

# SECTION 7

## The Changing Health Care Marketplace

This section provides an overview of the health care markets in California and the United States, including data on HMO enrollment, trends and information about hospitals and nursing homes, as well as data about health care professionals. Also included is information on prescription drug use, sales, and prices.

## Exhibit 7.1

### HMO Enrollment

The overall penetration of HMOs was much higher in California than in the United States as a whole in 2002, with 51% of California's population enrolled in HMOs compared to 26% nationwide. (Exhibit 7.1a)

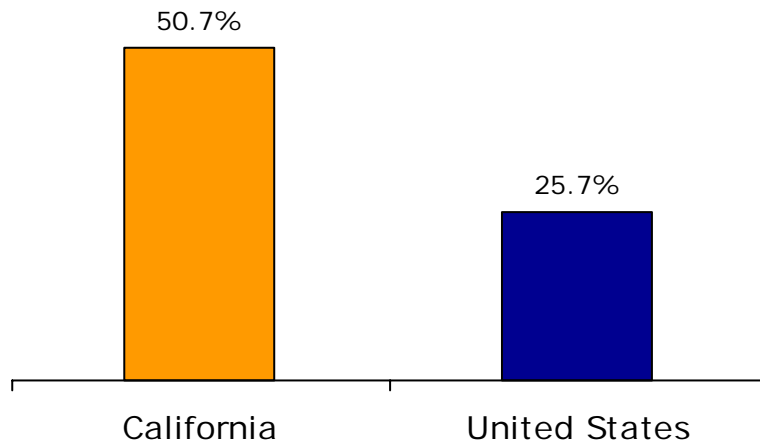
HMO penetration rates in California counties in March 2003 ranged from highs of 70% (Solano County) and 69% (Sacramento County) to lows of 1% (Alpine County) and 2% (Del Norte and Siskiyou Counties). Eighteen California counties had HMO penetration rates of 50% or higher. (Exhibit 7.1b)

Of all the states, California's HMO market penetration was the largest both in terms of percentage (50.7%) and in terms of the number of enrollees in HMOs, with nearly 17.5 million Californians enrolled in 30 HMOs. The five states with the lowest HMO penetration reported that 3% or less of their population were HMO enrollees, with Alaska reporting no HMO enrollment. (Exhibit 7.1c)

Enrollment in HMOs in California was highly concentrated in five plans: Kaiser Foundation Health Plan (Northern and Southern California), Blue Cross of California, Health Net of California, and PacificCare of California, accounting for 76% of the total HMO market in California in 2002 with over 13 million enrollees. These five plans were also the 5 largest HMOs (by enrollment) in the country, with almost 18% of the total enrollment in HMOs across the United States. (Exhibit 7.1d)

## Exhibit 7.1a

### Percent of the Population in HMOs in California and the United States, July 2002

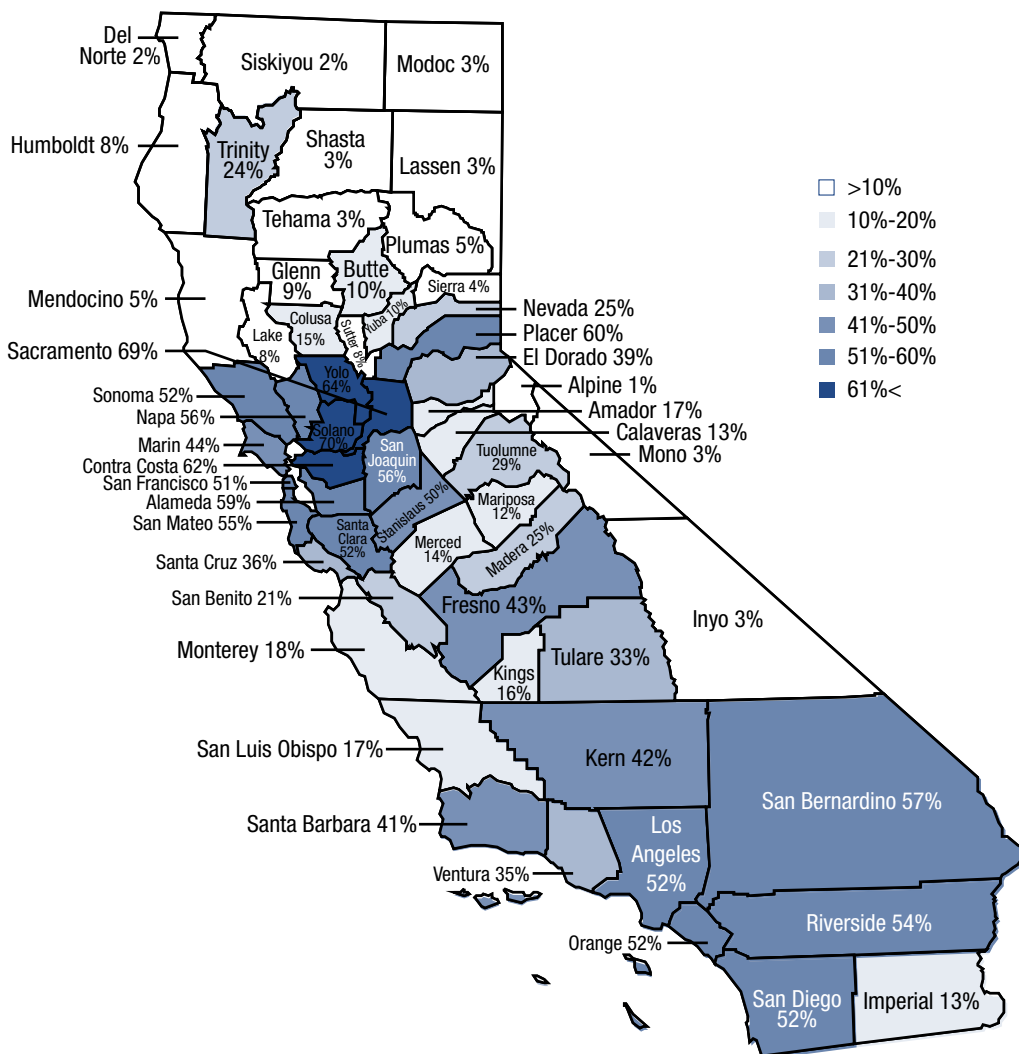


Notes: State penetration was calculated by InterStudy using state population from the U.S. Census Bureau as of July 1, 2001.

Source: Interstudy Publications, *The InterStudy Competitive Edge: Part II: HMO Industry Report 13.1*, St. Paul, Minnesota, April 2003, pp. 28 and 29.

## Exhibit 7.1b

# HMO Penetration Rates for California Counties, March 2003



Notes: HMO enrollment as of March 2003. HMO enrollment includes commercial (data provided by HMO plans); Medi-Cal (data obtained from the California Department of Health Services' Monthly Report for March 2003; those eligible for both Medi-Cal and Medicare are counted as Medi-Cal eligibles only); Medicare (data obtained from Center for Medicare and Medicaid Services Quarterly Report, March 2003, except that PACE enrollment was obtained directly from the 4 PACE contractors); and Healthy Families (data obtained from Major Risk Medical Insurance Board's Monthly Report for March 2003).

Source: Cattaneo & Stroud, Inc., Special Data Request based on the 2003 Cattaneo & Stroud HMO Survey, 2003.

### Exhibit 7.1c

## States with Highest and Lowest Shares of the Population in HMOs, July 2002

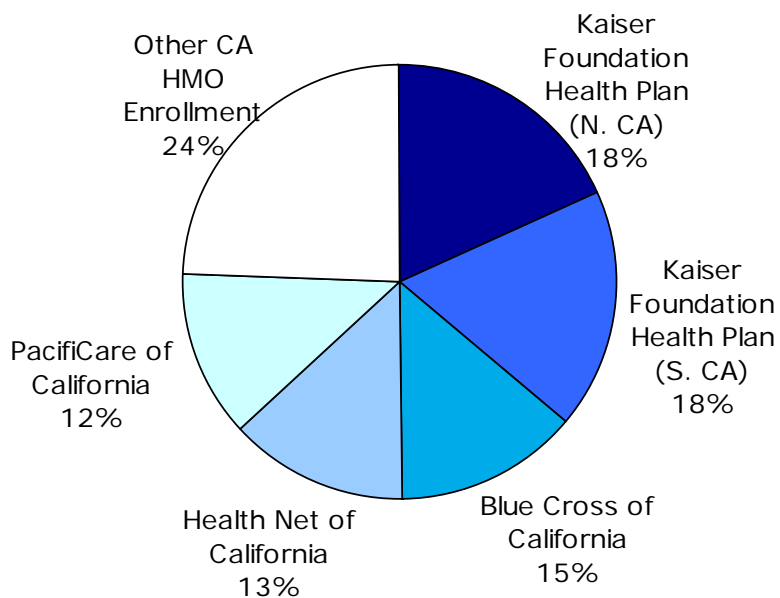
	State Penetration	Enrollment as of 7/01/02 (in millions)	Number of HMOs
California	50.7%	17.5	30
Massachusetts	41.7%	2.7	9
Connecticut	37.7%	1.3	7
New York	32.6%	6.2	27
Pennsylvania	37.7%	4.0	16
Rhode Island	32.4%	3.4	3
Alaska	0.0%	0	0
North Dakota	0.4%	2.7	1
Mississippi	1.4%	40.3	2
Wyoming	2.0%	10.4	1
Idaho	2.9%	39.6	3

Notes: State penetration was calculated by InterStudy using state population from the U.S. Census Bureau as of July 1, 2001. Maryland includes partial enrollment reported for six plans serving the District of Columbia.

Source: InterStudy Publications, *The InterStudy Competitive Edge: Part II: HMO Industry Report 13.1*, St. Paul, Minnesota, April 2003, p. 28.

## Exhibit 7.1d

### Enrollment in the Five Largest HMOs in California, July 2002



Total California HMO Enrollment = 17.5 million

Source: InterStudy Publications, *The InterStudy Competitive Edge: Part II: HMO Industry Report 13.1*, St. Paul, Minnesota, April 2003, pp. 20 and 28.

## Exhibit 7.2

### Hospitals

Community hospital beds per 100,000 population have been steadily declining in both California and the United States. In 2001, there were 212 community hospital beds per 100,000 population in California compared to an average 289 beds in the United States. California has one of the lowest number of beds per 100,000 in the country, ranking 43rd. 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 7.2a)

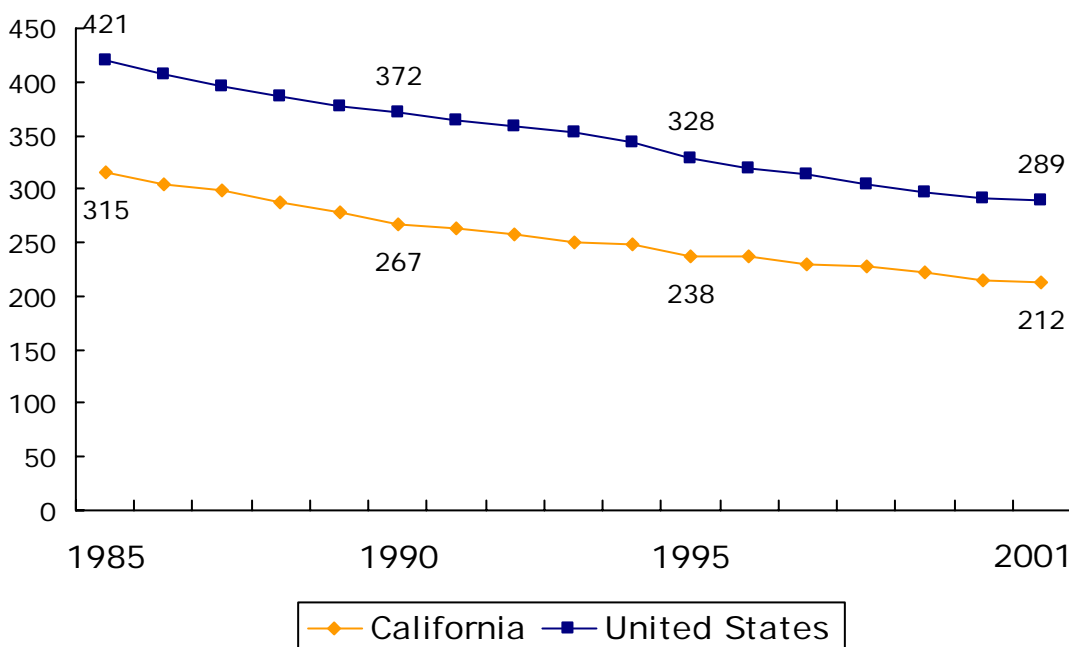
Between 1989 and 2001, the proportion of non-profit hospitals grew and the proportions of for-profit and state/local government owned hospitals declined in both California and the United States. In 2001, more than half of the hospitals in both California and the United States were non-profit. Compared to the U.S. overall, California had a greater proportion of for-profit hospitals (23% vs. 15%), and a lower proportion of non-profit (57% vs. 61%) and government-owned hospitals (20% vs. 24%). (Exhibit 7.2b)

In 2001, California had fewer hospital admissions (ranking 40<sup>th</sup> in the nation) and emergency room visits (46<sup>th</sup> in the nation) per 1,000 population compared to the United States as a whole. (Exhibit 7.2c)

Hospital expenses per inpatient day have risen in both California and the United States since 1999, although California's expenses are about one-third higher than in the nation as a whole. California ranks 5th in the nation in expenses per inpatient day. (Exhibit 7.2d)

## Exhibit 7.2a

### Community Hospital Beds Per 100,000 Population, California and the United States, 1985-2001



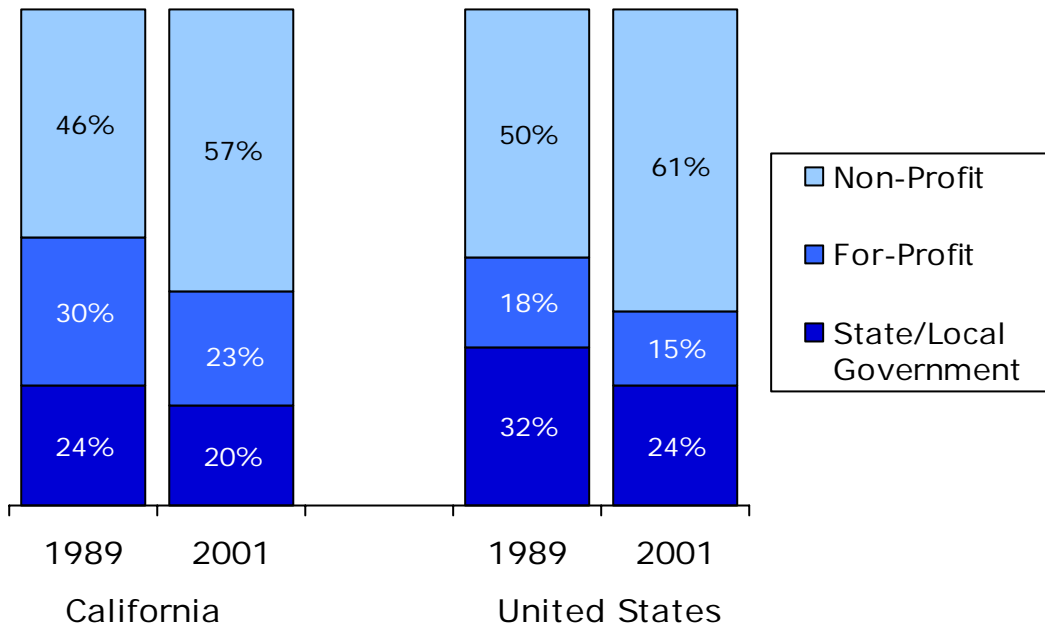
Notes: Data are for community hospitals, which represent about 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the mentally retarded, and alcoholism and other chemical dependency hospitals are not included.

Source: Kaiser Family Foundation estimate using bed data from a personal communication from Health Research and Educational Trust and census data from the U.S Bureau of the Census at <http://eire.census.gov/popest/archives/1990.php#state> .



## Exhibit 7.2b

### Distribution of Community Hospitals by Ownership Type, California and the United States, 1989 and 2001

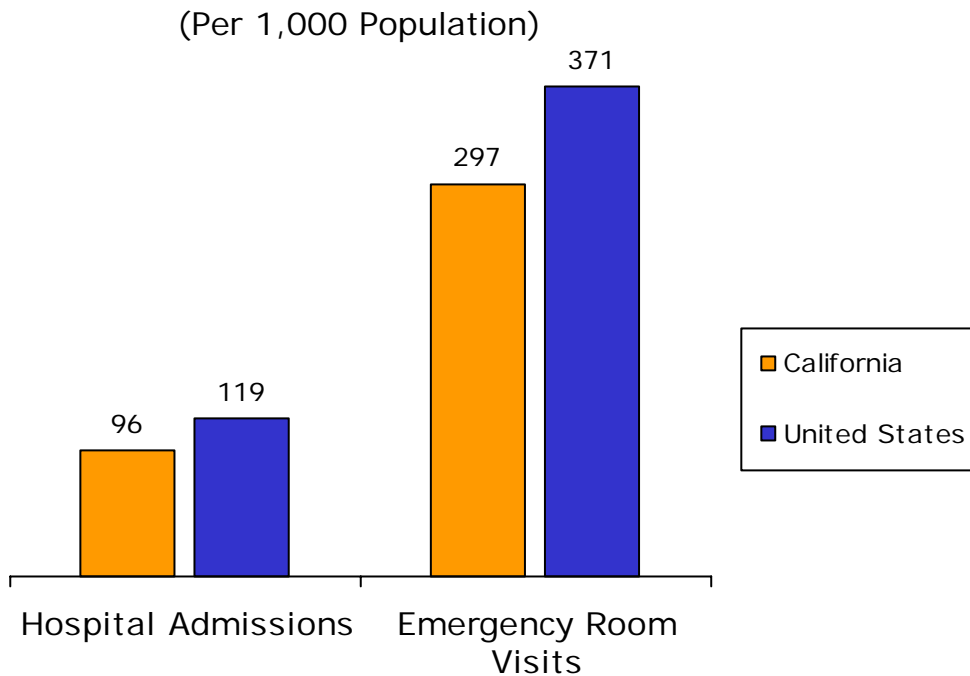


Notes: Data are for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the mentally retarded, and alcoholism and other chemical dependency hospitals are not included.

Source: Health Research and Educational Trust, unpublished data, May 2000 (1989 data); Kaiser Family Foundation's State Health Facts Online, [www.statehealthfacts.org/r/hostpitalownership.html](http://www.statehealthfacts.org/r/hostpitalownership.html), using data from the American Hospital Association's 2001 Annual Survey of Hospitals (2001 data).

## Exhibit 7.2c

### Community Hospital Admissions and Emergency Room Visits Per 1,000 Population, California and the United States, 2001

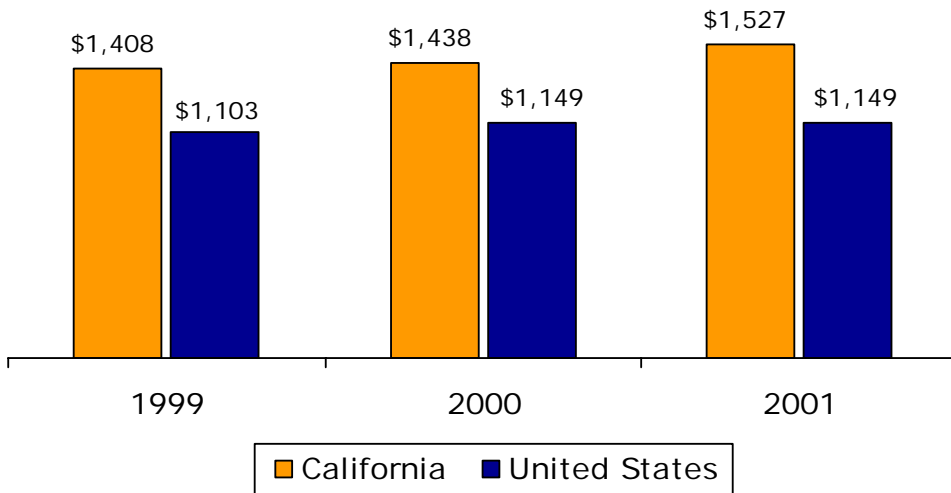


Notes: Data are for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the mentally retarded, and alcoholism and other chemical dependency hospitals are not included.

Source: Kaiser Family Foundation's State Health Facts Online, [www.statehealthfacts.org/r/hostpitaladmissions.html](http://www.statehealthfacts.org/r/hostpitaladmissions.html) and [www.statehealthfacts.org/r/ervists.html](http://www.statehealthfacts.org/r/ervists.html), using data from the American Hospital Association's 2001 Annual Survey of Hospitals.

## Exhibit 7.2d

### Community Hospital Adjusted Expenses Per Inpatient Day, California and the United States, 1999-2001



Notes: Data are for community hospitals, which represent 85% of all hospitals. Federal hospitals, long-term care hospitals, psychiatric hospitals, institutions for the mentally retarded, and alcoholism and other chemical dependency hospitals are not included. Adjusted expenses per inpatient day include expenses incurred for inpatient care only; inpatient days are adjusted to reflect an estimate of the volume of outpatient services.

Source: Kaiser Family Foundation's State Health Facts Online, [www.statehealthfacts.org/r/inpatientdayexpenses.html](http://www.statehealthfacts.org/r/inpatientdayexpenses.html), using data from the American Hospital Association's 2001 Annual Survey of Hospitals.

## **Exhibit 7.3**

### **Nursing Homes**

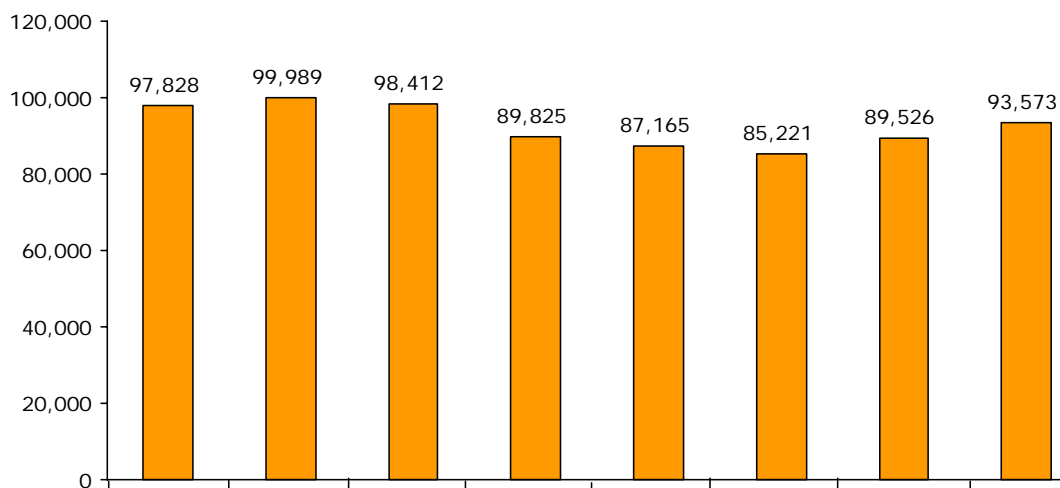
The numbers of certified nursing facilities, beds, and residents in California, after declining through the mid to late 1990's, began increasing in the early 2000's. California's occupancy rate generally declined throughout this period, reaching its lowest level (82.7%) in 2002, a level equal to that of the United States overall. (Exhibit 7.3a)

California had a greater proportion of for-profit nursing facilities (77% vs. 66%) and a lower proportion of non-profit facilities (19% vs. 28%) than the United States as a whole in 2002. The sources of payment for nursing home care were about the same in California and the United States: most payments came from Medicaid (66% and 67%, respectively), followed by private payments (24% and 23%) and Medicare (10% and 11%). (Exhibit 7.3b)

## Exhibit 7.3a

# Number of Residents, Facilities, Beds, and Occupancy Rates in Certified Nursing Facilities, California, 1995-2002

Number of Residents



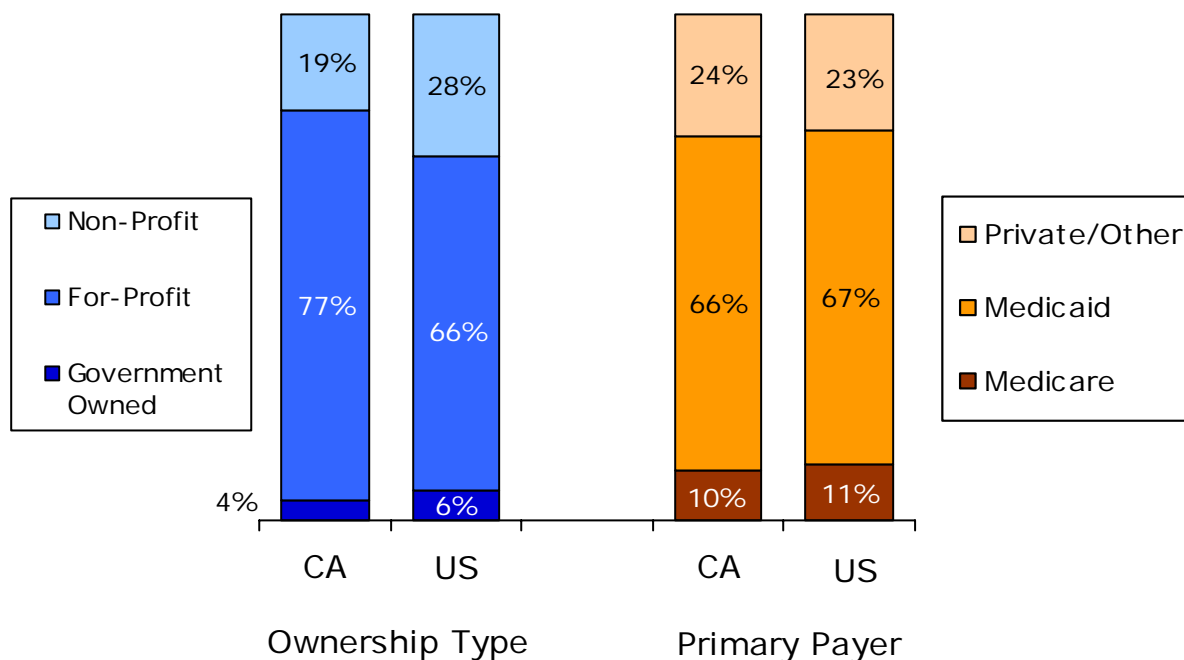
	1995	1996	1997	1998	1999	2000	2001	2002
# Nursing Facilities	1,252	1,311	1,298	1,194	1,139	1,084	1,147	1,190
# Beds	112,011	115,882	115,245	105,009	103,735	99,438	105,504	110,170
Occupancy Rate-CA	87.3	86.3	85.4	85.5	84.0	85.7	82.8	82.7
Occupancy Rate-US	89.7	89.0	88.1	87.4	86.3	86.0	82.8	82.7

Notes: These data reflect information from almost 90% of all certified facilities in U.S., since not all facilities are surveyed by the state agencies during a calendar. In 2002, 15,162 facilities were surveyed out of approximately 17,000 total certified facilities in the U.S.

Source: C. Harrington, H. Carillo, V. Wellin, A. Burdin, *Nursing Facilities, Staffing, Residents, and Facility Deficiencies, 1996 Through 2002*, Department of Social and Behavioral Sciences, University of California, San Francisco, August 2003, Tables 1, 2, 4, [www.nccnhr.org/public/50\\_155\\_3801.cfm](http://www.nccnhr.org/public/50_155_3801.cfm).

## Exhibit 7.3b

### Nursing Facilities by Ownership Type and Payer Source, California and the United States, 2002



Notes: May not total 100% due to rounding. These data reflect information from almost 90% of all certified facilities in the U.S., since not all facilities are surveyed by the state agencies during a calendar. In 2002, 15,162 facilities were surveyed out of approximately 17,000 total certified facilities in the U.S.

Source: C. Harrington, H. Carillo, V. Wellin, A. Burdin, *Nursing Facilities, Staffing, Residents, and Facility Deficiencies, 1996 Through 2002*, Department of Social and Behavioral Sciences, University of California, San Francisco, August 2003, Tables 5,6, and 7, [www.nccnhr.org/public/50\\_155\\_3801.cfm](http://www.nccnhr.org/public/50_155_3801.cfm).

## Exhibit 7.4

### Physicians

After rising from the mid-1970's through the mid-1990's, California's number of non-Federal physicians per 100,000 population declined in 2000. California's number of physicians per population has historically been larger than that of the United States as a whole until it fell below in 2000; in 2002, California had 258 physicians per 100,000 population, compared to 272 in the nation overall. (Exhibit 7.4a)

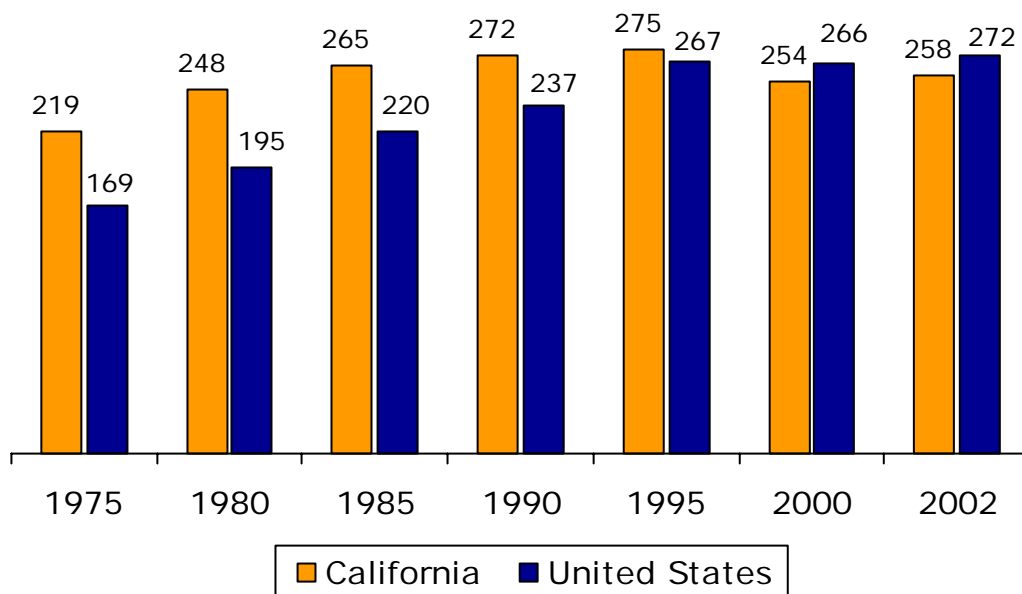
California's mean physician net income increased from \$175,000 in 1994 to \$194,400 in 2000, an average annual increase of 1.8%. Physician net income in California has been lower than in the United States over this time period. (Exhibit 7.4b)

Mean net income for California's primary care physicians and specialists has been below that of the United States as a whole from 1998 to 2000. Mean net income for California primary care physicians was \$150,200 in 2000, compared to \$222,300 for specialists. (Exhibit 7.4c)

Sources of physician practice revenue in California were similar to those in the United States as a whole in 1999. On average, private insurance paid the largest share, followed by Medicare, out-of-pocket payments, and Medicaid. (Exhibit 7.4d)

## Exhibit 7.4a

### Non-Federal Physicians Per 100,000 Civilian Population, California and the United States, 1975-2002



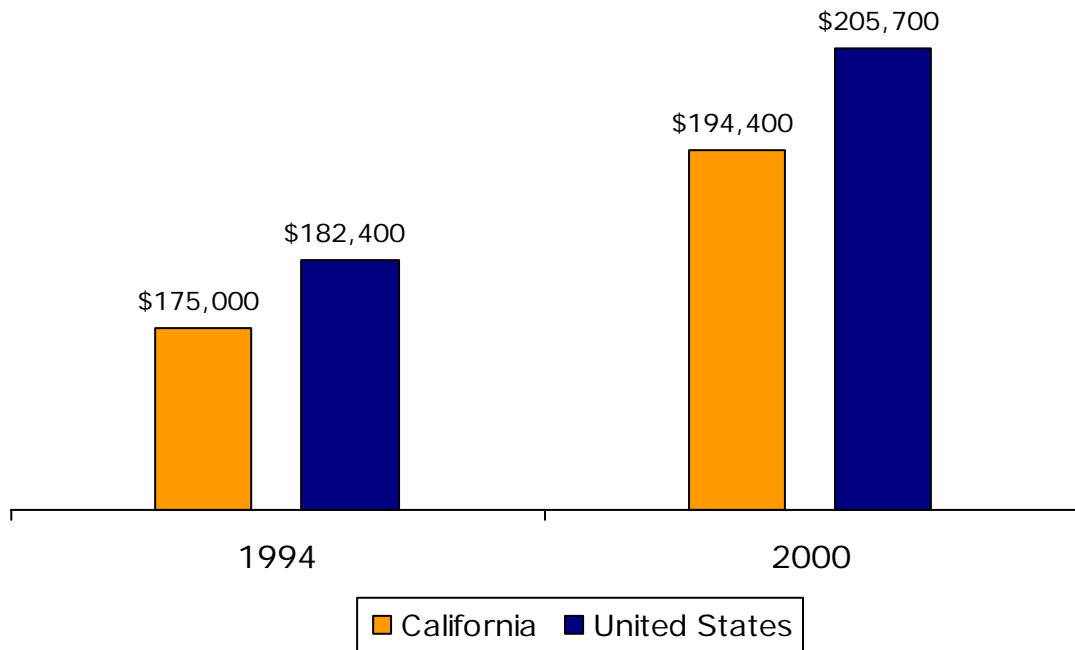
Notes: Nonfederal physicians are employed in the private sector of the US physician population. They represent 98% of total physicians. The US total excludes nonfederal physicians in the U.S. Territories.

Source: Office of Statewide Health Planning and Development, *California Health Care Fact Book, 1999* using data from the American Medical Association, *Physician Characteristics in the United States, 1995/96* (1975-1995 physician data); Kaiser Family Foundation's State Health Facts Online [www.statehealthfacts.org/r/physiciansper1000000.html](http://www.statehealthfacts.org/r/physiciansper1000000.html) calculation based on American Medical Association, Physicians Professional Data (2000, 2002 physician data). Civilian population data from Annual Population Estimates by State, U.S. Census Bureau (2000, 2002 population data).



**Exhibit 7.4b**

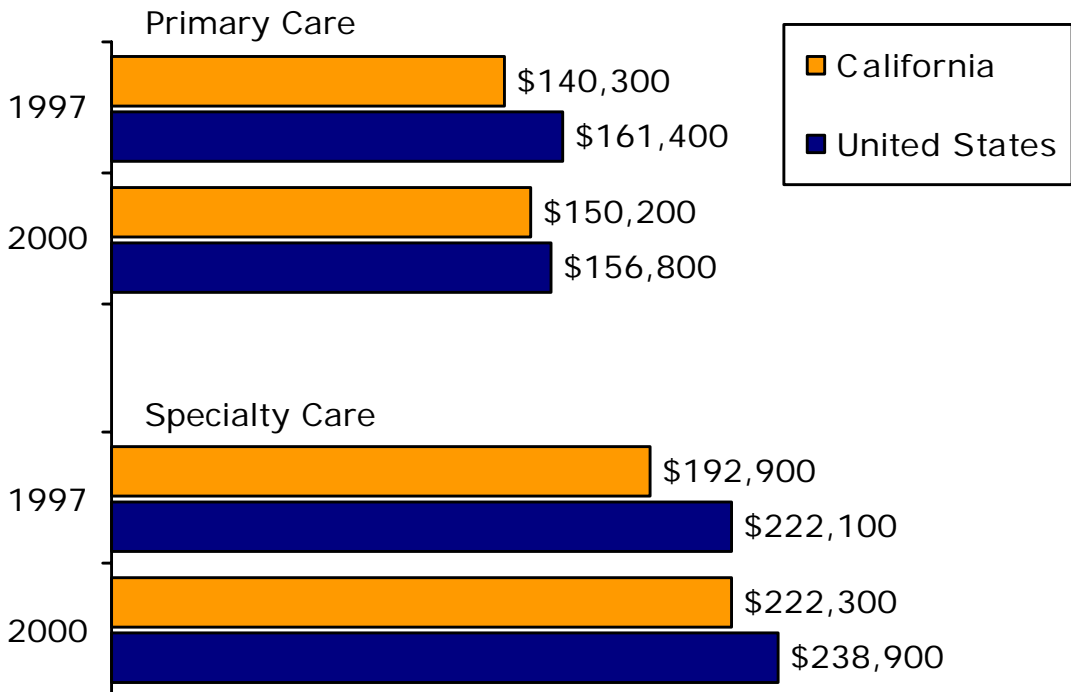
**Mean Physician Net Income,  
California and the United States, 1994 and 2000**



Source: American Medical Association, Socioeconomic Monitoring System Survey, 1995, and Patient Care Physician Survey, 2001.

### Exhibit 7.4c

## Mean Physician Net Income for Primary Care and Specialist Physicians, California and the United States, 1997 and 2000

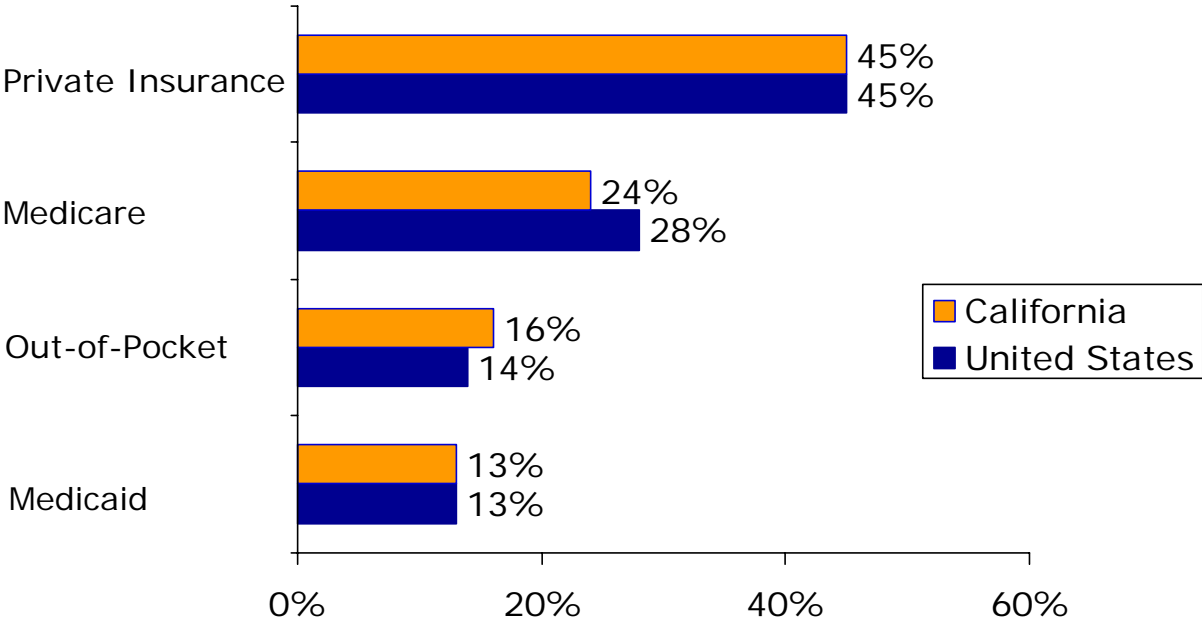


Notes: Primary care is defined as general practice, family practice, general internal medicine, pediatrics, and obstetrics/gynecology. The primary care subspecialties of these groups are included with the specialty care physician incomes.

Source: American Medical Association, Socioeconomic Monitoring System Survey 1998, and Patient Care Physician Survey, 2001.

**Exhibit 7.4d**

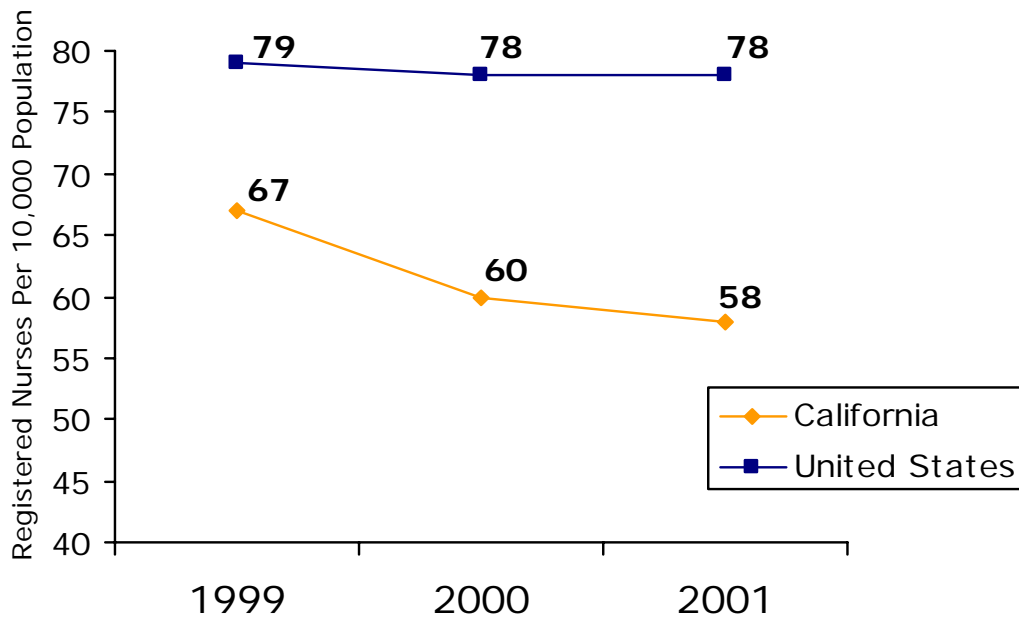
**Sources of Physician Practice Revenue,  
California and United States, 1999**



Source: American Medical Association, Socioeconomic Monitoring System Survey, 1999.

## Exhibit 7.5

### Registered Nurses Per 10,000 Population, California and the United States, 1999-2001



Notes: Registered Nurses (SOC Code 29-1111) include advance practice nurses such as nurse practitioners, clinical nurse specialists, certified nurse midwives, and certified registered nurse anesthetists.

Source: Bureau of Labor Statistics, State Occupational Employment and Wage Estimates, [www.bls.gov/oes](http://www.bls.gov/oes) (nurse data). U.S. Census Bureau, Annual Population Estimates (2000 and 2001) and Intercensal Population Estimates (1999), <http://eire.census.gov/popest> (population data).

## Exhibit 7.6

### Health Care Personnel, California and the United States

A smaller proportion of people in California (6.2%) were employed in the health care field compared to the United States as a whole (7.4%) in 2001. As shown in Exhibit 7.5, California had fewer registered nurses per 10,000 population compared to the United States overall (58 vs. 78 in 2001), and fewer physician assistants per 10,000 population (1 vs. 2 in 2002) as shown below.

	California	United States
Total Health Care Employment, 2001	891,040	9,469,250
Health Care Employment as a Percent of Total Employment, 2001	6.2%	7.4%
Physician Assistants per 10,000 Population, 2002	1	2

Notes: Health care employment includes the following occupations from the Bureau of Labor Statistics' Standard Occupational Classification System: Medical and Health Services Managers (11-9111), Healthcare Practitioners and Technical Occupations (29-0000), and Healthcare Support Occupations (31-0000). The number of physician assistants per ten thousand population was calculated using the population estimates provided by the U.S. Census Bureau as of July 1, 2002.

Source: State Health Facts Online [www.statehealthfacts.org/r/providersandserviceuse.html](http://www.statehealthfacts.org/r/providersandserviceuse.html), using data from the Bureau of Labor Statistics, State Occupational Employment and Wage Estimates (health care employment data); Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates of the 2001 Current Population Survey (population data); American Academy of Physician Assistants, Projected Number of People in Clinical Practice as PAs, as of January 1, 2003 (physician assistant data).

## Exhibit 7.7

### Prescription Drug Use, Sales, and Prices, California and the United States, 2002

Californians used fewer prescriptions per capita (7.7) than people in the United States as a whole (10.6); California ranked 50 out of 51 states and jurisdictions for the number of prescriptions per capita. The increase from 2001 to 2002 in the number of retail prescriptions (0.3% vs. 2.4%) and in retail prescription sales (11.5% vs. 12.2%) was lower in California than in the nation as a whole. Although the average price of retail prescriptions was comparable in California (\$54.08) to in the United States (\$54.58), it increased more in California (11.1%) than in the United States (9.5%) from 2001 to 2002.

	California	United States
Prescriptions Per Capita	7.7	10.6
Number of Retail Prescriptions	272.1 million	3,052.4 million
% Change in Number of Retail Prescriptions from 2001	+0.3%	+2.4%
Retail Prescription Sales	\$14.7 billion	\$166.6 billion
% Change in Retail Prescription Sales from 2001	+11.5%	+12.2%
Average Price of Retail Prescriptions	\$54.08	\$54.58
% Change in Average Price of Retail Prescriptions from 2001	+11.1%	+9.5%

Notes: Source<sup>(TM)</sup> Prescription Audit collects over 140 million prescriptions on a monthly basis from nearly 37,000 retail stores including chains, independents, mass merchandisers and food stores. The sample covers 71% of all retail dispensing activity nationwide and 1,300 regional zones. Prescriptions are defined as all products dispensed in retail pharmacies, including new prescriptions and refills.

Source: Kaiser Family Foundation's State Health Facts Online [www.statehealthfacts.org/r/healthcostsandbudgets.html](http://www.statehealthfacts.org/r/healthcostsandbudgets.html), using data from Verispan Scott-Levin, Source<sup>(TM)</sup> Prescription Audit, Special Data Request, 2003.