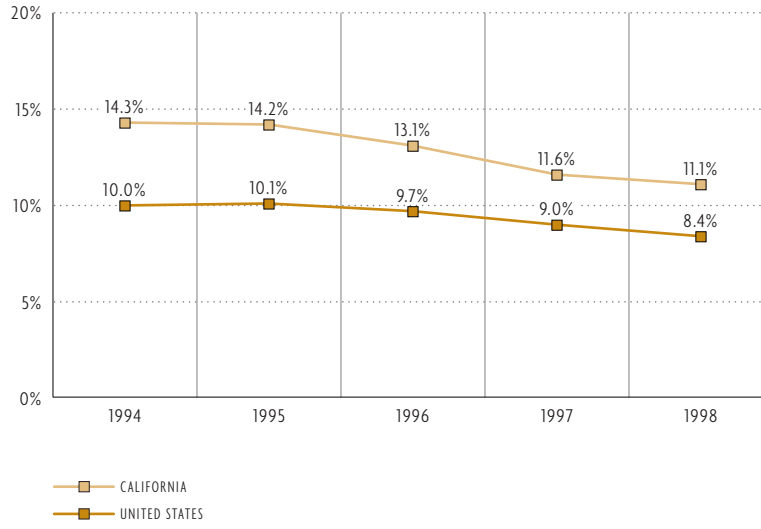
Trends in Rates of Individually Purchased Health Insurance in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.6

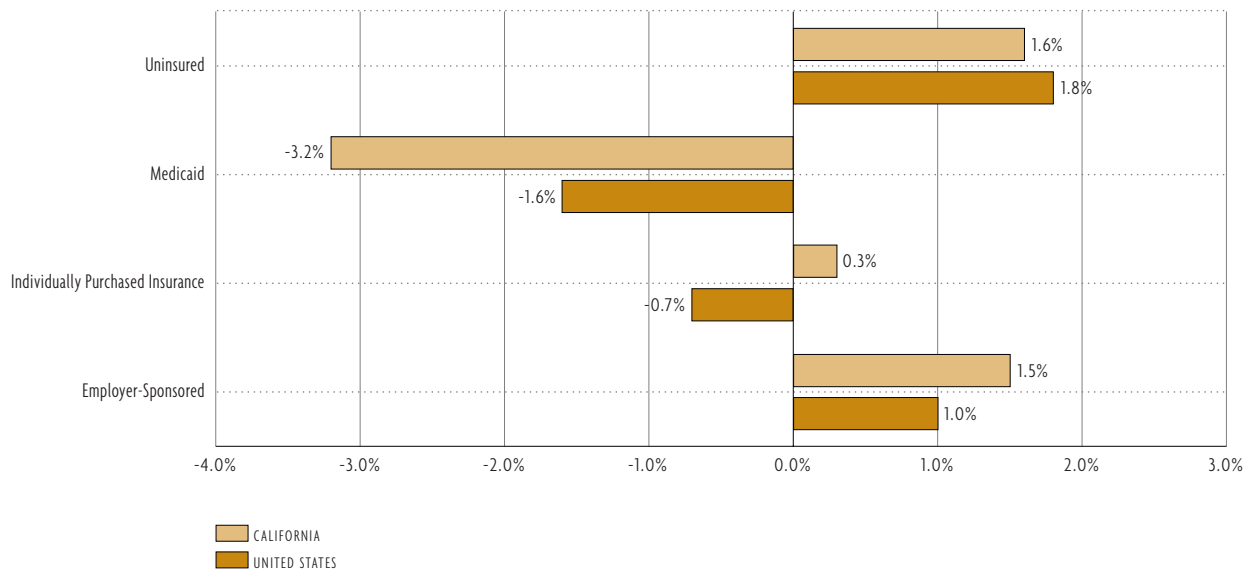
Trends in Rates of Medicaid Coverage in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.7

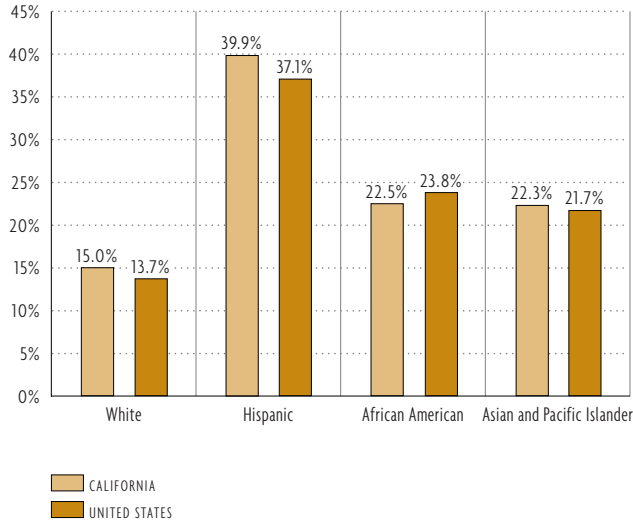
Change in Rates of Insurance Coverage by Source in the Non-Elderly Population (Ages 0–64), California and the United States, 1994–1998



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1995–1999.

EXHIBIT 3.8

Rates of Uninsurance in the Non-Elderly Population (Ages 0-64), by Race/Ethnicity, California and the United States, 1998



SOURCE: UC Berkeley analysis of March Current Population Survey, March 1999.
NOTE: "Hispanic" includes all Hispanics regardless of their race.

section four

Trends in Employer-Sponsored Health Insurance

Trends in Employer-Sponsored Health Insurance

Employer coverage remains the most important source of health insurance for Californians and Americans. However, employers of every size in California, from the smallest to the largest, are less likely to offer health benefits to their workers compared to similar firms in the United States as a whole. While Californians are less likely to be insured through their employer, those who are offered employer-sponsored benefits are more likely to be offered a choice of two or more health plans, as well as more comprehensive benefits. California workers also pay lower premiums for their health benefits than the average covered American worker.

Structure of the Employer Market

- The overall structure of the employer market in California is remarkably similar to that of the United States as a whole, with 77% of all firms employing 3 to 9 workers, 18–19% of firms with 10 to 50 workers, 4–5% with 51 to 999 workers, and less than 1% of all firms with 1,000 or more workers. However, the proportion (12%) of California's workforce that is employed in very small firms (3–9 workers), which have the lowest health insurance coverage rates, is two percentage points higher than the average in the United States (EXHIBIT 4.1).

Offer Rates of Employer-Sponsored Health Insurance

- Firms of every size in California, ranging from small (3–9 workers) to large (1,000 or more workers), are significantly less likely to offer health benefits to their employees compared to similar firms in the United States, with overall rates of 48% of firms in California offering coverage compared to 61% nationally (EXHIBIT 4.2).
- As in the United States as a whole, California small firms and firms that pay low wages are the least likely to offer insurance to their workers (EXHIBITS 4.2 and 4.3).
- Workers in California are more likely to be offered health insurance to non-traditional partners compared to workers nationally (31% vs. 18%, respectively). The difference is greatest among large firms (1,000 or more workers), with California firms offering non-traditional partners coverage at a rate more than double the national rate (EXHIBIT 4.4).

Choice of Employer-Sponsored Health Plans

- Covered California workers are offered a greater choice of health plans by their employers compared to all United States workers with coverage. For example, 80% of covered California workers are offered a choice of more than one plan, compared to 65% of covered workers in the United States (EXHIBIT 4.7).
- The likelihood that a firm provides a choice of health plans to its workers increases with firm size. However, firms of all sizes that offer coverage in California are more likely to offer a choice of two or more plans compared to United States firms (EXHIBIT 4.8).

Market Shares of Employer-Sponsored Health Plans

- The types of health plans that cover employees in California firms vary compared to those covering employees throughout the United States. Covered California workers compared to all covered workers in the United States are much more likely to have HMO coverage (53% vs. 28%), less likely to have PPO (22% vs. 38%) or POS (21% vs. 25%) coverage, and less than half as likely (4% vs. 9%) to have conventional health insurance coverage (EXHIBIT 4.9).

Employer-Sponsored Health Plan Premiums

- Average monthly premiums in California are lower for single and family coverage (\$171 and \$458, respectively) than in the United States (\$189 and \$478, respectively). Premiums for HMOs and POS plans are lower and premiums for PPOs are higher in California for both single and family coverage compared to the United States average (EXHIBIT 4.10).

- Health insurance premiums for employer-sponsored plans increased by 4.8% in both California and the United States from 1998 to 1999 (EXHIBIT 4.11).
- Small firms (3–50 workers) experienced greater increases in their premium rates compared to large firms in both California and the United States (EXHIBIT 4.12).
- Self-insured plans in both California and the United States reported smaller premium increases from 1998 to 1999 than fully-insured plans. The exception to this was in POS plans in California, where fully-insured plans reported lower premium increases than self-insured plans (EXHIBIT 4.13).
- Monthly worker premium contributions for both single and family coverage are also lower on average in California than in the United States for all plan types: HMOs, PPOs, and POS plans (EXHIBIT 4.14). On average, covered California workers pay 11% of the total premium for single coverage and 24% of the premium for family coverage, compared to 16% and 32%, respectively, for covered workers in the United States. In both California and the United States, employers more heavily subsidize the cost of the premium for the individual worker than for family coverage (EXHIBIT 4.15).

Employer-Sponsored Health Plan Benefits

- The one area of benefits coverage that differs substantially between employer-sponsored health plans in California and the United States is family planning services. Workers covered through employer-sponsored plans in California are generally more likely to be covered for all reversible contraceptives, for abortion services, and for oral contraceptives compared to workers in employer-sponsored health plans nationwide. Benefits for infertility treatments are covered for approximately one-third of workers with employer-sponsored health insurance in both California and the United States, with the exception of POS plans in California, where fewer than one in five workers is covered for these benefits (EXHIBIT 4.16).
- There were no differences in the rates at which California and United States workers were covered for outpatient mental health, inpatient mental health, prescription drugs, periodic physical exams, well-baby care, prenatal care, or mammography screenings.

Employer Purchasing Coalitions in California

- Employer participation in California's health insurance purchasing coalitions continues to grow, particularly among small employers. The total number of firms in California participating in purchasing coalitions grew 80% from 1996 to 1999 (EXHIBIT 4.17). In 1999, 21 large employers (2,000 or more workers), 12,683 small employers (2–50 workers), and 1,262 public employers participated in group purchasing for employee health insurance benefits.
- The total number of Californians who are covered under employer purchasing coalitions has also grown sharply, increasing 28% over the last three years (EXHIBIT 4.18).
- For benefit years 1995, 1996, and 1997, three of California's employer purchasing coalitions negotiated decreasing or flat premium rates with HMOs from the previous years. However, for the 1998 benefit year, negotiated rates began to increase, slowly at first and then into double-digit rate increases for the 2000 benefit year. All of the gains in lowering premiums from 1994–1997 have been offset by the increases from 1997 through 2000 (EXHIBIT 4.19).

EXHIBIT 4.1

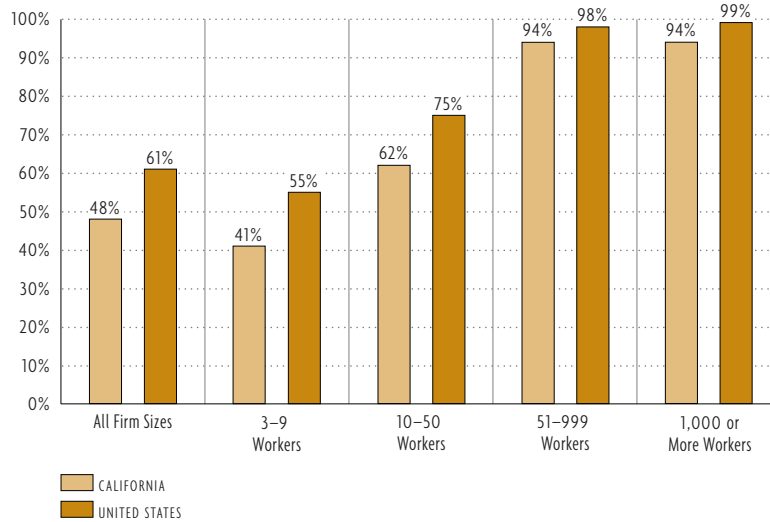
Distribution of Firms and Workers, by Firm Size, California and the United States, 1999

| FIRM SIZE (WORKERS) | Firms | | Workers | |
|---------------------|-------------|---------------|-------------|---------------|
| | California | United States | California | United States |
| 3–9 | 77% | 77% | 12% | 10% |
| 10–50 | 19% | 18% | 13% | 11% |
| 51–999 | 4% | 5% | 28% | 26% |
| 1,000 or more | <1% | <1% | 47% | 53% |
| Total | 100% | 100% | 100% | 100% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.2

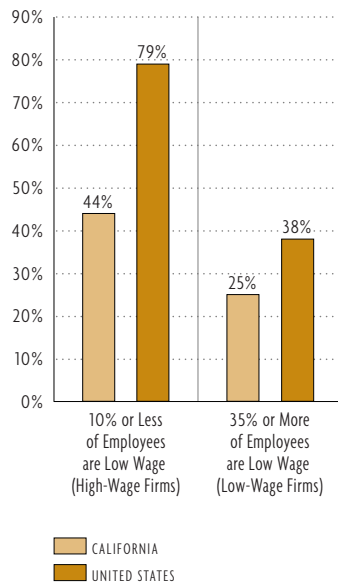
Percent of Firms Offering Health Benefits, by Firm Size, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.3

Percentage of Small Firms (3-50 Workers) in Which Workers Are Offered Health Insurance, by Percentage of Workforce That is Low Wage, California and the United States, 1999

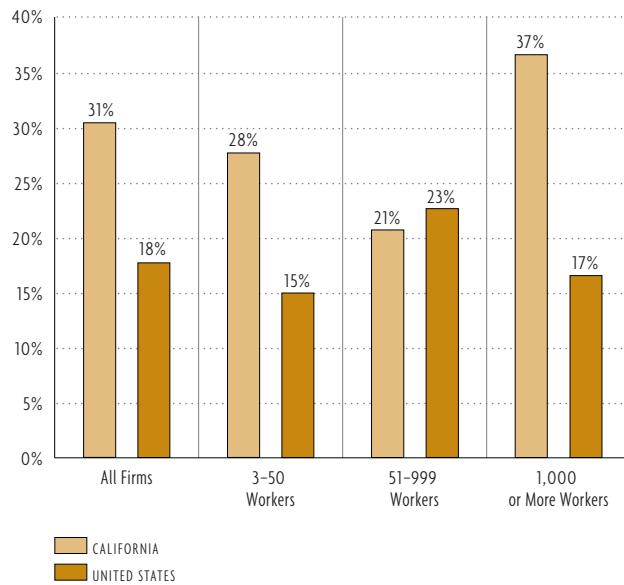


SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: Low wage is defined as earning less than \$20,000 per year.

EXHIBIT 4.4

Percentage of Workers in Firms in Which Non-Traditional Partners Are Offered Health Insurance, by Firm Size, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.5

Eligibility, Take-Up Rates, and Coverage in Firms Offering Coverage,
California and the United States, 1999

| | California | | | United States | | |
|----------------------------|--|--------------|--|--|--------------|--|
| | % of Workers Eligible for Health Insurance | Take-Up Rate | % of Workers Covered by Health Insurance | % of Workers Eligible for Health Insurance | Take-Up Rate | % of Workers Covered by Health Insurance |
| FIRM SIZE (WORKERS) | | | | | | |
| 3–50 | 83% | 84% | 69% | 81% | 84% | 68% |
| 51–999 | 78% | 86% | 67% | 76% | 86% | 65% |
| 1,000 or more | 75% | 87% | 66% | 79% | 83% | 66% |
| All firm sizes | 77% | 86% | 67% | 78% | 84% | 66% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: Take-up rate is the percentage of eligible workers who choose to participate in health benefits offered by their employer.

EXHIBIT 4.6

Percentage of Covered Workers in Partly or Completely Self-Insured Plans, by Plan Type, California and the United States, 1999

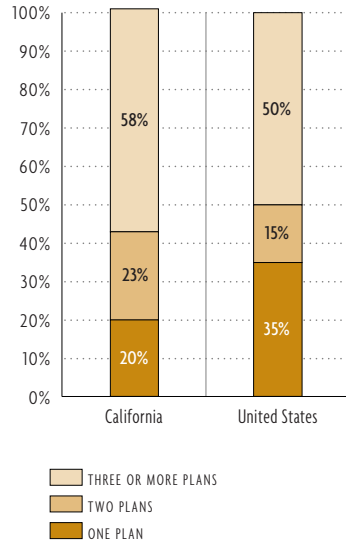
| | California | United States |
|-----------------------|------------|---------------|
| COVERAGE LEVEL | | |
| All plan types | 24% | 48% |
| HMO | 7% | 19% |
| PPO | 49% | 67% |
| POS | 27% | 47% |
| Conventional | n/a | 62% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: There are not enough employees enrolled in conventional plans in California to break out enrollment by self-insured plans.

EXHIBIT 4.7

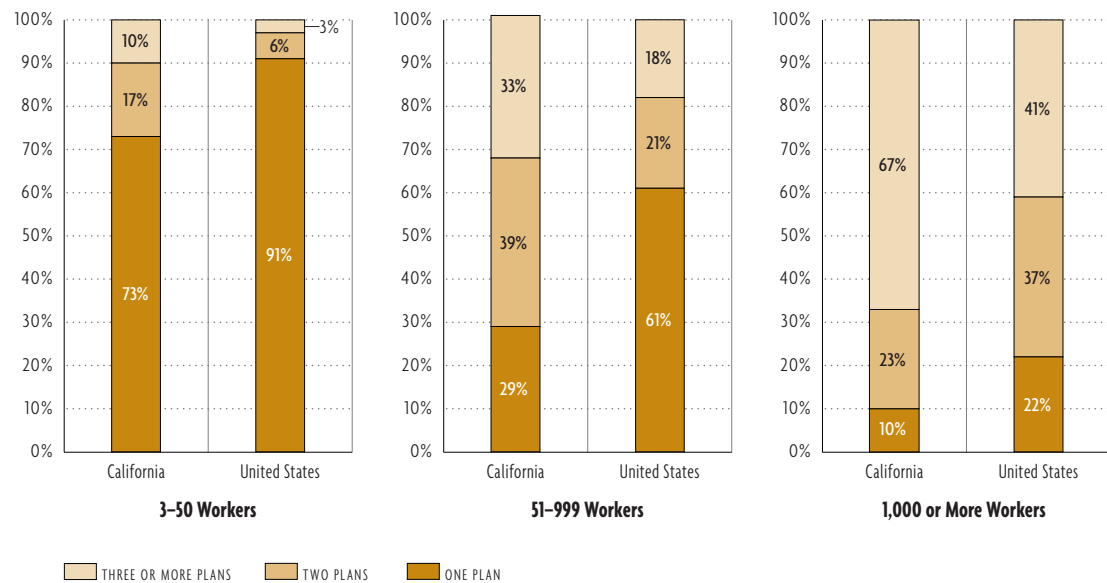
Percentage of Covered Workers with a Choice of Health Plans, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.8

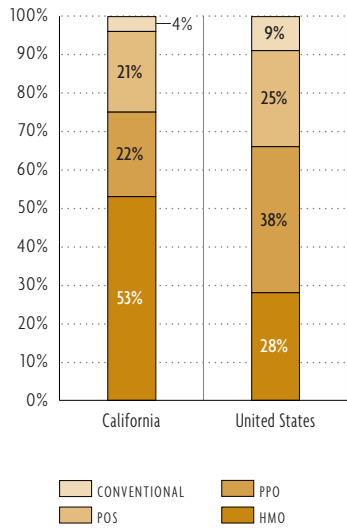
Percentage of Employers Providing a Choice of Health Plans, by Firm Size, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.9

Percentage of Covered Workers, by Type of Health Plan, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.10

Average Monthly Premiums for Single and Family Coverage, California and the United States, 1999

| | Single Coverage | | Family Coverage | |
|----------------|-----------------|---------------|-----------------|---------------|
| | California | United States | California | United States |
| All plan types | \$171 | \$189 | \$458 | \$478 |
| HMO | \$145 | \$169 | \$405 | \$445 |
| PPO | \$218 | \$195 | \$555 | \$488 |
| POS | \$180 | \$198 | \$479 | \$496 |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.11

Percentage Change in Health Insurance Premiums from Previous Year, by Plan Type, California and the United States, 1998–1999

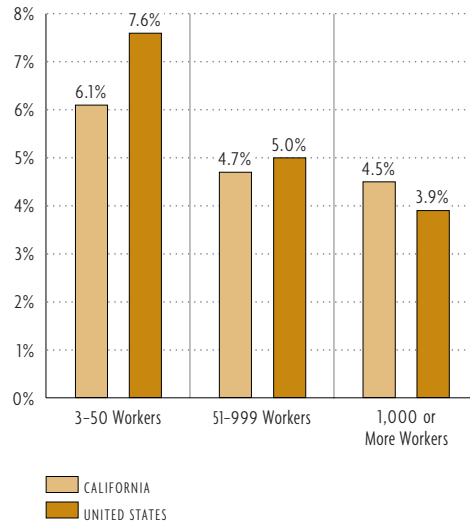
| | California | United States |
|----------------|------------|---------------|
| All plan types | 4.8% | 4.8% |
| HMO | 5.7% | 5.7% |
| PPO | 3.2% | 4.3% |
| POS | 4.7% | 3.6% |
| Conventional | n/a | 5.6% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: There are not enough employees enrolled in conventional plans in California to estimate percentage change in health insurance premiums. Premium data is for family coverage.

EXHIBIT 4.12

Percentage Change in Health Insurance Premiums, by Firm Size, California and the United States, 1998–1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: Premium data is for family coverage.

4

EXHIBIT 4.13

Percentage Change in Health Insurance Premiums, by Plan Type and Funding Arrangement, California and the United States, 1998–1999

| | California | | United States | |
|----------------|--------------|---------------|---------------|---------------|
| | Self-Insured | Fully-Insured | Self-Insured | Fully-Insured |
| All plan types | 4.8% | 5.2% | 3.7% | 5.8% |
| HMO | 5.1% | 5.7% | 5.1% | 5.9% |
| PPO | 3.6% | 5.6% | 3.1% | 6.8% |
| POS | 7.9% | 3.4% | 2.5% | 4.6% |
| Conventional | n/a | n/a | 3.7% | 9.2% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: There are not enough employees enrolled in conventional plans in California to estimate percentage change in health insurance premiums by plan type. Premium data is for family coverage.

EXHIBIT 4.14

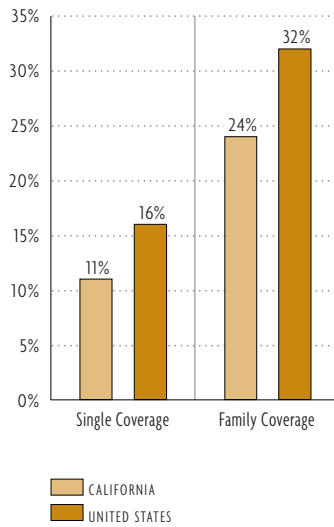
Average Monthly Worker Premium Contributions for Single and Family Coverage, California and the United States, 1999

| | Single Coverage | | Family Coverage | |
|----------------|-----------------|---------------|-----------------|---------------|
| | California | United States | California | United States |
| All plan types | \$21 | \$35 | \$117 | \$145 |
| HMO | \$18 | \$30 | \$115 | \$140 |
| PPO | \$25 | \$34 | \$128 | \$146 |
| POS | \$28 | \$48 | \$117 | \$158 |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.15

Percentage of Premiums Paid by Covered Workers for Single and Family Coverage, California and the United States, 1999



SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

EXHIBIT 4.16

Family Planning Benefits Offered to Covered Workers, by Plan Type,
California and the United States, 1999

| BENEFIT | California | | | United States | | |
|-------------------------------|------------|-----|-----|---------------|-----|-----|
| | HMO | PPO | POS | HMO | PPO | POS |
| All reversible contraceptives | 60% | 64% | 44% | 58% | 44% | 60% |
| Abortion services | 51% | 54% | 48% | 36% | 36% | 39% |
| Oral contraceptives | 86% | 81% | 74% | 80% | 64% | 67% |
| Infertility treatments | 31% | 30% | 18% | 32% | 36% | 37% |

SOURCE: Kaiser/HRET/UC Berkeley 1999 California Survey of Employer-Sponsored Health Benefits; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999.

NOTE: There were no differences in the rates at which California and United States workers were covered for periodic physical exams, well-baby care, prenatal care, mammography screenings, outpatient mental health, inpatient mental health, or prescription drugs.

EXHIBIT 4.17

Trends in the Number of Firms Participating in Employer Purchasing Coalitions in California, 1996–1999

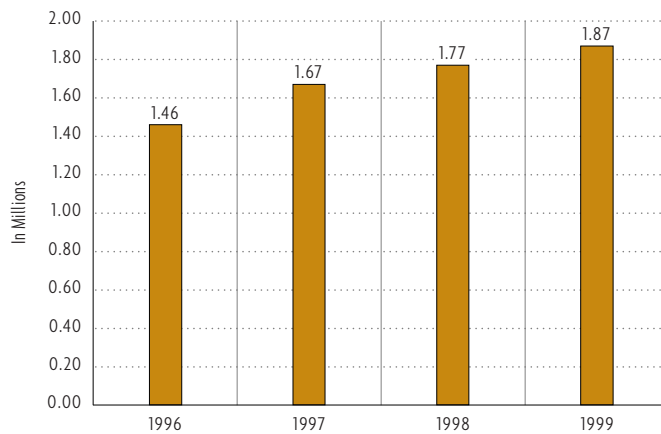
| | # Participating California Firms | | | |
|------------------------------|----------------------------------|---------------|---------------|---------------|
| | 1996 | 1997 | 1998 | 1999 |
| PURCHASING COALITIONS | | | | |
| PacAdvantage/HIPC | 6,185 | 7,070 | 7,458 | 7,680 |
| CalPERS | 1,087 | 1,144 | 1,200 | 1,262 |
| PBGH Negotiating Group | 17 | 20 | 21 | 21 |
| CaliforniaChoice | 458 | 1,885 | 3,277 | 5,003 |
| Total | 7,747 | 10,119 | 11,956 | 13,966 |

SOURCE: UC Berkeley Survey of California Purchasing Groups, 1996–1999.

NOTE: PacAdvantage/HIPC (Health Insurance Plan of California) and CaliforniaChoice purchase coverage for small businesses with 2–50 workers. CalPERS (California Public Employee Retirement System) purchases health insurance for state and local government employees. PBGH (Pacific Business Group on Health) Negotiating Alliance purchases health insurance coverage for large businesses with 2,000 or more workers.

EXHIBIT 4.18

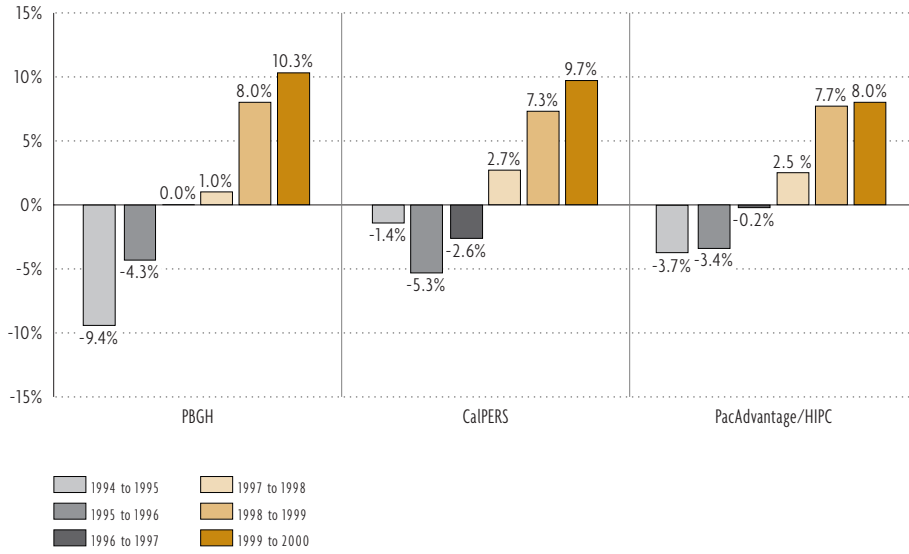
Trends in the Number of Enrollees Covered Under California Employer Purchasing Coalitions, 1996–1999



SOURCE: UC Berkeley Survey of California Purchasing Groups, 1996–1999.

EXHIBIT 4.19

Changes in HMO Premium Rates for Selected California Employer Purchasing Coalitions, 1994–2000



SOURCE: UC Berkeley Survey of California Purchasing Groups, 1996–1999.

section five

Trends in Public Health Insurance Programs

Trends in Public Health Insurance Programs

The three major public health insurance programs operating in the United States are the Medicaid program (known as Medi-Cal in California), the State Children's Health Insurance Program (SCHIP, known as the Healthy Families Program in California), and the Medicare program. Medicaid is a jointly-funded, Federal-State health insurance program for certain low-income people, including children and pregnant women, the aged, blind, and/or disabled, and people who are eligible to receive federally assisted income maintenance payments. Federal and state expenditures for Medicaid continued to grow throughout the late 1980s and 1990s, though the rate of increase has slowed in recent years. SCHIP, also known as Title XXI, is a jointly-funded program providing low cost health coverage to children living in low-income families. Medicare is a federal program providing health insurance to people age 65 and over, certain people with disabilities, and those who have permanent kidney failure. California has a smaller proportion of its total population in Medicare compared to the United States. A higher proportion of California's Medicare enrollees are in managed care compared to the United States as a whole.

The Medicaid Program (Medi-Cal in California)

- Despite efforts to maintain eligibility for Medicaid coverage in the face of changes in the welfare system in the United States and California, the proportion of the non-elderly population covered by Medi-Cal declined from 14.3% in 1994 to 11.1% in 1998. The percentage of the United States population in Medicaid also dropped, but not as dramatically. Nevertheless, throughout this same time period, the proportion of Californians covered through Medicaid has remained higher than the proportion nationwide (SECTION 3, EXHIBITS 3.6 and 3.7).
- Between 1987 and 1993, enrollment in Medicaid managed care grew from 9% to 13% of beneficiaries in California and from 8% to 14% in the United States. In 1994, rates of enrollment in Medicaid managed care began to increase significantly, so that by 1998, 46% of California's Medicaid beneficiaries and 54% in the United States were enrolled in managed care (EXHIBIT 5.1).
- More than five million Californians (5,037,131) were enrolled in Medi-Cal as of July 1, 1999. However, enrollment varied considerably by county: Los Angeles County is home to more than one-third of all Medicaid enrollees in the state, and 40 out of 58 counties each enroll less than 1%. Counties with more than a 3% share of beneficiaries included Alameda, Fresno, Orange, Riverside, Sacramento, San Bernardino, San Diego, and Santa Clara (EXHIBIT 5.2).
- Per capita Medicaid expenditures almost doubled between 1988 and 1997 in both California and the United States, though the growth rate has slowed in recent years. California expenditures per capita have remained lower than the United States average over this nine-year period (EXHIBIT 5.3).

The State Children's Health Insurance Program (SCHIP, Healthy Families in California)

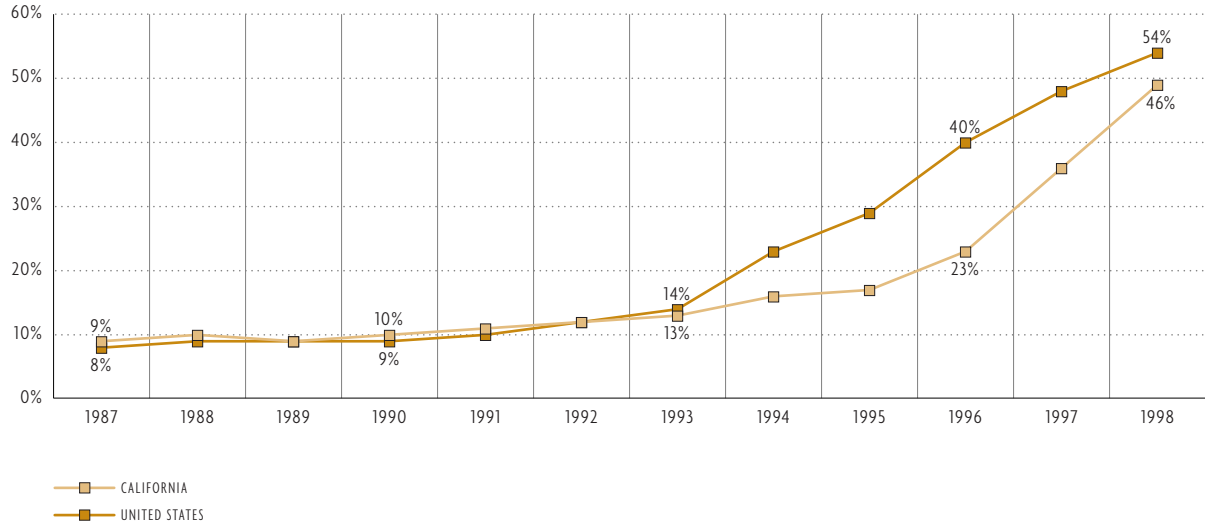
- As of September 1999, California had enrolled a much smaller percentage of its uninsured children into SCHIP than the percentage of uninsured children enrolled in the United States as a whole (EXHIBIT 5.4).
- By the end of January 2000, 221,804 children were enrolled in the Healthy Families program in California. However, enrollment varies considerably by county, with Los Angeles county accounting for 31% of the state's enrollment. Other counties with a 5% or larger share include Orange, Riverside, San Bernardino, and San Diego counties (EXHIBIT 5.5).

The Medicare Programs

- The proportion of California's population with health insurance coverage through Medicare is smaller than the proportion in the United States as a whole (11.9% vs. 14.4%). However, the proportion of Medicare beneficiaries who are enrolled in Medicaid due to their low incomes is significantly larger in California than it is nationwide (17.5% vs. 13.6%) (EXHIBIT 5.6).
- The proportion of Medicare beneficiaries enrolled in managed care in both California and the United States has grown steadily every year for the last ten years. Yet over the last decade, the proportion of the Medicare population enrolled in managed care in California has been more than double the national rate. In 1999, 40% of Medicare beneficiaries in California were enrolled in managed care compared to 17% nationwide (EXHIBIT 5.7).
- The market penetration of Medicare managed care varies considerably by county in California, with Medicare managed care penetration over 50% in Riverside, San Bernadino, and San Diego counties and below 1.5% in Siskiyou, Modoc, Monterey, Del Norte, and Humboldt counties (EXHIBIT 5.8).

EXHIBIT 5.1

Percentage of Medicaid Enrollees in Managed Care Plans, California and the United States, 1987-1998



SOURCE: California data from California Department of Health Services, Medical Care Statistics Section, 1998 Managed Care Annual Statistical Report. United States data from Health Care Financing Administration, "National Summary of Medicaid Managed Care Programs Enrollment," (June 30, 1998).

EXHIBIT 5.2

California's Medi-Cal Enrollment by County, July 1999

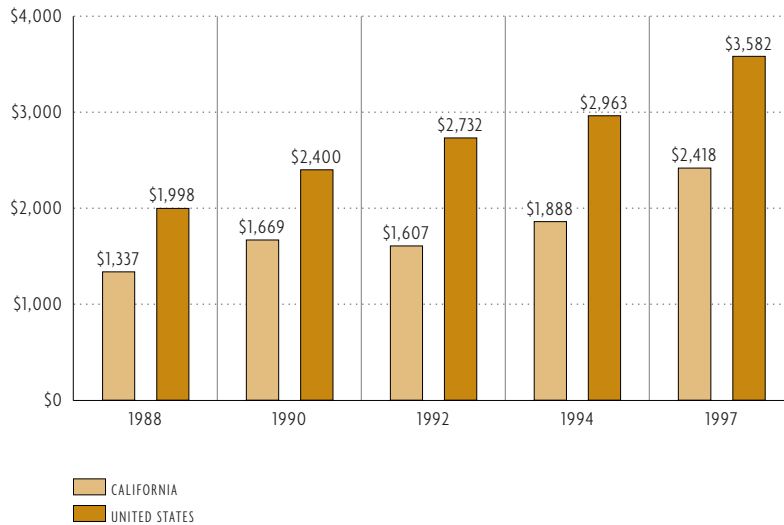
| COUNTY | Enrolled | % of Total | COUNTY | Enrolled | % of Total |
|--------------|-----------|------------|-----------------|----------|------------|
| Alameda | 192,227 | 3.8% | Orange | 241,699 | 4.8% |
| Alpine | 202 | <0.1% | Placer | 16,722 | 0.3% |
| Amador | 2,487 | <0.1% | Plumas | 2,553 | 0.1% |
| Butte | 39,800 | 0.8% | Riverside | 202,864 | 4.0% |
| Calaveras | 4,949 | 0.1% | Sacramento | 232,418 | 4.6% |
| Colusa | 3,013 | 0.1% | San Benito | 5,373 | 0.1% |
| Contra Costa | 87,279 | 1.7% | San Bernardino | 266,808 | 5.3% |
| Del Norte | 6,174 | 0.1% | San Diego | 313,453 | 6.2% |
| El Dorado | 10,392 | 0.2% | San Francisco | 105,342 | 2.1% |
| Fresno | 202,350 | 4.0% | San Joaquin | 110,016 | 2.2% |
| Glenn | 5,059 | 0.1% | San Luis Obispo | 21,528 | 0.4% |
| Humboldt | 22,171 | 0.4% | San Mateo | 42,132 | 0.8% |
| Imperial | 38,261 | 0.8% | Santa Barbara | 44,763 | 0.9% |
| Inyo | 2,524 | 0.1% | Santa Clara | 154,664 | 3.1% |
| Kern | 136,265 | 2.7% | Santa Cruz | 23,045 | 0.5% |
| Kings | 21,915 | 0.4% | Shasta | 32,355 | 0.6% |
| Lake | 12,879 | 0.3% | Sierra | 367 | <0.1% |
| Lassen | 4,458 | 0.1% | Siskiyou | 8,176 | 0.2% |
| Los Angeles | 1,846,470 | 36.7% | Solano | 43,138 | 0.9% |
| Madera | 26,115 | 0.5% | Sonoma | 36,431 | 0.7% |
| Marin | 11,226 | 0.2% | Stanislaus | 83,030 | 1.6% |
| Mariposa | 1,957 | <0.1% | Sutter | 13,806 | 0.3% |
| Mendocino | 16,064 | 0.3% | Tehama | 10,438 | 0.2% |
| Merced | 53,144 | 1.1% | Trinity | 2,271 | <0.1% |
| Modoc | 2,088 | <0.1% | Tulare | 98,630 | 2.0% |
| Mono | 727 | 0.0% | Tuolumne | 6,326 | 0.1% |
| Monterey | 49,802 | 1.0% | Ventura | 64,750 | 1.3% |
| Napa | 8,879 | 0.2% | Yolo | 22,248 | 0.4% |
| Nevada | 6,547 | 0.1% | Yuba | 16,361 | 0.3% |

Total Medi-Cal Enrollment: 5,037,131

SOURCE: California Department of Health Services, www.dhs.ca.gov/MCSS/RequestedData/files.htm

EXHIBIT 5.3

Total Medicaid Expenditures Per Beneficiary, California and the United States, 1988-1997

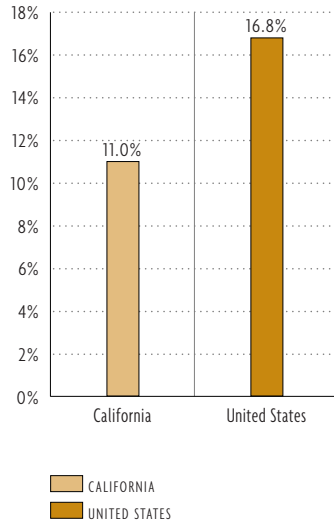


SOURCE: Urban Institute estimates based on data from HCFA-2082 and HCFA-64 reports, prepared for the Kaiser Commission on Medicaid and the Uninsured, 2000.

NOTE: Expenditures do not include disproportionate share hospital payments, administrative costs, accounting adjustments, or the U.S. Territories. "Enrollees" are people who sign up for Medicaid for any length of time in a given fiscal year. Values for FY 1988 are estimates based on expenditures per "recipient" (those who actually use services), as most states did not report "enrollees" on the HCFA-2082 until FY 1990.

EXHIBIT 5.4

Percentage of Previously Uninsured Children Enrolled in the State Children's Health Insurance Program, California and the United States, 1999



SOURCE: Health Care Financing Administration, State Children's Health Insurance Program, www.hcfa.gov/init/children.htm

NOTE: These percentages are approximations based on the number of children enrolled in SCHIP as of September 1999, divided by the number of uninsured children in 1998 (as derived from a UC Berkeley analysis of the 1999 March Current Population Survey).

EXHIBIT 5.5

Healthy Families Program Enrollment by County, January 2000

| COUNTY | Enrolled | % of Total | COUNTY | Enrolled | % of Total |
|--------------|----------|------------|-----------------|----------|------------|
| Alameda | 4,848 | 2.2% | Orange | 19,427 | 8.8% |
| Alpine | 6 | <0.1% | Placer | 948 | 0.4% |
| Amador | 213 | 0.1% | Plumas | 124 | 0.1% |
| Butte | 1,548 | 0.7% | Riverside | 11,300 | 5.1% |
| Calaveras | 214 | 0.1% | Sacramento | 4,950 | 2.2% |
| Colusa | 592 | 0.3% | San Benito | 477 | 0.2% |
| Contra Costa | 2,479 | 1.1% | San Bernardino | 13,009 | 5.9% |
| Del Norte | 151 | 0.1% | San Diego | 16,128 | 7.3% |
| El Dorado | 881 | 0.4% | San Francisco | 6,732 | 3.0% |
| Fresno | 5,585 | 2.5% | San Joaquin | 6,072 | 2.7% |
| Glenn | 581 | 0.3% | San Luis Obispo | 1,873 | 0.8% |
| Humboldt | 781 | 0.4% | San Mateo | 1,788 | 0.8% |
| Imperial | 1,481 | 0.7% | Santa Barbara | 2,868 | 1.3% |
| Inyo | 75 | <0.1% | Santa Clara | 6,179 | 2.8% |
| Kern | 4,971 | 2.2% | Santa Cruz | 1,722 | 0.8% |
| Kings | 1,165 | 0.5% | Shasta | 1,767 | 0.8% |
| Lake | 426 | 0.2% | Sierra | 10 | <0.1% |
| Lassen | 161 | 0.1% | Siskiyou | 367 | 0.2% |
| Los Angeles | 68,654 | 31.0% | Solano | 1,764 | 0.8% |
| Madera | 1,063 | 0.5% | Sonoma | 2,554 | 1.2% |
| Marin | 710 | 0.3% | Stanislaus | 2,967 | 1.3% |
| Mariposa | 224 | 0.1% | Sutter | 1,031 | 0.5% |
| Mendocino | 731 | 0.3% | Tehama | 572 | 0.3% |
| Merced | 2,503 | 1.1% | Trinity | 194 | 0.1% |
| Modoc | 57 | <0.1% | Tulare | 4,026 | 1.8% |
| Mono | 88 | <0.1% | Tuolumne | 437 | 0.2% |
| Monterey | 3,694 | 1.7% | Ventura | 5,806 | 2.6% |
| Napa | 725 | 0.3% | Yolo | 929 | 0.4% |
| Nevada | 715 | 0.3% | Yuba | 461 | 0.2% |

Total Healthy Families Program Enrollment: 221,804

SOURCE: Managed Risk Medical Insurance Board, Healthy Families Program Monthly Enrollment Reports, Healthy Families Program Subscribers Enrolled By County, www.mrmib.ca.gov/MRMIB/HFP/HFPRptl.html

NOTE: Enrollment is as of January 31, 2000.

EXHIBIT 5.6

Profile of Medicare Beneficiaries, California and the United States

| | California | United States |
|---|------------|---------------|
| Total Medicare beneficiaries (as a % of total populations) (1998) ^a | 11.9% | 14.4% |
| Medicare beneficiaries with Medicaid (1995–1997) ^b | 17.5% | 13.6% |
| Aged SSI recipients (as a % of total population 65+ years) (1998) ^c | 9.6% | 4.2% |
| Elderly with incomes less than 100% of poverty (1995) ^d | 10.0% | 15.7% |

SOURCE: ^a Kaiser Family Foundation, Medicare State Profiles, State and Regional Data on Medicare and the Population it Serves, September 1999. www.kff.org/content/1999/1474/statefacts.pdf

^b AARP Public Policy Institute, Reforming the Health Care System, State Profiles 1999, 1999.

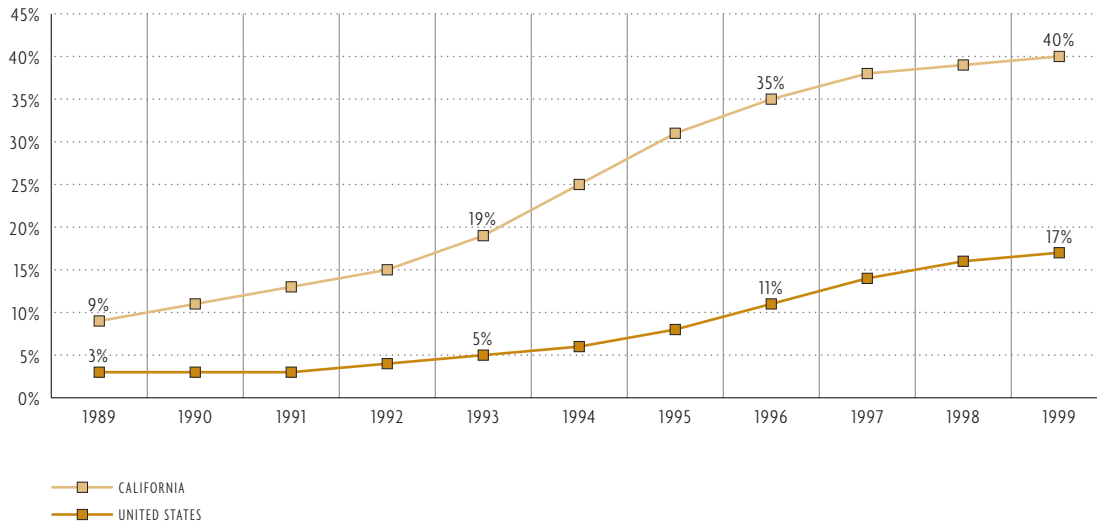
^c US Social Security Administration, Social Security Bulletin, December 1998.

^d P. Long and D. Liska, State Facts: Health Needs and Medicare Financing, The Kaiser Commission on Medicaid and the Uninsured, Washington DC, 1998.

NOTE: Aged SSI (Supplemental Security Income) is the national program that provides benefits to the low-income aged, blind, and disabled.

EXHIBIT 5.7

Percentage of Medicare Beneficiaries Enrolled in Managed Care, California and the United States, 1989-1999



SOURCE: Health Care Financing Administration, Medicare Managed Care Contract (MMCC) Plans, Monthly Summary Report, www.hcfa.gov/stats/mmcc.htm

EXHIBIT 5.8

Highest and Lowest Medicare+Choice Market Penetration Rates, by California County, September 1999

| Highest Penetration Rates | | Lowest Penetration Rates | |
|---------------------------|-------|--------------------------|-------|
| Riverside | 55.0% | Siskiyou | 1.48% |
| San Bernardino | 54.2% | Modoc | 1.42% |
| San Diego | 50.3% | Monterey | 1.24% |
| Placer | 49.6% | Del Norte | 1.13% |
| Contra Costa | 49.5% | Humboldt | 0.91% |

SOURCE: Health Care Financing Administration, Medicare Managed Care Market Penetration for All Medicare Plan Contractors – Quarterly State/County Data Files, www.hcfa.gov/medicare/mpsct1.htm

NOTE: Medicare+Choice is a Medicare option that allows beneficiaries to enroll in a Medicare managed care plan.

section six

Trends in Health Care Spending

Trends in Health Care Spending

Personal health care expenditures continue to grow as a percentage of both the United States Gross Domestic Product (12.3%) and California's Gross State Product (11.2%). While the growth in health expenditures slowed during the early to mid-90s, it began to increase again at the end of the decade. California's health care dollars are spent differently from national care health expenditures, with more going to physicians and less going to hospitals.

Trends in Personal Health Care Expenditures

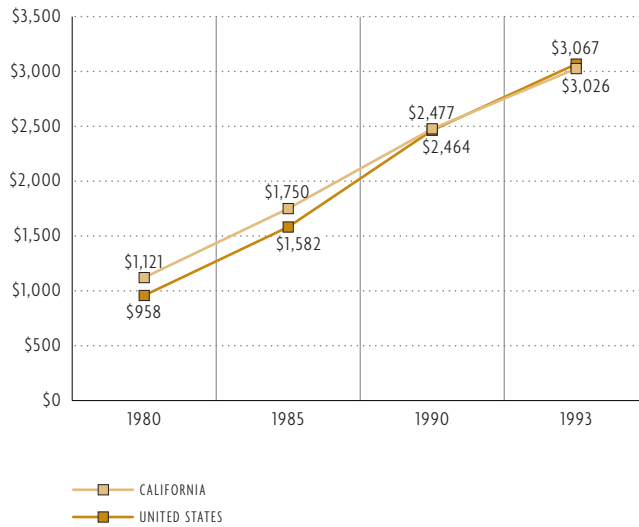
- Personal health care expenditures per capita grew annually in both California and the United States between 1980 and 1993. While per capita expenditures were higher on average in California than the United States in the 1980s, they converged beginning in 1990. In 1993, personal health care expenditures in California averaged \$3,026 per capita, compared to \$3,067 per capita for all Americans (EXHIBIT 6.1). More recent data for employer-provided insurance shows that premiums for single adults in California are 10% lower than in the United States as a whole (See SECTION 4, EXHIBIT 4.10).
- The annual rates of change in personal health care expenditures per capita in both California and the nation have more or less paralleled the pattern of annual change in the consumer price index (CPI), dropping sharply between 1981 and 1983 and again between 1990 and 1993. The rate of change in personal health care expenditures per capita has remained greater in the United States than California for much of this 12-year period (EXHIBIT 6.2).
- Between 1980 and 1993, personal health care expenditures consumed an increasing share of both California's Gross State Product (GSP) and the United States' Gross Domestic Product (GDP). While the proportion of California's GSP and the GDP going to health care expenditures were nearly equal between 1980 and 1984, beginning in 1985 the proportion of the GDP spent on health care grew at a faster rate than the proportion of California's GSP. By 1993, 12.3% of the GDP and 11.2% of California's GSP were spent on personal health care services (EXHIBIT 6.3).

Distribution of Expenditures by Type of Health Care Service

- Health care dollars are spent quite differently in California than across the United States. Most notably, California spends a smaller share on hospital care (37%) compared to the United States (41%), a difference of four percentage points. However, California spends a greater share on physician services (31%) than the United States average (24%) and an equivalent share on drugs and other medical goods and services. In contrast, California spends a smaller share on nursing home care (4%) compared to the nation as a whole (8%) (EXHIBIT 6.4).

EXHIBIT 6.1

Trends in Personal Health Care Expenditures Per Capita, California and the United States, 1980–1993

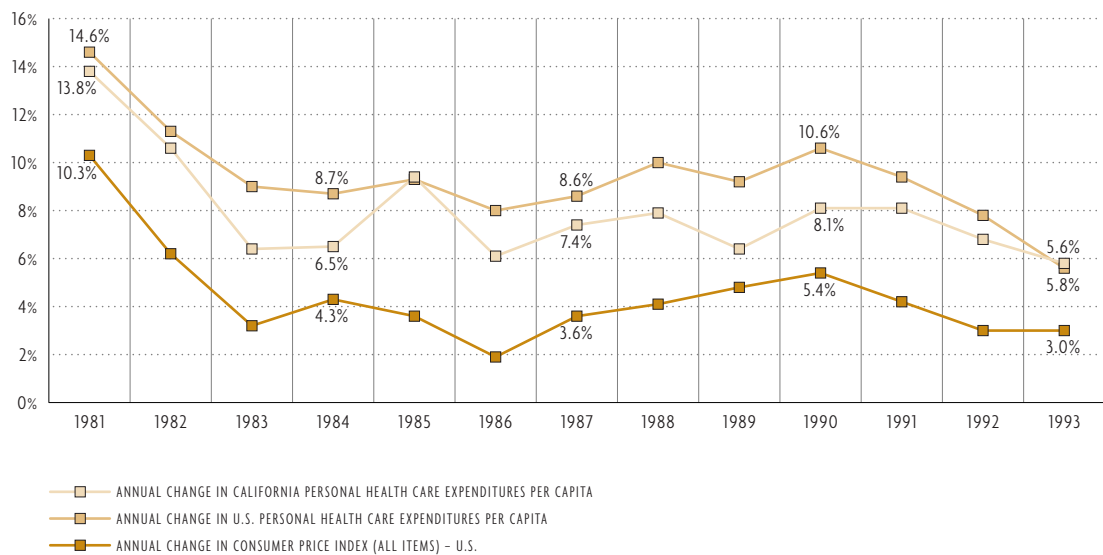


SOURCE: Health Care Financing Administration, Office of the Actuary, Office of National Health Statistics.

NOTE: Personal health care expenditures per capita were calculated using population data from the U.S. Bureau of the Census.

EXHIBIT 6.2

Changes in Personal Health Care Expenditures Per Capita and the CPI, California and the United States, 1981–1993

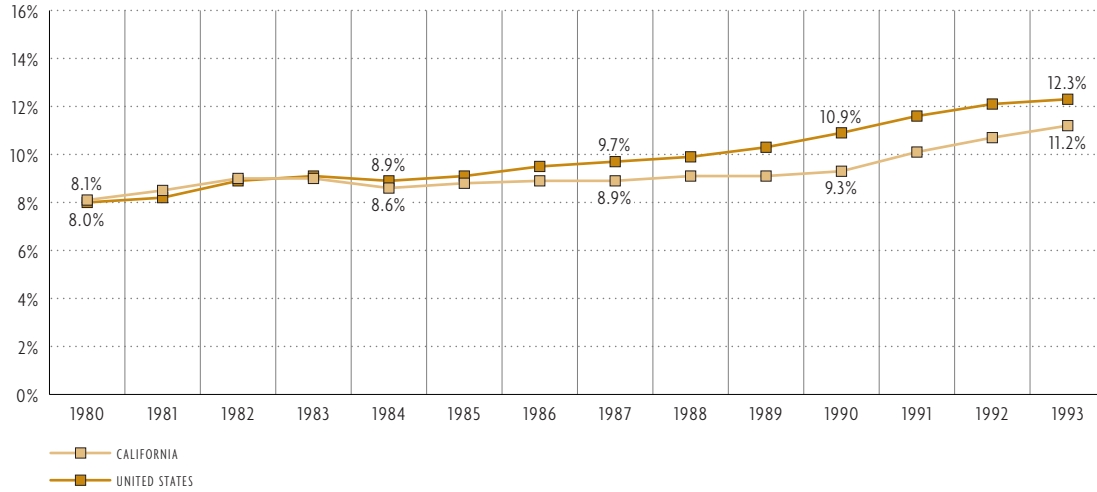


SOURCE: Health Care Financing Administration, Office of the Actuary, Office of National Health Statistics.

NOTE: Personal health care expenditures per capita were calculated using population data from the U.S. Bureau of the Census.

EXHIBIT 6.3

Trends in Personal Health Care Expenditures as % of GSP/GDP, California and the United States, 1980–1993

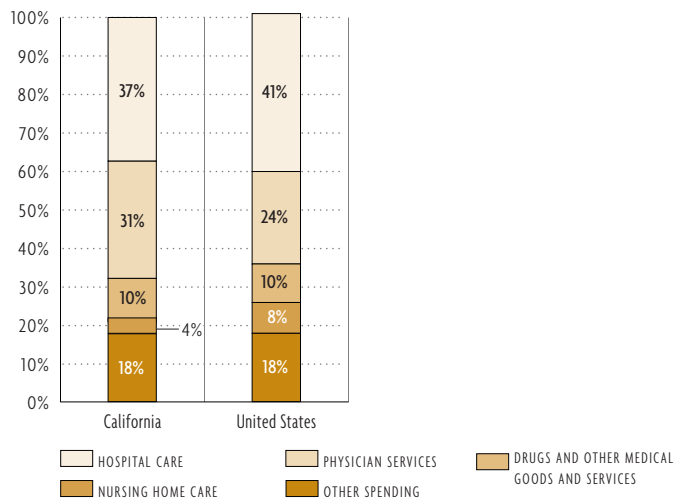


SOURCE: Health Care Financing Administration, Office of the Actuary, Office of National Health Statistics.

NOTE: Personal health care expenditures as a percent of the Gross State Product (GSP) and the Gross Domestic Product (GDP) were calculated using data from the U.S. Department of Commerce, Bureau of Economic Analysis.

EXHIBIT 6.4

Distribution of Total State and National Health Expenditures, by Type of Service, California and the United States, 1993



SOURCE: Health Care Financing Administration, Office of the Actuary, Office of National Health Statistics.

NOTE: Other spending includes dental services, other professional services, home health care, vision products and other medical durables, and other personal health care.

section seven

The Changing Health Care Marketplace

The Changing Health Care Marketplace

California has one of the highest rates of health maintenance organization (HMO) penetration in the country. This factor alone makes California's health care system look quite different from that of the rest of the United States. Major trends in both the state and national markets include increasing consolidation among private health plans, resulting in market share concentrated in fewer and fewer plans, a shrinking supply of hospital beds as hospital admissions and lengths of stay continue to fall, and a slower rate of growth in the supply of physicians.

Trends in Managed Care

- The overall penetration of HMOs is much higher in California than in the United States as a whole, with 52% of California's population enrolled in HMOs in 1999 compared to 30% nationwide (EXHIBIT 7.1). However, penetration of HMOs varies considerably by county in California, ranging from 2% to 75% (EXHIBIT 7.2).
- In 1999, California's HMO market penetration was second only to Massachusetts' (52.1% and 52.9%, respectively), but in terms of sheer numbers of HMOs and persons covered through HMOs, no other state comes close to California. In 1999, there were more than 17 million Californians enrolled in 36 HMOs (EXHIBIT 7.3).
- Most people get their health insurance coverage through their employer. Yet, there are significant differences in the types of health plans that cover employees in California firms compared to employees throughout the United States. Covered California workers are much more likely to have HMO coverage (53% vs. 28%), less likely to have PPO (22% vs. 38%) or POS (21% vs. 25%) coverage, and less than half as likely (4% vs. 9%) to have conventional health insurance coverage as workers nationwide (See SECTION 4, EXHIBIT 4.9).
- Enrollment in HMOs in California is highly concentrated in five plans – Kaiser Foundation Health Plan, PacifiCare, Health Net, CaliforniaCare (Blue Cross), and Blue Shield. HMO enrollment in these five plans alone accounted for 78% of the total HMO market in California in 1999 (EXHIBIT 7.4). Enrollment in the five largest national managed care firms (two of which are headquartered in California) makes up 68% of the total national market (EXHIBIT 7.5).
- The proportion of California's HMO enrollment in non-profit HMOs remained relatively constant at about 43% between 1995 and 1998, whereas the proportion of total HMO enrollment in non-profit HMOs fell steadily in the United States, from 42% to 37% over this same time period (EXHIBIT 7.6).

Hospitals

- Hospital beds per 100,000 population have been steadily declining since 1985 in both California and the United States, but have been lower in California over this time period. In 1998, there were only 277 hospital beds per 100,000 population in California, compared to 378 hospital beds per 100,000 population in the United States. California's lower number of beds per population is likely a reflection of the high level of managed care penetration in the state, which has lowered rates of hospitalization (EXHIBIT 7.7).

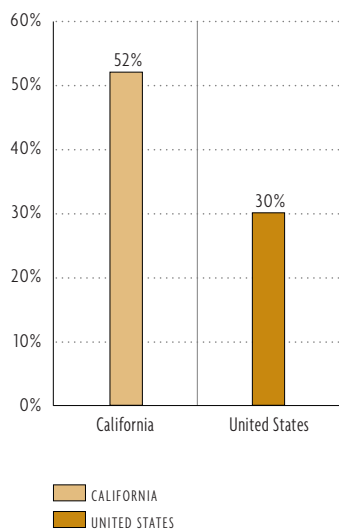
- Between 1989 and 1998, the distribution of hospitals by tax and ownership status changed very little. Approximately half of the hospitals in both California and the United States have remained non-profit. In 1998 California had a higher percentage of for-profit hospitals (28% vs. 19%), while the United States had a higher proportion of government-owned hospitals (29% vs. 23%) (EXHIBIT 7.8).
- Mean physician net income in the United States rose steadily every year between 1994 and 1997, reaching \$199,600 in 1997. However, in California, mean physician net income rose between 1994 and 1995, but fell each year from 1995 to 1997, reaching \$172,400 in 1997 (EXHIBIT 7.10).
- In 1997, mean physician net income was lower in California compared to the United States for both primary care physicians and specialty care physicians (EXHIBIT 7.11).

Physicians

- The number of non-federal physicians per 100,000 civilians grew rapidly in both California and the United States between 1975 and 1990. Over this same period, the ratio of physicians to residents was higher in California than in the United States. However, since 1990, the growth in physician to resident ratios has been relatively flat in California but continued to increase for the United States, to the point where the rates were effectively equal in 1997 (278 per 100,000 civilians in California, compared to 276 per 100,000 in the United States) (EXHIBIT 7.9).

EXHIBIT 7.1

Percentage of the Population in HMOs, California and the United States, January 1999



SOURCE: The InterStudy Competitive Edge 9.2, Part II: HMO Industry Report 9.2, January 1, 1999 (Bloomington, Minnesota, 1999), pp 32 and 33.

EXHIBIT 7.2

Percentage of the Population in HMOs, by California Counties, 1999

California Counties with the Highest Share of the Population in HMOs, 1999

| COUNTY | Percentage of County Population Enrolled in HMOs |
|--------------|--|
| Solano | 74.6% |
| Sacramento | 73.3% |
| Contra Costa | 70.1% |
| Alameda | 67.0% |
| Placer | 66.4% |

California Counties with the Lowest Share of the Population in HMOs, 1999

| COUNTY | Percentage of County Population Enrolled in HMOs |
|-----------|--|
| Mono | 2.3% |
| Del Norte | 2.8% |
| Siskiyou | 4.2% |
| Inyo | 4.7% |
| Plumas | 7.8% |

SOURCE: Cattaneo and Stroud, Inc., California Statewide Prepaid Enrollment Study by County Total for the Months of March 1998 and March 1999, www.cattaneostroud.com/99HMO_Study

EXHIBIT 7.3

States with the Highest/Lowest Share of Population in HMOs,
January 1999

States with Highest Share of the Population in HMOs, January 1999

| | State Penetration | Enrollment as of 1/99 | Number of HMOs |
|---------------|----------------------|--------------------------|-------------------|
| Massachusetts | 52.9% | 3,251,575 | 11 |
| California | 52.1% | 17,024,945 | 36 |
| Maryland | 46.0% | 2,362,432 | 9 |
| Delaware | 45.7% | 339,769 | 6 |
| Oregon | 43.3% | 1,421,693 | 6 |

States with Lowest Share of the Population in HMOs, January 1999

| | State Penetration | Enrollment as of 1/99 | Number of HMOs |
|--------------|----------------------|--------------------------|-------------------|
| Alaska | 0.0% | 0 | 0 |
| Wyoming | 1.2% | 5,760 | 1 |
| North Dakota | 2.5% | 16,145 | 2 |
| Mississippi | 3.2% | 89,299 | 7 |
| Vermont | 4.0% | 23,416 | 1 |

SOURCE: The InterStudy Competitive Edge, 9.2, Part II: HMO Industry Report 9.2, January 1, 1999, p 32.

EXHIBIT 7.4

Enrollment in the Five Largest HMOs in California, 1999

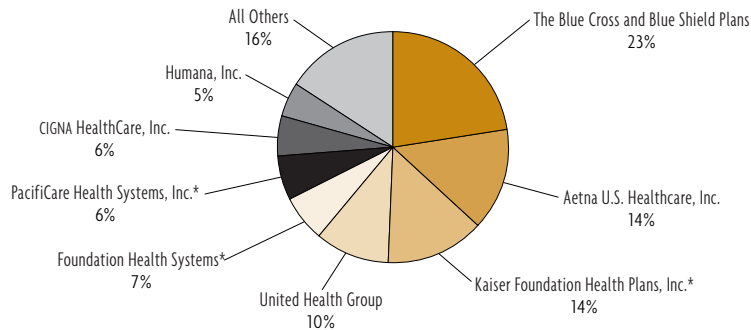
| | Total Enrollment January 1999 | % of California Total HMO Enrollment | % of United States Total HMO Enrollment |
|--|----------------------------------|---|--|
| Kaiser Foundation Health Plan, Inc., Northern and Southern California Regions | 5,856,734 | 34.4% | 7.2% |
| PacifiCare of California | 2,575,197 | 15.1% | 3.2% |
| Health Net (CA) | 2,176,036 | 12.8% | 2.7% |
| CaliforniaCare | 1,765,185 | 10.4% | 2.2% |
| Blue Shield of California Access+ HMO | 862,214 | 5.1% | 1.1% |
| Total for 5 Largest HMOs | 13,235,366 | 77.7% | 16.3% |

SOURCE: The Interstudy Competitive Edge, 9.2: Part II: HMO Industry Report (Bloomington, Minnesota, 1999), pp 16, 25, 32.

NOTE: Total California HMO enrollment is 17,024,945. Total United States HMO enrollment is 81,333,008.

EXHIBIT 7.5

Total HMO Enrollment in National Managed Care Firms, January 1999



SOURCE: The InterStudy Competitive Edge, 9.2, Part II: HMO Industry Report 9.2, January 1, 1999 (Bloomington, Minnesota, 1999), p 2.

NOTE: Total HMO enrollment in national managed care firms is composed of group/commercial, Medicare, Medicaid, open-ended (POS), and other HMO enrollment. N=61,519,426. Aetna U.S. Healthcare includes Prudential Insurance Co. of America.

*Asterisk signifies plans that are headquartered in California.

EXHIBIT 7.6

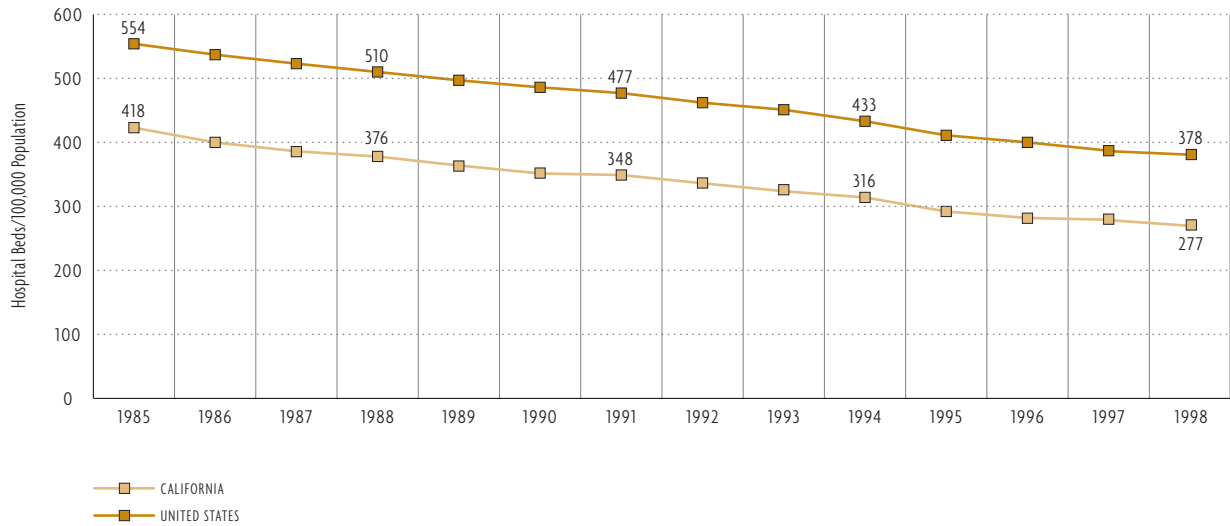
Percentage of HMO Enrollees in Non-Profit HMOs, California and the United States, 1995-1998



SOURCE: California figures from UC Berkeley Survey of California Health Plans, 1996-1999. United States figures from The InterStudy Competitive Edge, Part II: HMO Industry Report (Bloomington, Minnesota, 1995-1998).

EXHIBIT 7.7

Hospital Beds Per 100,000 Population, California and the United States, 1985-1998

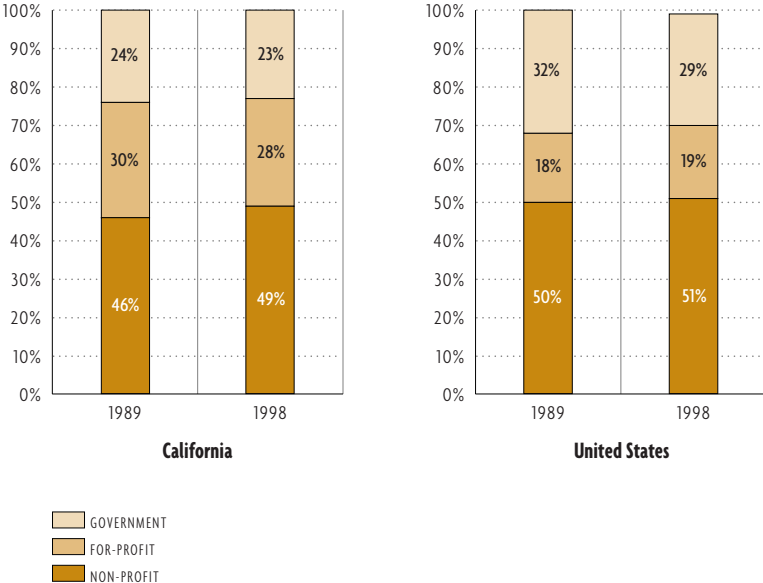


SOURCE: Health Research and Educational Trust, unpublished data, May 2000.

NOTE: Hospital beds per 100,000 population was calculated using population data from the U.S. Census Bureau.

EXHIBIT 7.8

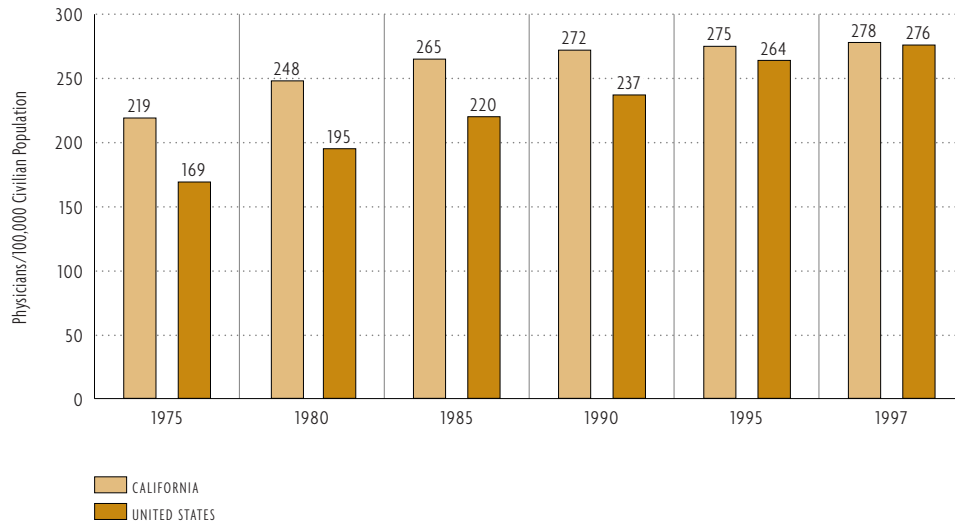
Distribution of Hospitals by Tax Status and Ownership, California and the United States, 1989 and 1998



SOURCE: Health Research and Educational Trust, unpublished data, May 2000.

EXHIBIT 7.9

Non-Federal Physicians Per 100,000 Civilian Population, California and the United States, 1975–1997

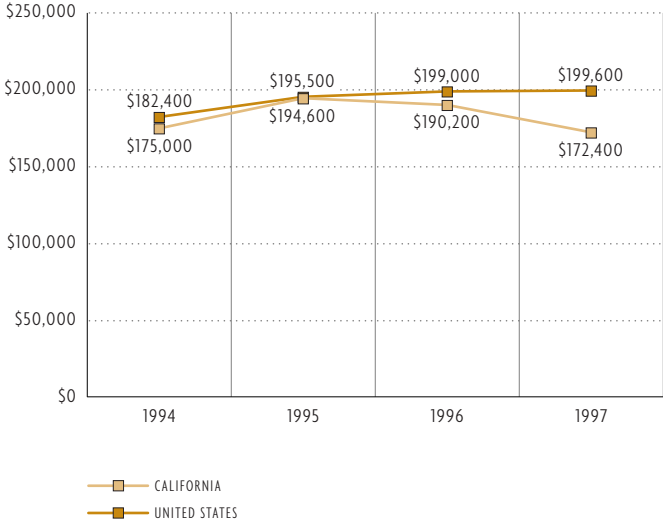


SOURCE: Physician Characteristics and Distribution in the United States, American Medical Association, copyright 1999.

NOTE: Non-federal physicians per 100,000 population was calculated using population data from the U.S. Census Bureau.

EXHIBIT 7.10

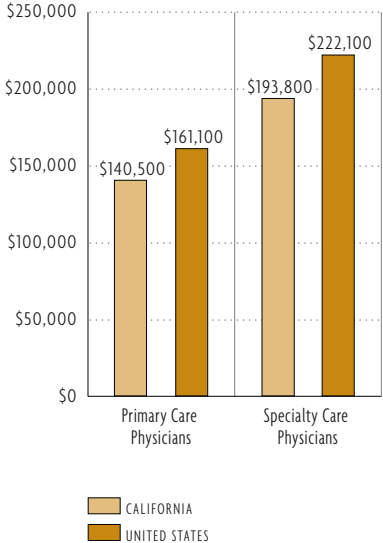
Mean Physician Net Income, California and the United States, 1994-1997



SOURCE: Net income data for the years 1994-1997 was derived from the 1995-1998 American Medical Association's Socioeconomic Monitoring System (SMS) surveys.

EXHIBIT 7.11

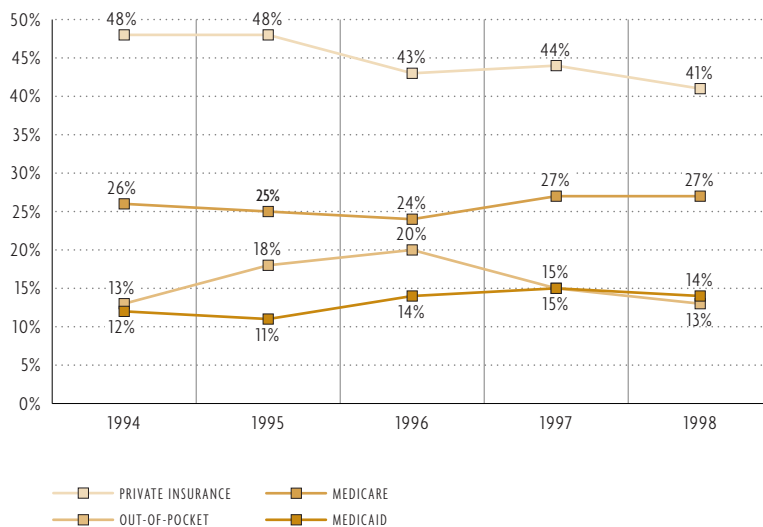
Mean Physician Net Income for Primary Care and Specialist Physicians, California and the United States, 1997



SOURCE: Net income data for 1997 was derived from the 1998 American Medical Association's Socioeconomic Monitoring System (SMS) survey.

EXHIBIT 7.12

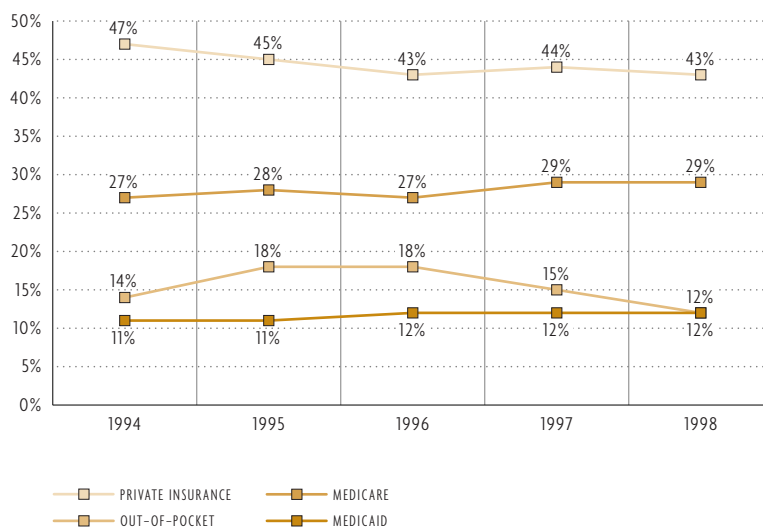
Sources of Physician Practice Revenue, California, 1994–1998



SOURCE: Data on practice revenue from third-party payers for the years 1994–1998 was derived from the 1994–1998 American Medical Association’s Socioeconomic Monitoring System (SMS) surveys.
 NOTE: Totals may not add to 100% due to non-response by physicians.

EXHIBIT 7.13

Sources of Physician Practice Revenue, United States, 1994–1998



SOURCE: Data on practice revenue from third-party payers for the years 1994–1998 were derived from the 1994–1998 American Medical Association’s Socioeconomic Monitoring System (SMS) surveys.
 NOTE: Totals may not add to 100% due to non-response by physicians.



The Henry J. Kaiser Family Foundation

2400 Sand Hill Road
Menlo Park, CA 94025
650-854-9400
Facsimile 650-854-4800

Washington Office

1450 G Street NW, Suite 250
Washington, DC 20005
202-347-5270
Facsimile 202-347-5274

www.kff.org

Additional copies of this publication (document #3016) are available on the Kaiser Family Foundation web site at www.kff.org
or by calling the Kaiser Family Foundation's Publication Request Line at 1-800-656-4533.