



Consolidation Trends in California's Health Care System

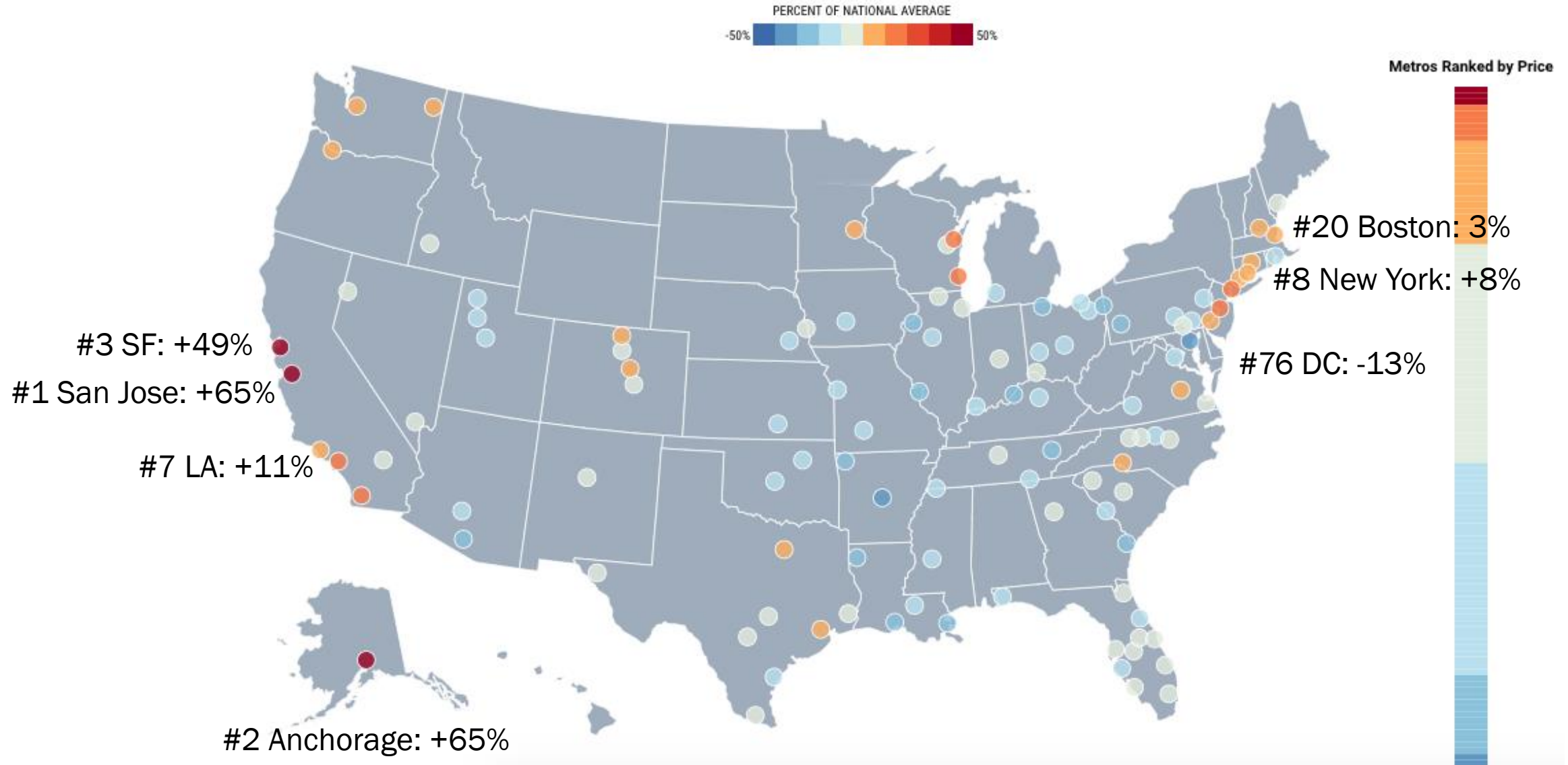
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Facts About the California Health Care Market

- California accounts for 12.1% of the US population and 11.4% of health care spending
 - \$291 billion per year
- Californians with private insurance account for 42.7% of the population and 36.9% of spending
- Private insurance prices vary widely across California
- California is home to several “mega-systems” with large market share

Commercial Prices by Metro Area

Source: Health Care Cost Institute Price Index



Prices for Common Services in Three CA Cities

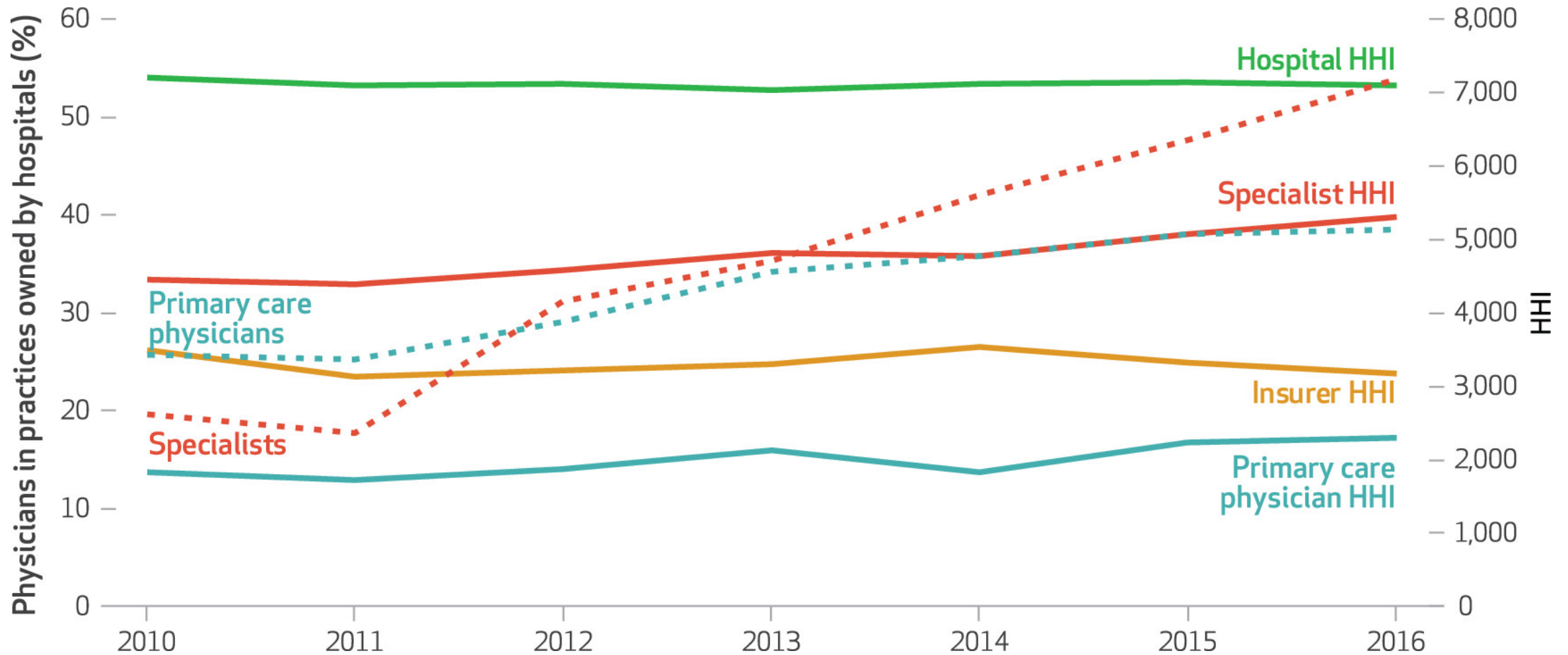
City	San Francisco	Sacramento	Los Angeles	SF vs. LA	Sac vs. LA
Lipid panel	\$93	\$76	\$58	+60%	+31%
Mammogram	\$425	\$485	\$237	+79%	+105%
PCP office visit	\$215	\$192	\$126	+71%	+52%
Routine delivery	\$15,204	\$15,420	\$10,285	+48%	+50%

Source: castlighthouse.com/costliest-cities

What Explains Price Differences?

	San Francisco	Sacramento	Los Angeles
High prices	✓	✓	X
Urban city	✓	X	✓
High housing costs	✓	X	✓
Concentrated provider market	✓	✓	X
Market share of largest hospital system	30%	28%	9%
Percent of doctors employed by hospital or system	59%	54%	33%

Consolidation Trends in California

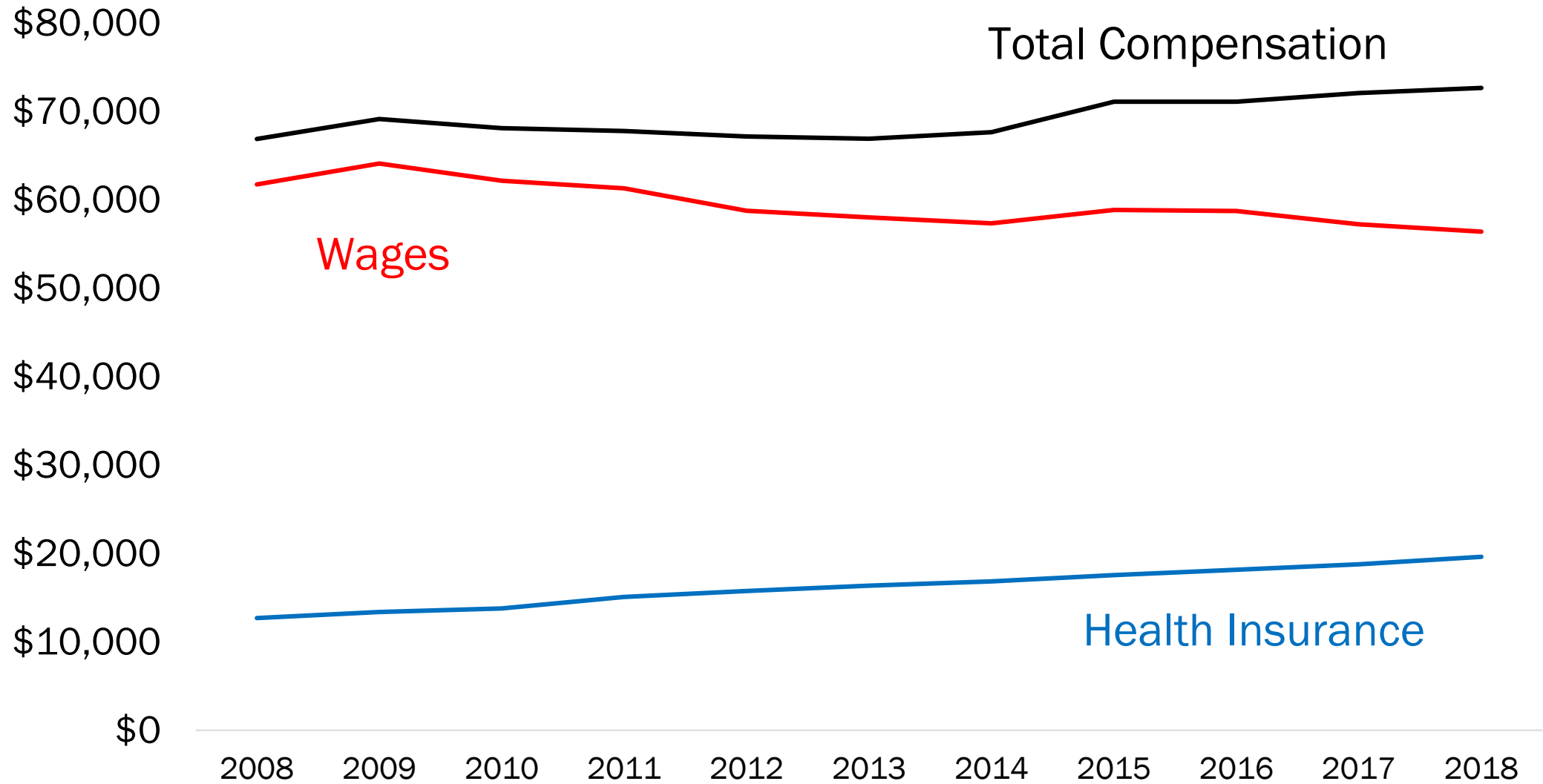


Source: Scheffler et al (2018) *Health Affairs*.

Why is this a problem?

- TANSTAFL: There Ain't No Such Thing as a Free Lunch
- TANSTAFHCS: There Ain't No Such Thing as Free Health Care Spending
- Econ 101: \$1 increase in health care costs → \$1 decrease in wages or other benefits

Worker Compensation Trends in the US



Source: Calculations using BLS and KFF data

Policy Options

These are policy options that are currently on the table, not policy options that I or RAND endorse!!

- Stricter anti-trust enforcement
- Direct rate setting or regulation
- Network design to exclude high-cost providers from networks (e.g. narrow networks, reference pricing, and rewards programs)
- Do nothing, and continue to pay high health care prices in Northern CA



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HEALTH



AHRQ's Charge

- Create a taxonomy of health systems
- Compare performance of different types of systems
- What elements are essential for high performance

Our Big Challenges

- What defines a health system?
- What does it mean to be high performing?
- What system attributes should be measured?

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