

Why Prices Are Higher in Northern California than Southern California?

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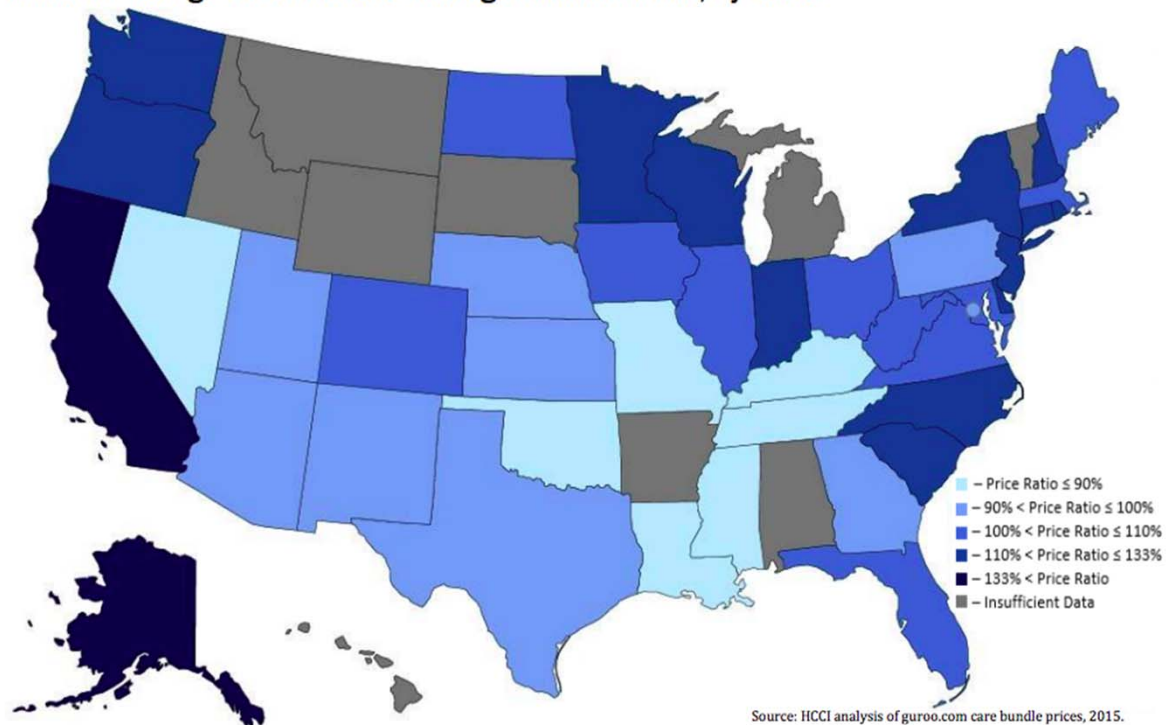
Key Findings

1. Prices are much higher in CA
2. Vertical integration is increasing dramatically
3. Market concentration is a key factor in Northern CA having higher prices



Childbirth – Vaginal Delivery & Newborn Care (42 States)

Ratio of Average State Price to Average National Price, by State



Source: HCCI analysis of guroo.com care bundle prices, 2015

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Vaginal delivery (DRG 775)		
Average total payment		
Year	California	U.S.
2012	\$9,377	\$5,498
2013	\$9,921	\$6,125
2014	\$10,401	\$6,333
2015	\$10,106	\$6,583
2016	\$11,091	\$7,095
Cesarean section (DRG 766)		
Average total payment		
Year	California	U.S.
2012	\$13,897	\$8,330
2013	\$14,472	\$9,199
2014	\$15,149	\$9,283
2015	\$15,032	\$9,426
2016	\$16,001	\$9,693
Major joint replacement or reattachment (DRG 470)		
Average total payment		
Year	California	U.S.
2012	\$28,546	\$24,444
2013	\$29,709	\$25,800
2014	\$30,625	\$25,949
2015	\$32,285	\$26,473
2016	\$33,366	\$26,998

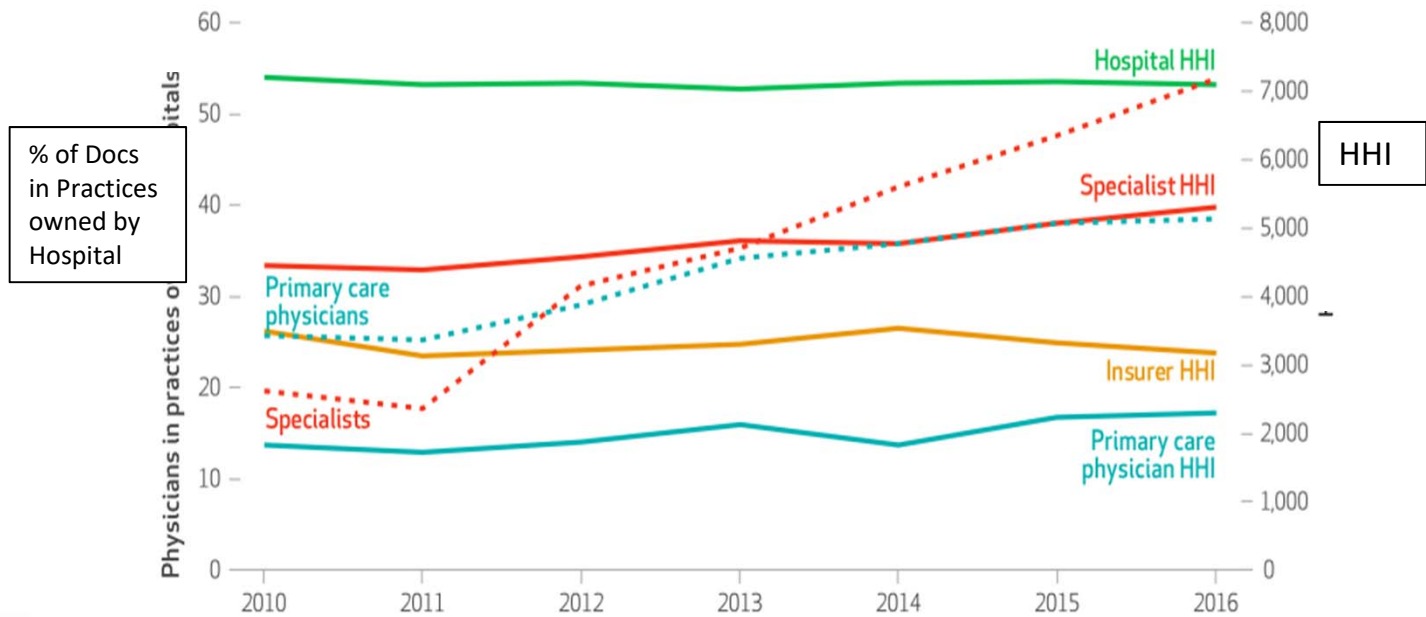
+56%

+65%

+24%

Source: Authors' analysis of Truven MarketScan data

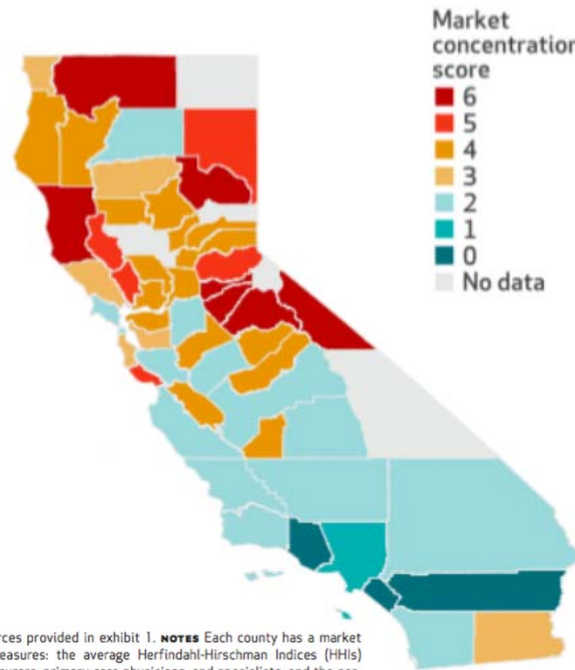
Market Concentration



Source: Scheffler, et al (2018) "Consolidation Trends In California's HealthCare System: Impacts On ACA Premiums And Outpatient Visit Prices." *Health Affairs*

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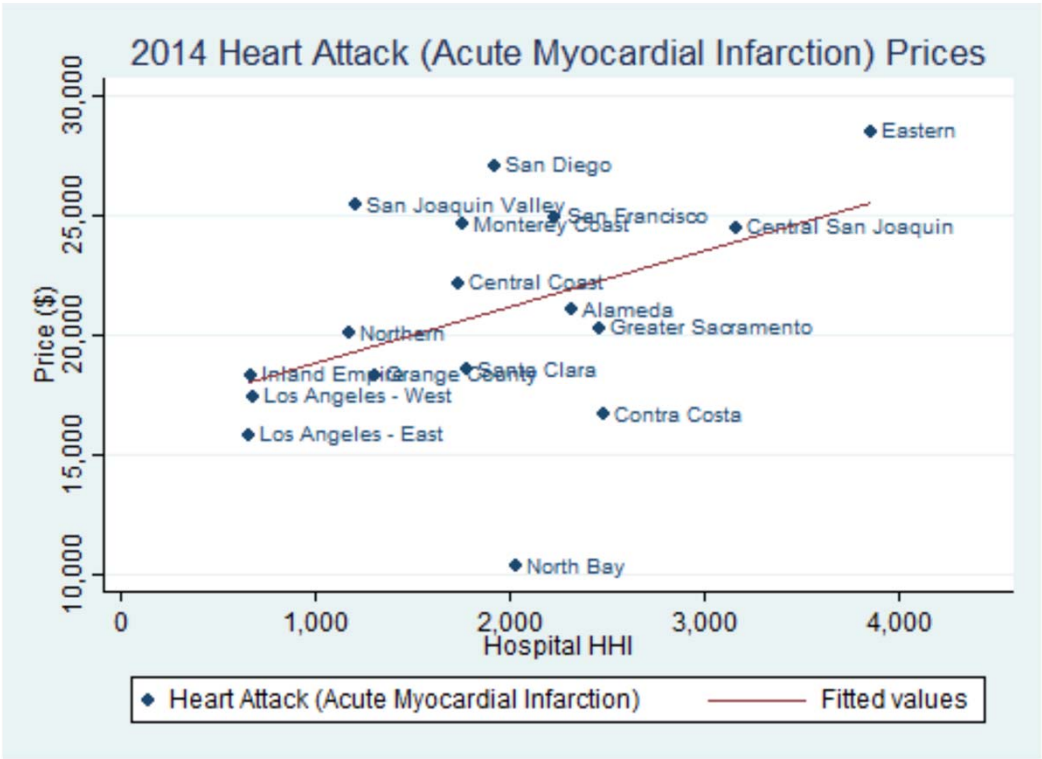
Geographical variation in concentration 'hotspots' across CA counties, 2016



SOURCE Authors' analysis of data sources provided in exhibit 1. **NOTES** Each county has a market concentration score based on six measures: the average Herfindahl-Hirschman Indices (HHIs) (explained in the text) for hospitals, insurers, primary care physicians, and specialists; and the percentages of primary care physicians and specialists (explained in the notes to exhibit 1) working in practices owned by hospitals. Higher index values indicate greater concentration. Counties are assigned one point for each HHI greater than 2,500 and for the percentage of primary care and specialist ownership greater than 33.23 percent and 32.35 percent, respectively (the medians for the period 2010–16). Higher scores indicate greater market concentration. The scores can also be interpreted as a thermal gradient, with the cool colors indicating counties that warrant lower concern and scrutiny by regulators and the hotter colors indicating counties that warrant increasingly more.

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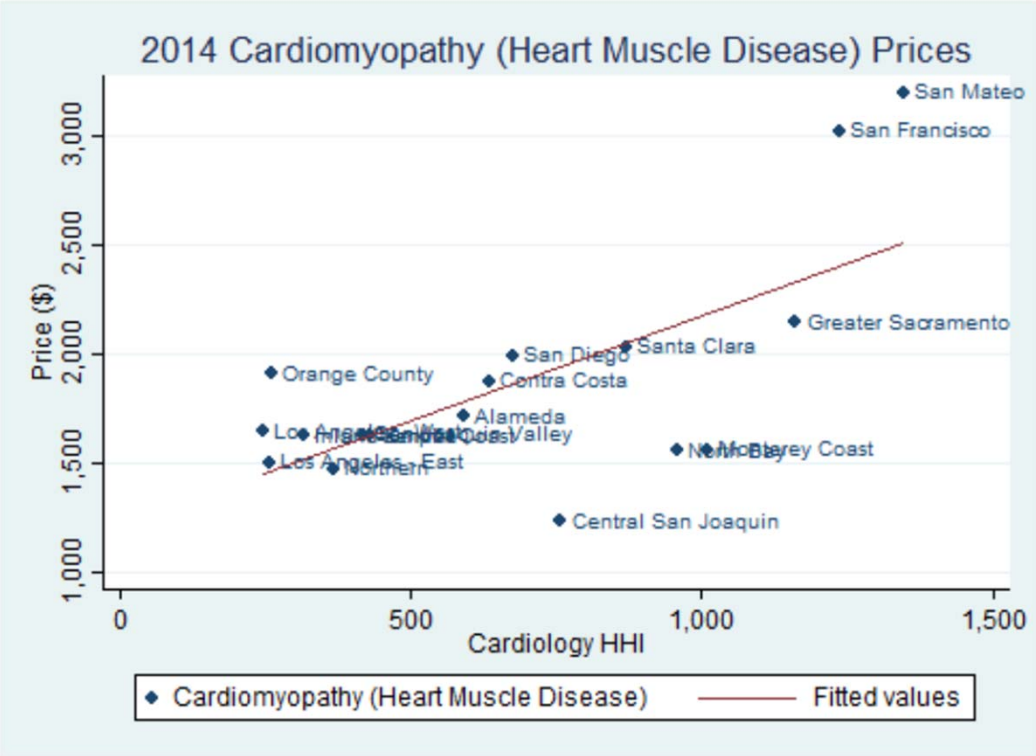
Impact on Hospital Service Prices



Source: "Consolidation in California's Health Care Market 2010-2016: Impact on Prices and ACA Premiums", Petris Center, 2018

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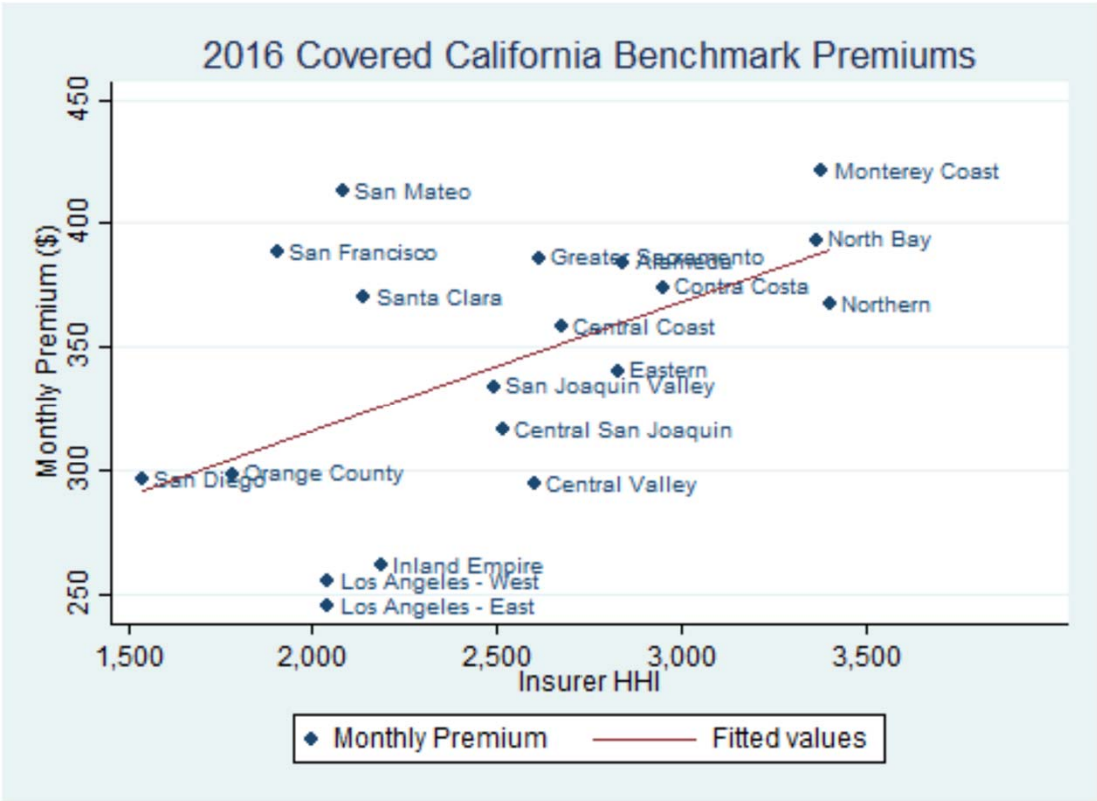
Impact on Physician Service Prices



Source: “Consolidation in California’s Health Care Market 2010-2016: Impact on Prices and ACA Premiums”, Petris Center, 2018

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Impact on ACA Premiums



Source: “Consolidation in California’s Health Care Market 2010-2016: Impact on Prices and ACA Premiums”, Petris Center, 2018

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Summary of Results

- Input cost adjusted inpatient prices are **30%** higher in Northern CA than Southern CA
- Input cost adjusted outpatient prices are on average **13%** higher in Northern CA than Southern CA
- Input cost adjusted ACA premiums are on average **10%** higher in Northern CA than Southern CA

Source: "Consolidation in California's Health Care Market 2010-2016: Impact on Prices and ACA Premiums", Petris Center, 2018

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Thank you!

