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California

Health Care Data Summary

2012-2013

5th Edition



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CALIFORNIA HEALTH CARE DATA SUMMARY

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Introduction

Sanofi U.S. (Sanofi) is pleased to present the fifth edition of the **California Health Care Data Summary** ("Summary"), an overview of demographic, financial, utilization and pharmacy measures for health plans, hospitals and medical group practices in local markets across the state of California. The 2012-2013 Summary also provides Type 2 diabetes benchmarks and specialty drug information that can help payers and providers identify better opportunities to serve the needs of their patients. Independent, third-party data are once again drawn from the Sanofi **Managed Care Digest Series®**.

The Summary is designed to provide organizations and employers with key information about health plans, hospitals and medical group practices; and to promote the cost-effective delivery of quality health care to the benefit of local communities.

The data in this report were gathered by IMS Health, Danbury, CT, a recognized leader in the health care information market, providing comprehensive profiling solutions to health care marketing business problems.

A review process takes place, before and during production of this report, between IMS Health and Forte Information Resources LLC.

Sanofi, as sponsor of this report, maintains an arm's-length relationship with the organizations that prepare the Summary and carry out the research. The desire of Sanofi is that the information in the Summary be completely independent and objective.

Methodology

GENERAL DATA

IMS Health gathered national-, state- and local-level data included in this Summary from a variety of sources between February 2009 and June 2012, by contacting the state's department of insurance, mailing a survey to each plan and following up, when necessary, with a telephone or email survey.

Most data in this Summary are from a census of health plans. When data were not available from all plans, a smaller sample was used.

In addition, IMS Health compares its data with those published in other sources, including trade associations in the managed care

industry, state regulatory agencies, and periodicals and journals. Doing so provides an additional check on the accuracy of its database of operating health plans. Hospital data for this report are based on information from the IMS Health.

IMS Health generated Type 2 diabetes data for this Summary out of health care professional and institutional insurance claims, representing more than 6.6 million unique Type 2 diabetes patients nationally in 2011 with a diagnosis in the 250.00-250.92 range. Data from physicians of all specialties and from all hospital types are included.

IMS Health also gathers data on prescription activity from the National Council for Prescription Drug Programs (NCPDP). These data represent some 2 billion prescription claims annually, or more than 50% of the prescription universe. These data represent the sampling of prescription activity from a variety of sources, including retail chains, mass merchandisers and pharmacy benefit managers. Cash, mail-order, Medicaid and third-party transactions are tracked.

MARKET DEFINITIONS

IMS Health gathered information on the service areas of every health plan—commercial, Medicare and Medicaid—during the survey process, then aggregated it to the appropriate metropolitan statistical area (MSA) and state level. Finally, to ensure the integrity of the data, MSA data are reported only for those areas served by five or more health plans. All health plan demographic and utilization data in this Summary include members in point-of-service (POS) plans.

Unless otherwise noted, data provided in this report are based on total health plan enrollment, including Medicare beneficiaries and Medicaid recipients. Utilization data provided on Medicare beneficiaries and Medicaid recipients enrolled in health plans were gathered only from those plans in California that have such members.

Glossary

Please see the Glossary of Managed Care Terms on the back page of this Summary.

HEALTH PLAN DEMOGRAPHICS



HEALTH PLAN ENROLLMENT

MARKET	2009		2010		2011	
	Total # of Enrollees	Avg. # of Enrollees	Total # of Enrollees	Avg. # of Enrollees	Total # of Enrollees	Avg. # of Enrollees
Los Angeles	4,624,262	308,284	4,559,487	239,973	4,628,211	231,411
Oakland	1,030,660	114,518	997,433	110,826	1,012,467	92,042
Riverside	1,597,627	122,894	1,534,617	102,308	1,557,748	97,359
Sacramento	880,105	97,789	856,487	107,061	869,397	96,600
San Diego	1,280,809	128,081	1,261,547	126,155	1,280,562	116,415
San Francisco	722,053	72,205	702,664	70,266	713,255	64,841
San Jose	741,717	82,413	723,841	72,384	734,751	66,796
Santa Barbara	172,910	24,701	170,626	28,438	173,198	24,743
California	16,313,918	526,255	16,167,884	449,108	16,411,578	410,289
NATION	75,348,270	172,422	77,186,949	175,027	79,478,570	179,816

CALIFORNIA HEALTH PLANS REBOUND FROM ENROLLMENT DECLINE

In 2011, California health plans reversed a downward trend in their enrollment, with a slight increase (to 16.4 million from 16.2 million in 2010). This same enrollment bump appeared across all eight state local markets profiled, and for the nation as a whole (to 79.5 million from 77.2 million) over this time period.

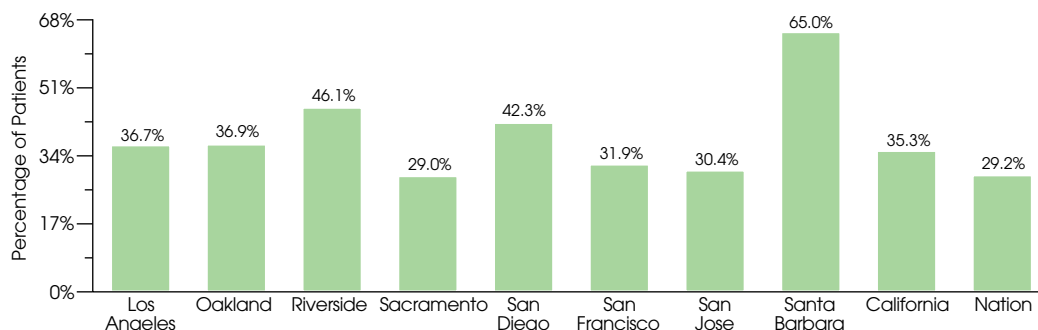
MEDICAL GROUP PRACTICE PATIENT MIX, BY PATIENT TYPE¹

MARKET	HMO			PPO			Indemnity			Medicaid			Medicare		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	37.4%	37.3%	36.7%	22.8%	21.9%	22.4%	4.5%	4.5%	4.4%	5.7%	5.8%	5.7%	17.8%	17.4%	17.6%
Oakland	36.9	33.5	36.9	22.7	29.3	22.7	3.0	2.9	3.0	4.7	5.4	4.7	17.9	15.6	17.9
Riverside	46.1	46.1	46.1	20.7	20.7	20.7	3.1	3.1	3.1	7.2	7.2	7.2	11.9	11.9	11.9
Sacramento	29.0	29.0	29.0	22.4	22.4	22.4	5.9	5.9	5.9	11.0	11.0	11.0	15.2	15.2	15.2
San Diego	42.0	43.1	42.3	23.0	21.8	24.7	2.1	2.5	1.7	4.5	5.4	3.6	19.3	19.5	19.5
San Francisco	31.9	31.9	31.9	35.2	35.2	35.2	4.3	4.3	4.3	4.0	4.0	4.0	11.6	11.6	11.6
San Jose	30.4	37.1	30.4	21.1	16.9	21.1	6.6	6.7	6.6	7.0	8.6	7.0	18.3	20.6	18.3
Santa Barbara	65.0	65.0	65.0	17.5	17.5	17.5	2.0	2.0	2.0	5.0	5.0	5.0	8.0	8.0	8.0
California	35.1	35.9	35.3	23.5	23.4	23.7	4.0	3.7	3.8	9.2	9.9	8.8	16.2	16.1	16.3
NATION	29.1%	29.2%	29.2%	21.8%	21.8%	21.8%	7.4%	7.4%	7.4%	12.0%	12.1%	11.9%	20.2%	20.3%	20.2%

MEDICARE HMO ENROLLMENT GROWS STEADILY ACROSS CALIFORNIA AND NATION

Total Medicare HMO enrollment continued to expand across the state of California in 2011, up 6.3%, to 1.7 million members from 1.6 million in 2010. In accordance, the number of Medicare HMO members across the nation climbed, to 7.6 million beneficiaries from 7.4 million in the previous year (2.1%). Overall government HMO enrollment also rose moderately in California (5.5%) and nationwide (3.8%) during this period.

HMO SHARE OF MEDICAL GROUP PRACTICE PATIENT MIX¹



MEDICARE AND TOTAL GOVERNMENT ENROLLMENT IN HMOs

MARKET	Total Number of Medicare HMO Members			Total Number of HMO Government Enrollees		
	2009	2010	2011	2009	2010	2011
California	1,371,899	1,611,755	1,713,505	4,951,126	5,276,536	5,560,974
NATION	6,886,843	7,408,161	7,560,134	28,063,930	30,320,940	31,479,480

Data source: IMS Health © 2012

¹ Data represent the percentage of patients for which groups receive reimbursement of a particular type (e.g., Medicare).

NOTE: Throughout this Data Summary, data are the same for some MSAs because the HMOs had the same service area.

Data include all HMOs serving the state of California. In some cases, HMOs did not report their data.



HMO/HOSPITAL MEDICAL UTILIZATION

CA REPORTS LOWER AVERAGE UTILIZATION RATES THAN NATION

Compared with the nation, California recorded lower utilization for commercial HMO/POS members in all five measures shown. For example, the number of commercial HMO/POS ambulatory visits per member in California sank below the national average (1.5) in 2011, to 1.2 from 1.6 visits the year before.

UTILIZATION RATE	California			Nation		
	2009	2010	2011	2009	2010	2011
Hospital Admissions per 1,000 Members	63.3	50.9	52.4	63.6	58.7	57.4
Hospital Days per 1,000 Members	199.3	184.4	199.0	243.7	238.2	235.9
ALOS per Hospital Admission	3.9	3.7	3.7	3.9	4.1	4.1
Physician Encounters per Member	3.9	3.7	3.7	4.2	4.7	4.6
Ambulatory Visits per Member	1.5	1.6	1.2	1.5	1.6	1.5

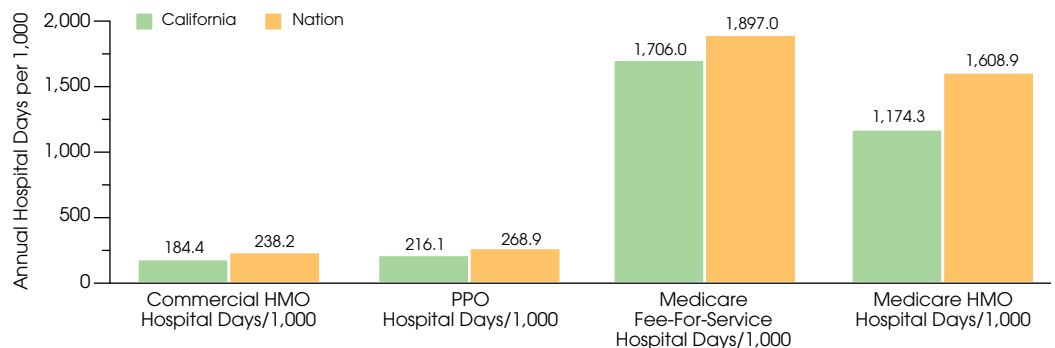
HMO/HOSPITAL UTILIZATION AND COST MEASURES, BY REGION AND STATE

MARKET	Commercial HMO Hospital Days/1,000		Medicare HMO Hospital Days/1,000		Medicare Fee-for-Service Discharges/1,000		Medicare Fee-for-Service Hospital Days/1,000		Medicare Fee-for-Service Payments per Hospital Discharge		Medicare Fee-for-Service Payments per Enrollee	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
California	199	184	1,203	1,174	285	318	1,592	1,706	\$13,237	\$12,052	\$3,724	\$3,755
Pacific	204	203	1,140	1,247	269	296	1,459	1,552	12,696	11,677	3,376	3,400
New England	298	258	1,635	1,824	320	335	1,734	1,783	10,591	10,273	3,371	3,402
Mid Atlantic	262	259	2,071	2,276	366	402	2,291	2,472	11,187	10,306	4,061	4,068
South Atlantic	232	229	1,744	1,424	340	351	1,862	1,892	9,586	9,398	3,245	3,271
East North Central	250	263	1,516	1,980	363	379	1,914	1,965	9,586	9,196	3,454	3,445
West North Central	266	247	1,941	2,064	316	329	1,595	1,650	9,134	9,051	2,876	2,950
Mountain	221	234	1,272	1,396	266	286	1,309	1,382	9,974	9,449	2,633	2,661
South Central ¹	248	233	1,589	1,728	378	381	2,054	2,049	8,316	8,149	3,133	3,076
Southwest ²	253	222	1,514	1,435	342	351	1,862	1,887	9,080	8,964	3,078	3,104
NATION	244	238	1,571	1,609	335	352	1,834	1,897	\$9,995	\$9,608	\$3,321	\$3,336

HOSPITAL DAYS PER 1,000 CALIFORNIA MEDICARE HMO MEMBERS TRAIL NATION

With a modest decrease in the number of hospital days per 1,000 California Medicare HMO members in 2010 (to 1,174.3 from 1,203.2 in 2009), the gap in this measure between California and the nation (up 2.4%, to 1,608.9 from 1,571.4 the previous year) widened.

HOSPITAL UTILIZATION MEASURES, CALIFORNIA VS. NATION, 2010



Data source: IMS Health © 2012

¹ Corresponds to CMS's East South Central Region

² Corresponds to CMS's West South Central Region

PHYSICIAN REIMBURSEMENT



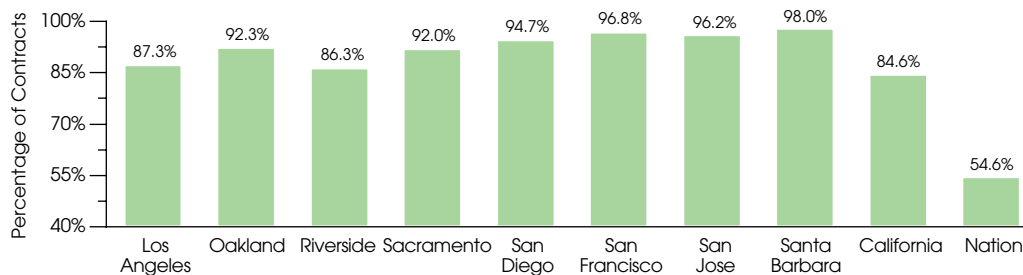
PERCENTAGE OF HMOs USING VARIOUS METHODS TO REIMBURSE PHYSICIANS¹

MARKET	Salary			Fee-for-Service			Bonus Program			Capitation		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	—	—	—	33.3%	36.4%	25.0%	25.0%	27.3%	25.0%	100.0%	100.0%	91.7%
Oakland	12.5%	14.3%	12.5%	25.0	28.6	12.5	50.0	57.1	50.0	87.5	85.7	75.0
Riverside	—	—	—	30.0	33.3	20.0	40.0	44.4	40.0	100.0	100.0	90.0
Sacramento	—	—	—	25.0	28.6	12.5	37.5	42.9	37.5	100.0	100.0	87.5
San Diego	—	—	—	11.1	14.3	—	33.3	42.9	37.5	100.0	100.0	87.5
San Francisco	—	—	—	37.5	42.9	25.0	37.5	42.9	37.5	87.5	85.7	75.0
San Jose	—	—	—	14.3	16.7	—	42.9	50.0	42.9	100.0	100.0	85.7
Santa Barbara	—	—	—	14.3	16.7	—	42.9	50.0	42.9	100.0	100.0	85.7
California	4.5	5.0	4.3	40.9	45.0	34.8	27.3	30.0	26.1	90.9	90.0	78.3
NATION	7.7%	6.0%	6.4%	65.0%	60.4%	56.8%	18.8%	18.7%	18.9%	73.1%	66.4%	65.2%

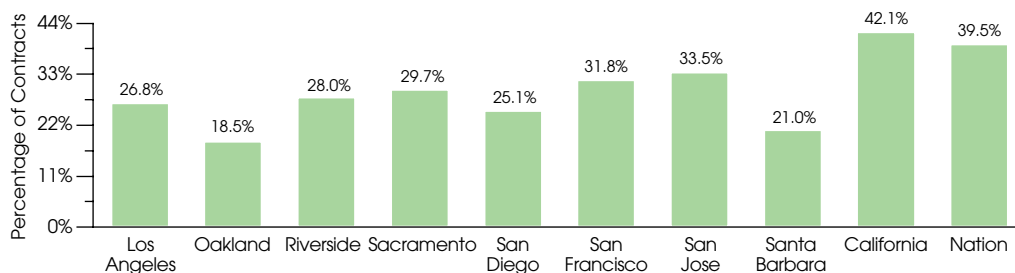
PERCENTAGE OF CONTRACTS REIMBURSED THROUGH CAPITATION¹

MARKET	Primary Care Physician Contracts			Specialist Contracts			Ancillary Provider Contracts			Hospital Contracts		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	79.6%	86.8%	87.3%	81.9%	95.6%	95.6%	63.8%	63.8%	63.8%	29.8%	26.8%	26.8%
Oakland	78.4	91.5	92.3	75.0	97.3	97.3	70.7	70.7	70.7	23.0	18.5	18.5
Riverside	82.9	84.4	86.3	80.6	96.3	96.3	75.5	75.5	75.5	34.6	28.0	28.0
Sacramento	79.9	91.3	92.0	75.0	97.3	97.3	70.7	70.7	70.7	33.6	29.7	29.7
San Diego	79.2	94.0	94.7	79.0	97.6	97.6	70.7	70.7	70.7	29.0	25.1	25.1
San Francisco	82.3	96.0	96.8	77.5	95.8	95.8	78.0	78.0	78.0	36.3	31.8	31.8
San Jose	81.7	95.3	96.2	75.0	97.3	97.3	70.7	70.7	70.7	38.0	33.5	33.5
Santa Barbara	83.3	97.2	98.0	79.0	97.6	97.6	70.7	70.7	70.7	25.5	21.0	21.0
California	81.5	83.6	84.6	82.8	94.9	94.9	69.8	69.8	69.8	45.1	42.1	42.1
NATION	56.0%	54.0%	54.6%	29.4%	29.4%	30.4%	37.1%	38.3%	41.8%	37.3%	36.9%	39.5%

PRIMARY CARE PHYSICIAN CAPITATED CONTRACTS, 2011



HOSPITAL CAPITATED CONTRACTS, 2011



HIGH SHARES OF CA HMOs REIMBURSE BY CAPITATION, BONUS PROGRAMS

In accordance with a national trend, the percentage of California HMOs reimbursing physicians through capitation dropped in 2011, to 78.3% from 90.0% the year before. Still, this percentage remained higher than that of the nation, which fell by more than one percentage point, to 65.2%. Likewise, HMOs across the state of California were more likely than those nationally to reimburse physicians through bonus programs (26.1% vs. 18.9%) in 2011.

SHARE OF CAPITATED CONTRACTS AMONG CA HMOs TOPS NATION

Despite showing no growth from 2010 to 2011, the percentage of specialist contracts reimbursed through capitation at California HMOs was still higher than at HMOs across the nation (94.9% vs. 30.4%). The same was true for ancillary provider (69.8% vs. 41.8%) and hospital contracts (42.1% vs. 39.5%) in 2011. Only the capitated share of primary care physician contracts in California increased, to 84.6% from 83.6%.

¹ HMOs gave multiple answers, since they commonly use more than one method of reimbursement. As a result, totals add up to more than 100%. Other reimbursement methods used by HMOs included discounted fee-for-service, fee schedule, per diem and return of risk pools/withholds.

NOTE: Salary reimbursement data were not reported by most California markets.

Data source: IMS Health © 2012



HMO MEDICAL PREMIUM RATES

INDIVIDUAL PREMIUMS AT CA HMOs RECEDE, REMAIN HIGHER THAN NATION

After rising more than \$100 between 2009 and 2010, the average individual premium rate at HMOs across the state of California fell, to \$472 from \$481, yet still remained above the national average of \$465. Average family premiums in California were also higher than the national rate, at \$1,232 (vs. \$1,189).

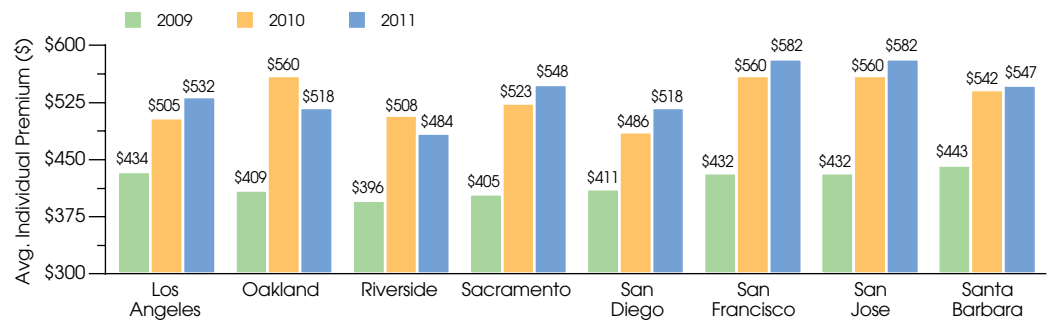
SAN FRANCISCO AND SAN JOSE RECORD HIGHEST HMO PREMIUMS PER MONTH

Average individual and family premiums at HMOs serving any of eight local markets or the state of California were higher than the national averages in 2011. For example, although average individual premiums at Riverside HMOs slid below the \$500 mark in 2011, to \$484—the lowest rate, by local market—this rate remained higher than the U.S. mean (\$465). San Francisco and San Jose HMOs reported the highest individual and family premiums, each at \$582 and \$1,351, respectively.

AVERAGE PREMIUM RATES PER MONTH¹

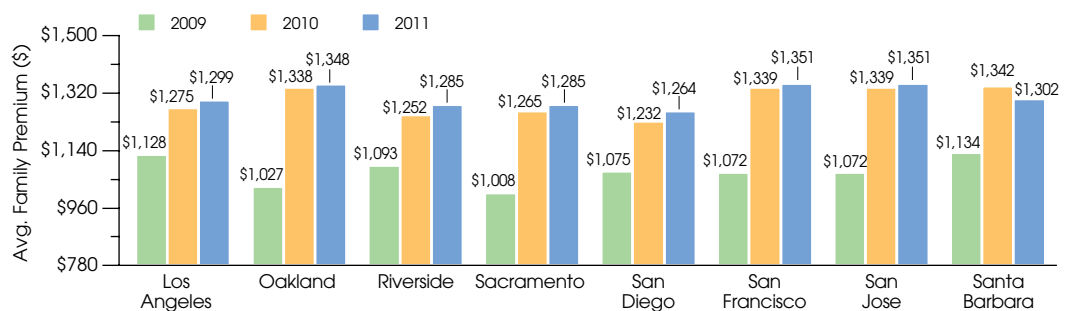
MARKET	Average Individual Premium			Average Family Premium		
	2009	2010	2011	2009	2010	2011
Los Angeles	\$434	\$505	\$532	\$1,128	\$1,275	\$1,299
Oakland	409	560	518	1,027	1,338	1,348
Riverside	396	508	484	1,093	1,252	1,285
Sacramento	405	523	548	1,008	1,265	1,285
San Diego	411	486	518	1,075	1,232	1,264
San Francisco	432	560	582	1,072	1,339	1,351
San Jose	432	560	582	1,072	1,339	1,351
Santa Barbara	443	542	547	1,134	1,342	1,302
California	367	481	472	1,017	1,225	1,232
NATION	\$385	\$447	\$465	\$1,001	\$1,143	\$1,189

AVERAGE INDIVIDUAL PREMIUM PER MONTH¹



California 2009: \$367 California 2010: \$481 California 2011: \$472
 Nation 2009: \$385 Nation 2010: \$447 Nation 2011: \$465

AVERAGE FAMILY PREMIUM PER MONTH¹



California 2009: \$1,017 California 2010: \$1,225 California 2011: \$1,232
 Nation 2009: \$1,001 Nation 2010: \$1,143 Nation 2011: \$1,189

¹ Averages represent the flat charge for medical health coverage and do not include charges for pharmacy, dental or other services. Also, employee contributions are not included. Numbers of options and levels of coverage may account for significant differences between an individual company's premium rates and the average.

Data source: IMS Health © 2012

HMO PHARMACY PREMIUMS AND UTILIZATION



PREMIUMS PER MEMBER PER MONTH FOR OUTPATIENT PHARMACY BENEFITS

MARKET	Individual Premiums			Family Premiums		
	2009	2010	2011	2009	2010	2011
Los Angeles	\$33.74	\$40.67	\$41.73	\$93.02	\$112.53	\$123.66
Oakland	28.96	34.71	33.77	74.88	89.85	93.42
Riverside	33.74	40.67	41.73	93.02	112.53	123.66
Sacramento	33.67	42.90	45.60	86.28	110.04	125.50
San Diego	33.74	40.67	41.73	93.02	112.53	123.66
San Francisco	33.67	42.90	45.60	86.28	110.04	125.50
San Jose	33.67	42.90	45.60	86.28	110.04	125.50
Santa Barbara	33.74	40.67	41.73	93.02	112.53	123.66
California	36.97	42.14	43.06	82.40	95.88	100.07
NATION	\$37.49	\$39.13	\$39.97	\$94.63	\$97.60	\$101.51

FAMILY RX PREMIUMS PMPM INCREASE IN CALIFORNIA

Between 2010 and 2011, family premiums per member per month (PMPM) for outpatient pharmacy benefits grew for HMOs serving any of eight California local markets. Statewide, family premiums PMPM for outpatient pharmacy benefits were \$100.07 in 2011, up 4.4% from \$95.88 the year before.

In spite of this growth, the California family premium PMPM average for outpatient pharmacy benefits was slightly lower than the national average (\$101.51) in 2011.

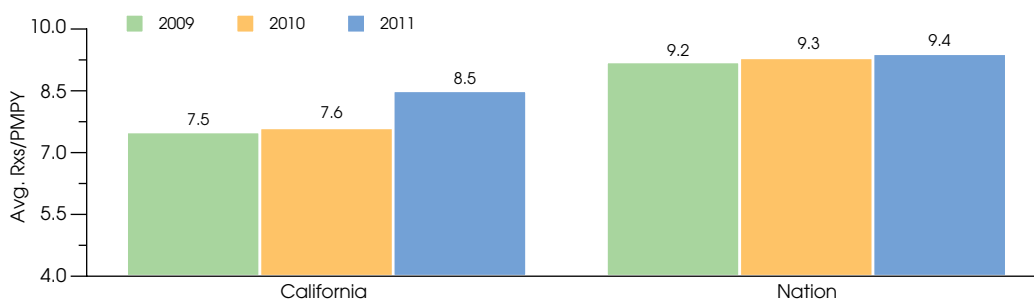
PRESCRIPTIONS DISPENSED AND AVERAGE INGREDIENT COST

MARKET	RXs Dispensed per Commercial HMO Member per Year			Average Ingredient Cost ¹		
	2009	2010	2011	2009	2010	2011
Los Angeles	8.5	8.8	8.9	\$42.03	\$47.14	\$50.51
Oakland	7.6	7.9	8.7	44.12	51.42	55.08
Riverside	8.0	8.2	8.4	43.46	49.37	52.55
Sacramento	8.3	8.6	8.8	44.43	55.10	58.74
San Diego	8.0	8.3	8.5	45.69	52.08	55.65
San Francisco	7.6	7.9	8.2	44.23	50.62	54.35
San Jose	7.5	7.9	8.2	44.12	51.42	55.52
Santa Barbara	8.0	8.5	8.7	46.51	59.30	62.87
California	7.5	7.6	8.5	39.58	43.29	51.10
NATION	9.2	9.3	9.4	\$54.04	\$57.92	\$58.95

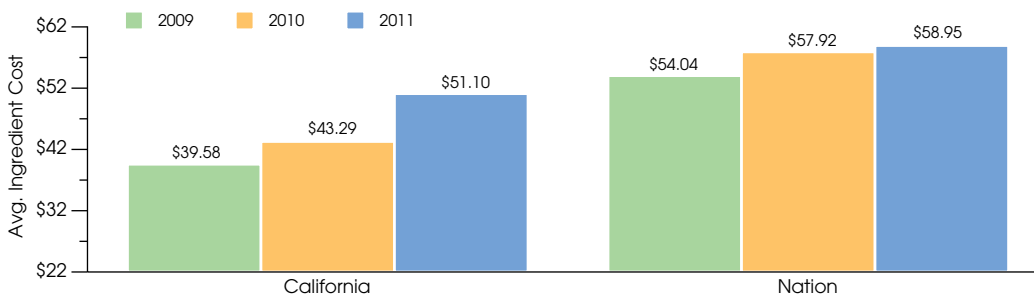
CALIFORNIA HMOs DISPENSE LOW NUMBER OF RXs PER COMMERCIAL MEMBER

Although the number of commercial prescriptions dispensed per member per year (PMPY) at California HMOs increased 11.8% (to 8.5 in 2011 from 7.6 in 2010), this ratio still trailed the corresponding national average of 9.4 prescriptions. At 8.9 commercial prescriptions PMPY, HMOs serving Los Angeles had the highest such ratio by California local market.

PRESCRIPTIONS DISPENSED PER COMMERCIAL HMO MEMBER PER YEAR



AVERAGE INGREDIENT COST PER PRESCRIPTION DISPENSED¹



¹ This average is derived by dividing HMO pharmacy expenses by the total number of prescriptions dispensed. Expenses do not include administration and copayment costs.

Data source: IMS Health © 2012



HMO DRUG EXPENDITURES

DRUG COST RATIO FALLS AT CALIFORNIA HEALTH PLANS

In 2011, drug expenditures accounted for 12.8% of total operating costs at HMOs serving the state of California, down from 13.4% in 2010 and from 14.0% in 2009. As a result of this decline, the drug cost ratio at California HMOs was more than a full percentage point lower than the national mean of 13.9%. Of the eight California local markets profiled, drug costs accounted for the lowest shares of total operating expenses at Oakland and San Diego HMOs (both at 11.8%) in 2011.

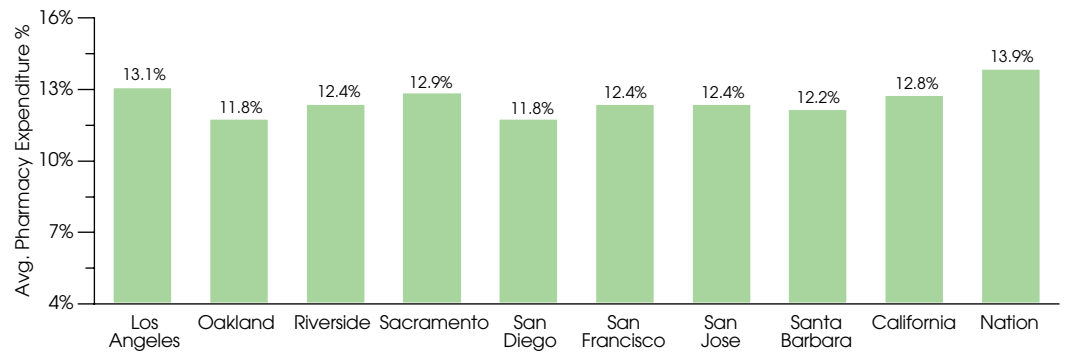
HMO DRUG EXPENDITURES RISE SLIGHTLY IN CALIFORNIA

After rising a notable 14.0% between 2009 (\$436) and 2010 (\$497), drug expenditures per member per year (PMPY) at HMOs across the state of California rose 4.2% in 2011, to \$518. Drug expenditures PMPY also increased modestly at HMOs nationally over this time, to \$578 from \$562 the year before, or 2.8%. Of the eight California local markets, drug expenditures PMPY exceeded the national average in just one—Los Angeles, at \$610.

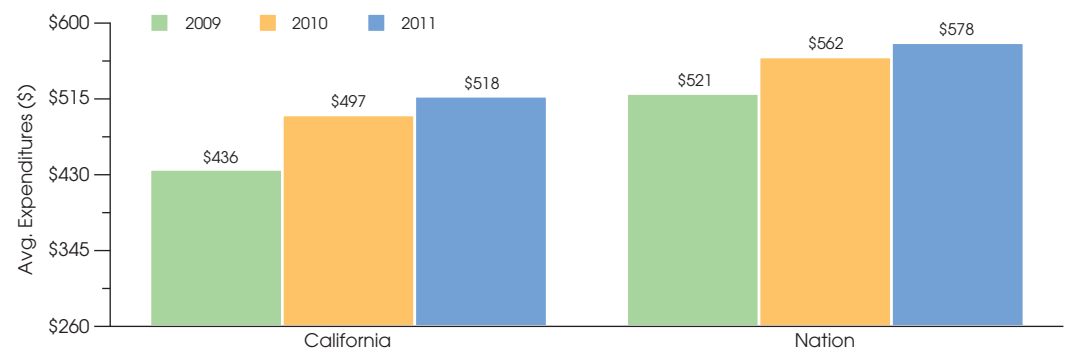
HMO DRUG EXPENDITURES

MARKET	Drug Costs as a Percentage of Operating Expenses			Expenditures per Member per Year for Drugs ¹		
	2009	2010	2011	2009	2010	2011
Los Angeles	12.5%	13.6%	13.1%	\$458	\$514	\$610
Oakland	12.6	12.6	11.8	445	487	497
Riverside	14.1	13.7	12.4	470	564	574
Sacramento	13.0	12.4	12.9	467	499	469
San Diego	12.6	11.8	11.8	408	434	435
San Francisco	13.8	12.0	12.4	436	476	526
San Jose	13.0	12.0	12.4	414	484	498
Santa Barbara	12.4	11.8	12.2	436	501	511
California	14.0	13.4	12.8	436	497	518
NATION	14.0%	13.7%	13.9%	\$521	\$562	\$578

HMO DRUG COSTS AS A PERCENTAGE OF OPERATING EXPENSES, 2011



HMO DRUG EXPENDITURES PER MEMBER PER YEAR¹



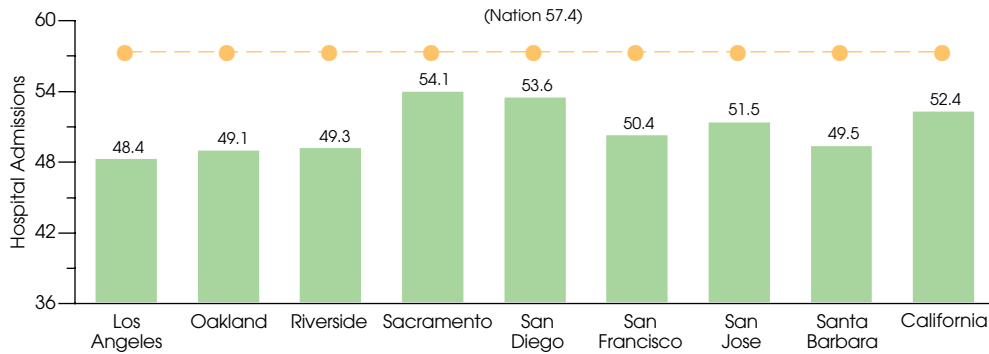
Data source: IMS Health © 2012

¹ Rounded to the nearest dollar. Expenditures do not include administration and copayment costs.

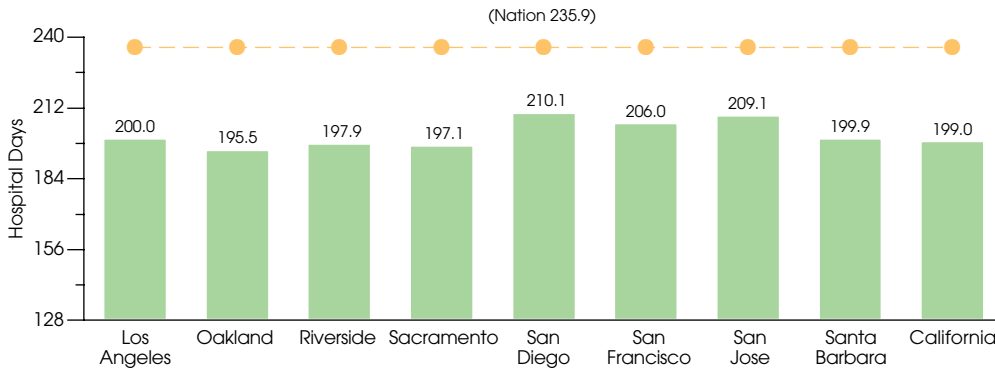
ACCOUNTABLE CARE



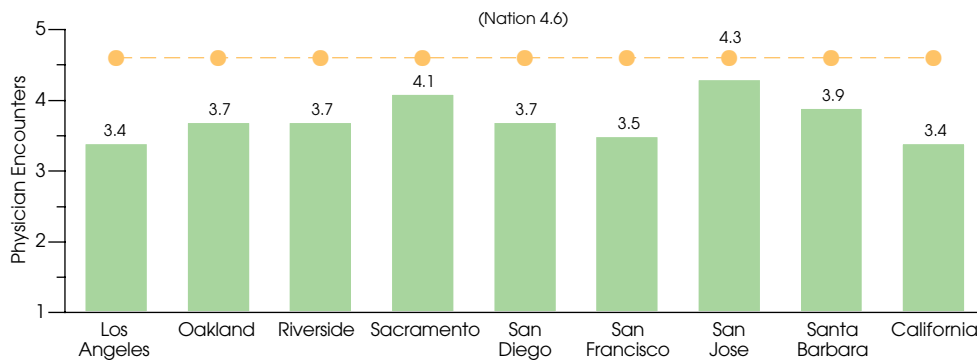
HOSPITAL ADMISSIONS PER 1,000 NON-MEDICARE HMO MEMBERS, 2011



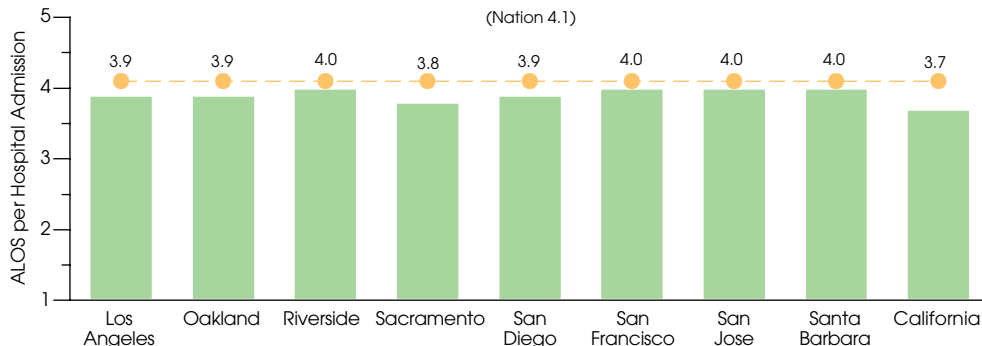
HOSPITAL DAYS PER 1,000 NON-MEDICARE HMO MEMBERS, 2011



PHYSICIAN ENCOUNTERS PER NON-MEDICARE HMO MEMBER PER YEAR, 2011



ALOS (DAYS) PER NON-MEDICARE HOSPITAL ADMISSION, 2011



HOSPITAL DAYS RATIOS FOR CALIFORNIA NON-MEDICARE HMO MEMBERS ARE LOW

Compared with the national average of 235.9, HMOs serving any of nine profiled California markets reported fewer hospital days per 1,000 non-Medicare HMO members in 2011. For example, this hospital days ratio was 195.5 in Oakland, lowest among the markets shown, and 17.1% below the national average. Meanwhile, HMOs serving San Diego, which had the highest such ratio by California local market, at 210.1, was still 10.9% lower than the national mean.

PHYSICIAN ENCOUNTER RATIO IS WELL BELOW THE NATIONAL MEAN AT CALIFORNIA HMOs

HMOs serving the state of California reported 3.4 physician encounters per non-Medicare HMO member in 2011, 26.1% below the national average of 4.6. Of the eight California local markets listed, HMOs serving only two—Sacramento (4.1) and San Jose (4.3)—reported physician encounter ratios among non-Medicare HMO members that exceeded 4.0.

Data source: IMS Health © 2012



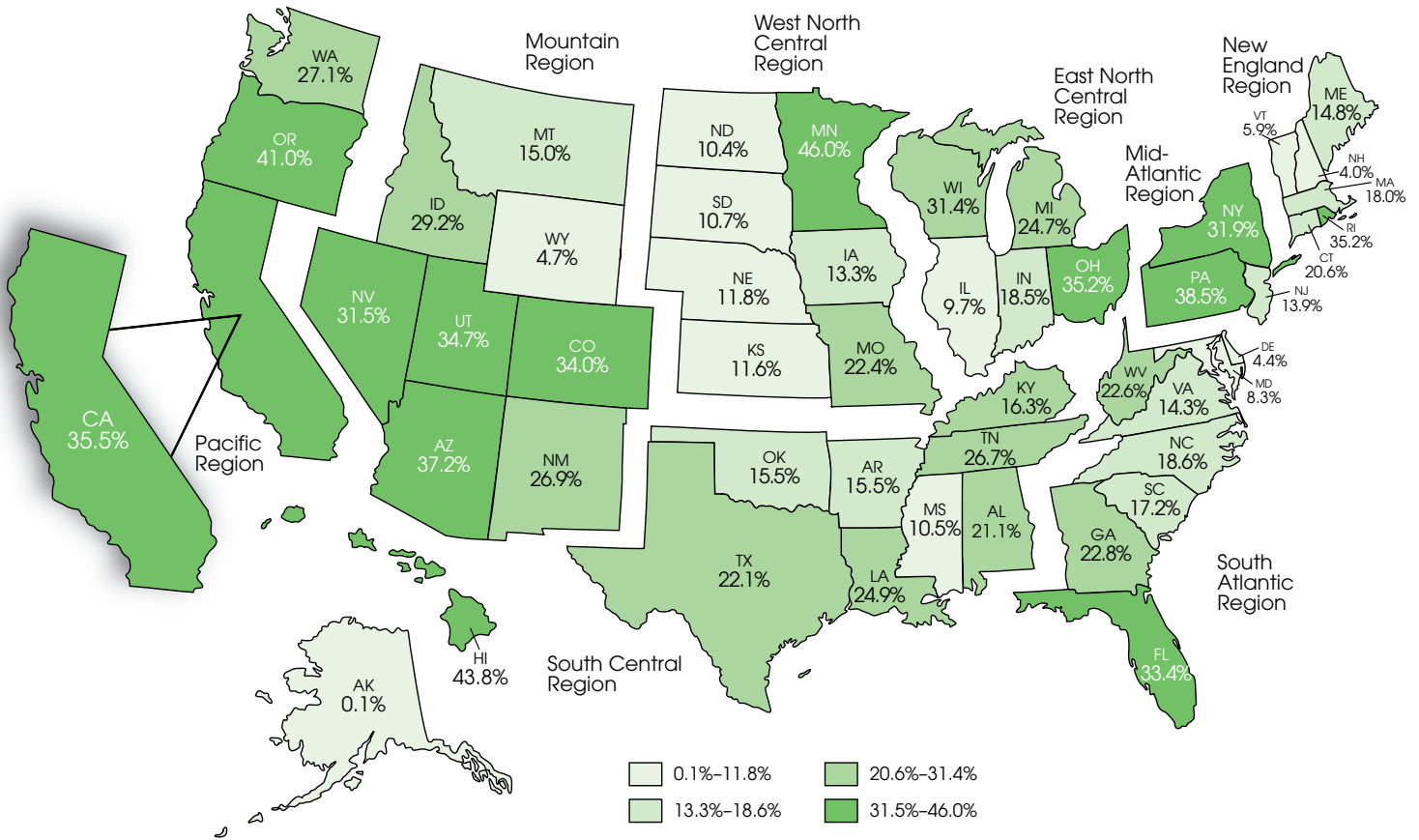
MEDICARE ADVANTAGE

CALIFORNIA MA PENETRATION RATE IS AMONG THE HIGHEST NATIONWIDE

In 2011, 35.5% of Medicare beneficiaries in California were enrolled in Medicare Advantage (MA) plans, the sixth-highest MA penetration by state. Indeed, California recorded the highest state MA enrollment total in 2011, at 1.77 million, accounting

for 14.2% of such enrollment nationwide (12.5 million). Prescription drug plan (PDP) enrollment was likewise highest by state in California (1.75 million), with such California PDP enrollees making up 9.1% of total U.S. PDP enrollment in 2011.

MEDICARE ADVANTAGE PENETRATION, BY STATE, 2011¹



TOTAL NUMBER OF PDP ENROLLEES						
MARKET	2006	2007	2008	2009	2010	2011
California	1,591,862	1,623,399	1,640,272	1,678,428	1,661,055	1,749,903
NATION	17,122,032	17,255,429	17,275,394	18,263,154	18,278,843	19,230,125

Data source: IMS Health and Centers for Medicare and Medicaid Services © 2012

¹ Medicare Advantage (MA) data for 2011 are July totals. MA enrollment includes members of HMOs, PPOs, private fee-for-service (PFFS) plans and other plan types. In the state of California, the overwhelming majority of MA plan members were enrolled in HMOs.

MEDICARE ADVANTAGE



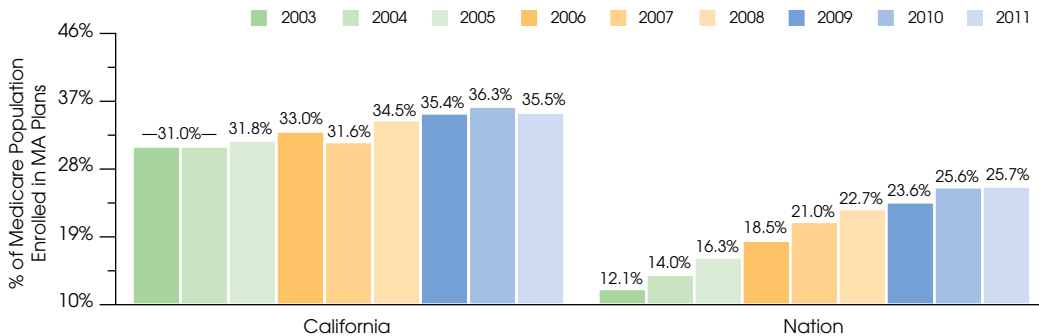
MEDICARE ADVANTAGE ENROLLMENT, 2003–2011¹

YEAR	California	Nation
2003	1,322,123	5,140,293
2004	1,341,359	5,120,966
2005	1,393,240	5,999,376
2006	1,449,282	7,181,084
2007	1,412,343	9,397,889
2008	1,610,063	10,414,821
2009	1,680,458	10,990,158
2010	1,734,900	11,541,872
2011	1,766,531	12,454,064

CALIFORNIA MEDICARE ADVANTAGE ENROLLMENT CONTINUES TO RISE IN 2011

Between midyear 2010 (1.73 million) and midyear 2011 (1.77 million), the total number of Medicare beneficiaries enrolled in Medicare Advantage (MA) plans serving the state of California edged up 1.8%, the fourth consecutive annual increase in this measure. By comparison, the number of Medicare beneficiaries enrolled in MA plans nationally climbed 7.9% over this time, to 12.5 million in 2011 from 11.5 million the previous year.

MEDICARE ADVANTAGE PENETRATION, 2003–2011^{1,2}



MA PENETRATION RATE IN CALIFORNIA FAR EXCEEDS THE NATIONAL AVERAGE

Of Medicare beneficiaries in the state of California, a substantial 35.5% were enrolled in MA plans in 2011, down from 36.3% the year before, but still nearly 10 percentage points higher than the corresponding national average (25.7%). Since 2008 (31.6%), MA penetration across the state of California has increased by almost four percentage points.

MEDICARE ADVANTAGE ENROLLMENT/PENETRATION BY MSA, 2007–2011^{1,2}

MARKET	2007		2008		2009		2010		2011	
	Number	%	Number	%	Number	%	Number	%	Number	%
Los Angeles	464,475	31.9%	538,623	36.4%	586,741	39.0%	616,082	39.8%	473,614	39.0%
Riverside	175,116	38.6	209,214	45.2	228,099	48.2	240,520	49.2	250,374	49.2
Sacramento	114,523	41.1	117,677	41.3	123,149	42.0	126,427	41.7	118,369	40.3
San Diego	145,739	39.1	149,867	39.6	156,154	40.5	161,060	40.6	166,412	40.4
San Francisco	214,133	37.8	219,483	38.2	237,295	40.4	248,428	41.2	106,923	38.1
San Jose	69,912	34.4	71,946	34.5	75,293	35.5	78,797	35.8	78,328	35.3

Data source: IMS Health and Centers for Medicare & Medicaid Services © 2012

¹ National Medicare Advantage (MA) data for 2011 are July totals. MA enrollment includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.

² The penetration rate reflects the percentage of the Medicare population enrolled in Medicare Advantage plans.

NOTE: Medicare Advantage data were unavailable for the Oakland and Santa Barbara MSAs.



MEDICAID IN CALIFORNIA

PROGRESSIVELY PROMOTING LOCALLY ACCOUNTABLE SYSTEMS OF CARE

California’s experiments with Medi-Cal (California’s term for Medicaid) Managed Care started in the 1980s, with programs in San Mateo, Santa Barbara and Monterey Counties. Monterey faltered, but San Mateo and Santa Barbara advanced. The state government created four separate models for Medi-Cal in the mid-1990s, expanding coverage to more than half of the state’s beneficiaries. These models now have a 15- to 17-year record, which can be tracked and compared.

Long before the passing of the Affordable Care Act (ACA), financial and clinical quality information from actual experience influenced California policy. Favorable cost and quality performance of locally governed systems of care

heavily influenced California’s pursuit of the 1115 Waiver, which will bring previously “unmanaged” counties and Medi-Cal beneficiaries into organized systems of accountable care. Favorable experience also expanded access to coordinated care systems to individuals with disabling conditions and dual eligibility for Medicare and Medicaid (the dual eligibles “Medi-Medis” or elderly living in poverty).

All of the Medi-Cal managed care plans guarantee access to a primary care medical home with an open door—an otherwise elusive goal. All of the county programs are locally governed, heavily monitored, audited by multiple agencies and publicly reported for a host of quality and utilization statistics, paralleling the commercial “side.”

FOUR MEDI-CAL MODELS

County Organized Health System (COHS)

COHS is a locally governed, public health plan which provides or arranges care to all “aid codes,” which is to say mothers and children, as well as adults with both poverty and disabling conditions, as well as Medi-Medis. COHS plans are the only option for Medi-Cal beneficiaries in those counties, and because of that limitation of choice, both federal and state oversight is intense and transparency is high. Because these COHS plans provide care to elders and people with complex conditions, long-term care and pharmacy costs run high compared to plans which serve only limited populations (i.e., mothers and children). COHS plans need an expansive provider network that closely resembles what a commercial health plan must offer. All five COHS systems active in the 1990s have had success, and three have expanded to one or more adjacent counties.

The 17 “Local Initiatives” (LIs) or “Two-Plan”

Counties have likewise survived from the mid-1990s. The LIs arrange or deliver care for mothers and children living in poverty—the Temporary Assistance for Needy Families (TANF) population. LI activity is heavily concentrated on women’s reproductive health and children’s preventive services, which have high stakes but relatively lower complexity and total cost. LIs are further distinguished from COHS in the obligation to offer beneficiaries a choice between the public option, which, like COHS, is a public, quasi-governmental organization and a commercial health plan. As the 1115 Waiver and dual eligibles are added to the responsibilities of the LIs, the LIs

have needed to considerably amp up care management infrastructure to approximate the mature systems of the COHS. LACare, the public option for Los Angeles County, is the largest LI in the state and the nation, and its systems and contractual relationships have become influential to health care reform.

Geographic Managed Care (GMC)

GMC is found in two counties: Sacramento and San Diego. In the GMC counties, the population is divided up by residence areas, each of which is served by a distinct provider system. In these two counties, each provider system had an established track record. GMC, like LIs, originally focused upon the TANF population, but they are preparing for the more difficult challenges of adults and elders with complex conditions.

“Traditional” Fee for Service Medi-Cal

Centrally administered by the state, the “old” Medi-Cal had few fans among physicians and hospitals because of low rates and poor communication. There was no ability to offer care management, no guaranteed access to care, and only nominal recourse for complaints, grievances and even ordinary requests. Unlike the Medi-Cal managed care plans, there was minimal measurement of utilization and quality performance. One by one, “traditional” counties have been added to the umbrellas of adjacent managed care counties, with most of the remaining ones characterized by small populations and rural geography. That amalgamation process is expected to accelerate in the next several years.

—Content provided by Wells Shoemaker MD, Medical Director, California Association of Physician Groups

MEDICAID MCO/HMO MEASURES



MEDICAID MCO ENROLLMENT

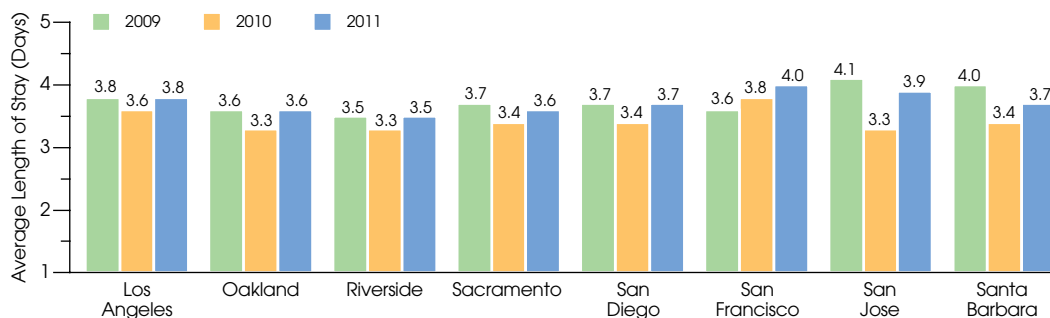
MARKET	Number of Medicaid MCO Members	
	2010	2011
Los Angeles	1,272,816	1,363,347
Oakland	196,921	220,607
Riverside	486,503	547,326
Sacramento	195,006	209,099
San Diego	214,923	246,340
San Francisco	110,979	137,673
San Jose	133,245	143,673
Santa Barbara	63,032	65,055
California	4,008,547	4,527,405
NATION	38,252,368	40,568,869

Percentage of Medicaid Recipients in MCOs
California 2011: 61.5% **Nation 2011: 77.1%**

UTILIZATION RATES FOR MEDICAID MEMBERS IN HMOs

MARKET	Hospital Days per 1,000 Medicaid HMO Members			ALOS (days) per Medicaid Hospital Admission			MD Encounters per Medicaid HMO Member			Ambulatory Visits per Medicaid HMO Member ¹		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	227.7	206.7	239.2	3.8	3.6	3.8	3.4	3.2	3.3	1.4	1.6	1.5
Oakland	230.6	200.8	213.4	3.6	3.3	3.6	4.1	3.9	3.1	1.9	2.1	1.2
Riverside	244.6	218.2	246.8	3.5	3.3	3.5	3.6	3.3	3.7	1.3	1.7	1.6
Sacramento	253.6	216.0	250.5	3.7	3.4	3.6	4.1	3.5	3.6	1.1	1.8	1.6
San Diego	266.3	237.0	292.0	3.7	3.4	3.7	3.5	3.0	3.4	2.8	3.0	2.7
San Francisco	298.2	227.2	263.7	3.6	3.8	4.0	4.0	3.5	3.0	3.5	2.8	1.7
San Jose	237.4	215.3	237.0	4.1	3.3	3.9	3.6	3.3	3.5	1.1	1.5	1.4
Santa Barbara	257.5	191.0	225.5	4.0	3.4	3.7	4.2	2.5	3.9	1.6	2.0	2.0
California	235.1	213.9	249.1	3.5	3.4	3.7	3.7	3.5	3.0	2.0	2.1	1.4
NATION	371.0	369.0	366.3	3.9	3.9	4.1	4.4	4.8	4.4	2.1	2.3	2.3

AVERAGE LENGTH OF STAY PER MEDICAID HMO HOSPITAL ADMISSION



California 2009: 3.5 **Nation 2009: 3.9**
California 2010: 3.4 **Nation 2010: 3.9**
California 2011: 3.7 **Nation 2011: 4.1**

Data source: IMS Health © 2012

¹ Ambulatory visits differ from physician encounters. Ambulatory visits are visits by an HMO member to an HMO clinic or physician's office when a physician is not seen, usually for tests, prescription refills, injections, immunizations, etc. Physician encounters are self-explanatory. The two pieces of data added together equal total encounters.

MEDICAID MCO ENROLLMENT GROWS ACROSS THE STATE OF CALIFORNIA IN 2011

The number of Medicaid recipients enrolled in managed care organizations (MCOs) increased between 2010 and 2011 in all eight California local markets and across the state as a whole (to 4.5 million from 4.0 million, or 12.9%). MCOs serving the Los Angeles market enrolled 1.4 million Medicaid recipients in 2011, accounting for more than 30% of total Medicaid MCO enrollment statewide.

HOSPITAL DAYS PER 1,000 RATIO GROWS SHARPLY AT CALIFORNIA MEDICAID HMOs

The number of hospital days per 1,000 Medicaid HMO members increased in California in 2011, to 249.1 from 213.9 in 2010. In spite of this growth, the California Medicaid hospital days ratio remained well below the corresponding national average (366.3). Average length of stay (ALOS) per Medicaid hospital admission likewise rose in California during this time, to 3.7 days from 3.4 the year before. Still, ALOS per Medicaid hospital admission in California was 9.8% shorter than the national average of 4.1 days in 2011.



TOP 25 ACTIVE MEDICAL GROUPS

TOP 25 CALIFORNIA MEDICAL GROUPS CONTRACT WITH FAR MORE PHYSICIANS IN 2012

As of August 2012, the top 25 California medical groups (ranked by HMO enrollment) contracted with a total of 60,523 physicians (17,114 primary care physicians and 43,409 specialists), up more than 35% from 44,781 the previous year. The Heritage Provider Network, which ranked fourth among active medical groups in California, contracted with the greatest number of physicians as of August 2012, at 11,619.

KAISER-OPERATED GROUPS CONTRACT WITH THE MOST PRIMARY CARE PHYSICIANS

Two Kaiser operated groups—Southern California Permanente Medical Group and Permanente Medical Group—contracted with a combined 5,022 primary care physicians as of August 2012, and ranked first and second, respectively, in this measure. Meanwhile, the top four California medical groups all used the group model. In total, 11 of the top 25 active California medical groups included this model type, while 16 of the top 25 used the IPA model type.

¹ Medical groups with at least six PCPs and accepting contracts directly from HMOs.
NOTE: Data are as of August 1, 2012.

TOP 25 ACTIVE CALIFORNIA MEDICAL GROUPS, RANKED BY HMO ENROLLMENT, 2012¹

MEDICAL GROUP	Model Type	Location	Number of Contracted PCPs	Number of Contracted Specialists	Total Number of Contracted Physicians
Southern California Permanente Medical Group	Group	Pasadena	2,566	3,124	5,690
Permanente Medical Group	Group	Oakland	2,456	3,527	5,983
HealthCare Partners Medical Group	Group/ IPA	Torrance	1,174	2,441	3,615
Heritage Provider Network, Inc.	Group/ IPA	Reseda	2,149	9,470	11,619
Hill Physicians Medical Group	IPA	San Ramon	937	2,443	3,380
Employee Health Systems (EHS)	IPA	Monterey Park	552	1,945	2,497
Vantage Medical Group	IPA	Corona	500	2,600	3,100
Health Care LA, IPA	IPA	Woodland Hills	543	1,127	1,670
Monarch Healthcare	IPA	Irvine	767	1,500	2,267
LaSalle Medical Associates	Group	Woodland Hills	644	1,314	1,958
PrimeCare Medical Network	IPA	Ontario	365	2,100	2,465
St. Joseph Heritage Medical Group	Group	Fullerton	415	1,035	1,450
Brown & Toland Physicians	IPA	San Francisco	546	1,593	2,139
Preferred IPA of California	IPA	Glendale	420	560	980
Sharp Healthcare/Sharp Rees-Stealy Medical Group	Group	San Diego	164	221	385
Accountable Health Care IPA	IPA	Signal Hill	192	350	542
Sharp Community Medical Group	IPA	San Diego	229	501	730
Palo Alto Medical Foundation	Group	Palo Alto	478	685	1,163
Physicians' Healthways	IPA	Diamond Bar	574	719	1,293
CHOC Physicians Network	IPA	Orange	350	700	1,050
Facey Medical Foundation	Group	Mission Hills	112	257	369
Santé Community Physicians	IPA	Fresno	340	765	1,105
Greater Newport Physicians Medical Group	IPA	Newport Beach	160	483	643
Contra Costa Health Services	Group	Martinez	301	3,264	3,565
UC Davis Medical Group	Group	Sacramento	180	685	865
TOTAL			17,114	43,409	60,523

Data source: Cattaneo & Stroud © 2012

DEMOGRAPHICS/UTILIZATION



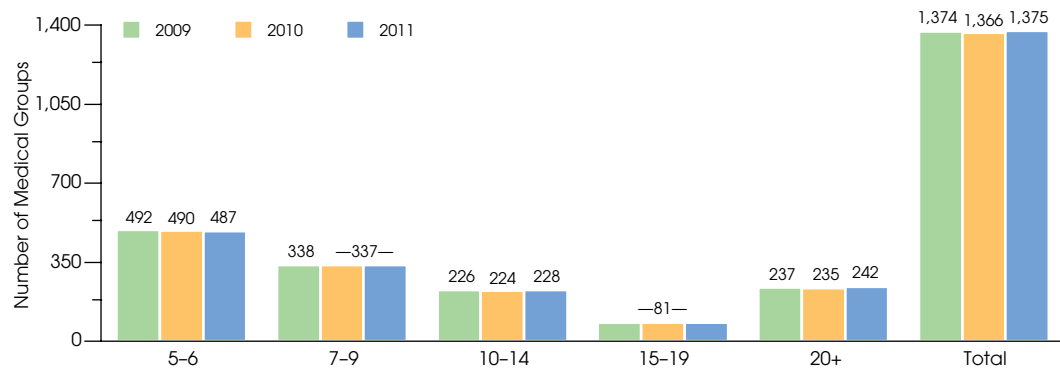
NUMBER OF MEDICAL GROUPS WITH FIVE OR MORE FTE PHYSICIANS, 2011

SIZE (# of MDs)	Los Angeles	Oakland	Riverside	Sacramento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
5-6	128	36	23	26	43	31	17	10	487	5,671
7-9	75	31	19	17	35	27	17	2	337	3,263
10-14	63	21	17	16	29	14	10	2	228	1,783
15-19	21	8	6	4	11	6	6	—	81	628
20+	61	18	22	11	33	18	14	3	242	1,493
TOTAL	348	114	87	74	151	96	64	17	1,375	12,838
SPECIALTY COMPOSITION										
Single Specialty	122	59	32	34	43	44	21	7	548	7,159
Multispecialty	226	55	55	40	108	52	43	10	827	5,679
TOTAL	348	114	87	74	151	96	64	17	1,375	12,838

NUMBER OF CALIFORNIA MEDICAL GROUPS WITH 5+ PHYSICIANS RISES IN 2011

After a modest decline between 2009 (1,374) and 2010 (1,366), the number of medical groups across the state of California with five or more full-time equivalent (FTE) physicians rebounded in 2011, to 1,375. In 2011, more than one in 10 (10.7%) medical groups of this size operating nationally were located in California.

NUMBER OF MEDICAL GROUPS, BY NUMBER OF FTE PHYSICIANS, CALIFORNIA



SURGERY, LAB AND IMAGING SERVICES ARE LOW AMONG CALIFORNIA MEDICAL GROUPS

Although the percentages of California medical groups that performed surgery (to 53.0% from 52.7% in 2010), provided clinical labs (to 41.5% from 40.9%) or offered imaging services (to 54.9% from 54.4%) increased fractionally, these shares still trailed the corresponding national averages in 2011. Among the eight California local markets profiled, only medical groups in San Diego recorded utilization rates that surpassed the national means in all three categories profiled.

MEDICAL GROUP SERVICES

MARKET	Groups That Perform Surgery (%)			Groups That Have Clinical Labs (%)			Groups That Offer Imaging Services (%)		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	58.3%	58.5%	58.7%	44.1%	44.5%	45.1%	59.8%	59.8%	59.7%
Oakland	42.9	42.2	42.2	38.6	38.6	38.6	45.0	45.0	45.0
Riverside	56.8	56.8	56.2	36.8	36.8	35.8	52.8	52.8	52.1
Sacramento	52.5	52.5	52.5	27.9	27.9	27.9	38.8	38.8	38.8
San Diego	54.5	53.4	56.5	54.2	52.7	56.6	62.7	61.0	65.8
San Francisco	38.3	38.3	38.3	27.1	27.1	27.1	42.3	42.3	42.3
San Jose	50.0	50.0	50.0	60.0	60.0	60.0	51.9	51.9	51.9
Santa Barbara	47.1	47.1	47.1	26.7	26.7	26.7	43.8	43.8	43.8
California	52.8	52.7	53.0	41.0	40.9	41.5	54.6	54.4	54.9
NATION	54.2%	54.2%	54.3%	49.5%	49.5%	49.5%	64.2%	64.1%	62.3%

Data source: IMS Health © 2012

NOTE: IMS Health defines the medical groups represented in this Data Summary as those with five or more FTE physicians whose primary business is seeing regularly scheduled patients for nonsurgical services other than imaging. Physicians must have a share in the practice and offer outpatient care, and the practice must be physically separate from a hospital. Anesthesiology and pathology groups are excluded.



PHARMACY SERVICES

LARGE SHARES OF L.A., SAN DIEGO MEDICAL GROUPS PROVIDE RX SERVICES

More than half of California medical groups provided pharmacy services in 2011, up to 51.4% from 50.6% in 2010. By local market, only Los Angeles and San Diego reported increases in this measure, with the latter jumping nearly six percentage points, to 65.4% from 59.6%. Across the nation, the share of medical groups providing pharmacy services remained stagnant, at 60.2%.

PORTION OF CA MEDICAL GROUPS OFFERING FULL PHARMACY OPTIONS RECEDES

Of the nine California markets profiled, only one—Los Angeles (to 41.0% from 40.7%)—reported an increased share of medical groups offering a full pharmacy option in 2011. Riverside (to 28.1% from 30.3%), San Diego (to 25.0% from 32.1%) and California (to 32.1% from 33.4%) recorded dips in this measure, and each reported rising percentages of medical groups offering pharmacy samples. Nationwide, this trend held true with a fractional drop in the share of medical groups offering full pharmacy services and a minimal increase in the share offering samples.

¹ Medical groups with full pharmacies offer a complete range of medication types; those with limited pharmacy services offer a smaller range, often in particular therapeutic classes; others provide patients only with samples of medications.

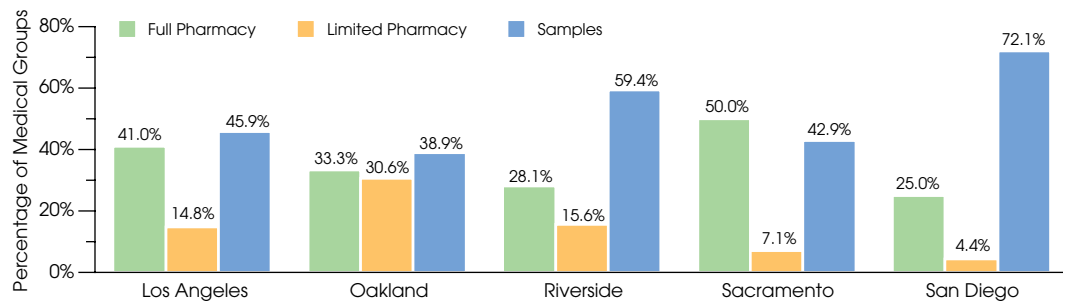
MEDICAL GROUPS WITH PHARMACY SERVICES

MARKET	Provide Pharmacy Services			Do Not Provide Pharmacy Services		
	2009	2010	2011	2009	2010	2011
Los Angeles	55.4%	54.9%	55.2%	44.6%	45.1%	44.8%
Oakland	50.7	50.7	50.7	49.3	49.3	49.3
Riverside	48.5	48.5	47.8	51.5	51.5	52.2
Sacramento	32.6	32.6	32.6	67.4	67.4	67.4
San Diego	61.7	59.6	65.4	38.3	40.4	34.6
San Francisco	46.4	46.4	46.4	53.6	53.6	53.6
San Jose	57.1	57.1	57.1	42.9	42.9	42.9
Santa Barbara	33.3	33.3	33.3	66.7	66.7	66.7
California	51.0	50.6	51.4	49.0	49.4	48.6
NATION	60.2%	60.2%	60.2%	39.8%	39.8%	39.8%

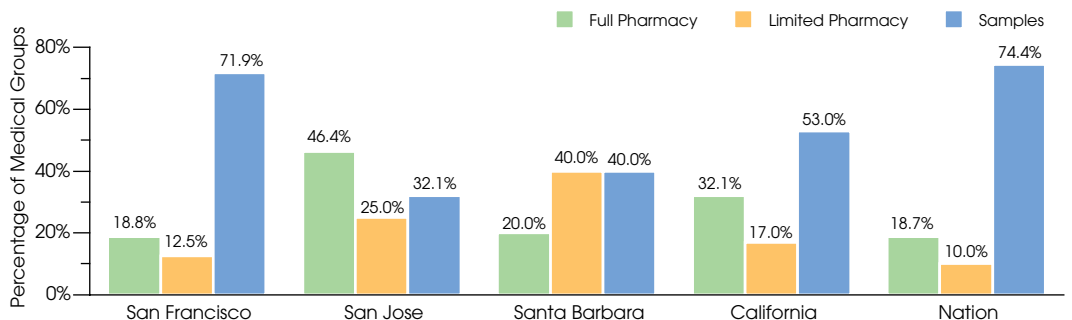
MEDICAL GROUPS, BY TYPE OF PHARMACY SERVICE¹

MARKET	Full Pharmacy			Limited Pharmacy			Samples		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	40.3%	40.7%	41.0%	14.5%	14.6%	14.8%	46.8%	46.3%	45.9%
Oakland	33.3	33.3	33.3	30.6	30.6	30.6	38.9	38.9	38.9
Riverside	30.3	30.3	28.1	15.2	15.2	15.6	57.6	57.6	59.4
Sacramento	50.0	50.0	50.0	7.1	7.1	7.1	42.9	42.9	42.9
San Diego	29.3	32.1	25.0	5.2	5.7	4.4	67.2	64.2	72.1
San Francisco	18.8	18.8	18.8	12.5	12.5	12.5	71.9	71.9	71.9
San Jose	46.4	46.4	46.4	25.0	25.0	25.0	32.1	32.1	32.1
Santa Barbara	20.0	20.0	20.0	40.0	40.0	40.0	40.0	40.0	40.0
California	33.0	33.4	32.1	17.2	17.5	17.0	51.9	51.3	53.0
NATION	19.0%	19.0%	18.7%	10.0%	10.0%	10.0%	74.2%	74.2%	74.4%

MEDICAL GROUPS, BY TYPE OF PHARMACY SERVICE, 2011¹



MEDICAL GROUPS, BY TYPE OF PHARMACY SERVICE, 2011¹



Data source: IMS Health © 2012

MANAGED CARE



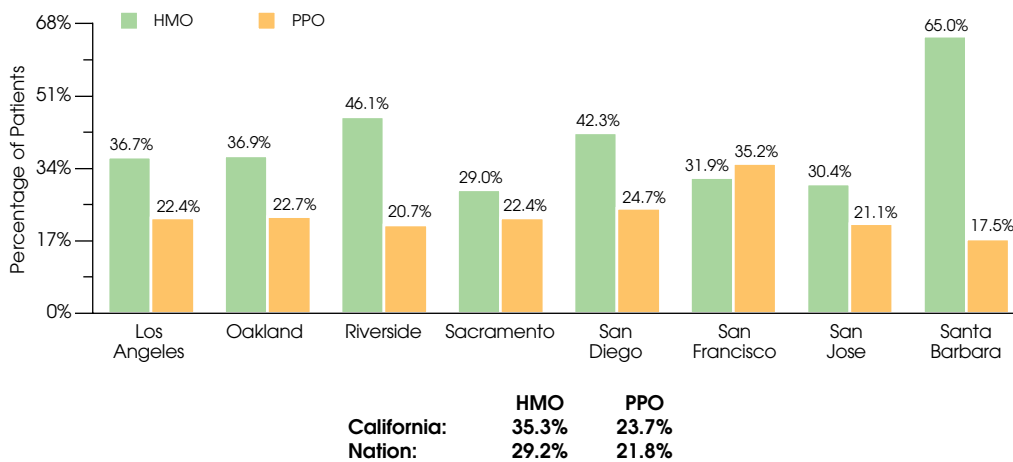
MEDICAL GROUP PATIENT MIX, BY PAYER TYPE¹

MARKET	HMO		PPO		Indemnity		Medicaid		Medicare	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Los Angeles	37.3%	36.7%	21.9%	22.4%	4.5%	4.4%	5.8%	5.7%	17.4%	17.6%
Oakland	33.5	36.9	29.3	22.7	2.9	3.0	5.4	4.7	15.6	17.9
Riverside	46.1	46.1	20.7	20.7	3.1	3.1	7.2	7.2	11.9	11.9
Sacramento	29.0	29.0	22.4	22.4	5.9	5.9	11.0	11.0	15.2	15.2
San Diego	43.1	42.3	21.8	24.7	2.5	1.7	5.4	3.6	19.5	19.5
San Francisco	31.9	31.9	35.2	35.2	4.3	4.3	4.0	4.0	11.6	11.6
San Jose	37.1	30.4	16.9	21.1	6.7	6.6	8.6	7.0	20.6	18.3
Santa Barbara	65.0	65.0	17.5	17.5	2.0	2.0	5.0	5.0	8.0	8.0
California	35.9	35.3	23.4	23.7	3.7	3.8	9.9	8.8	16.1	16.3
NATION	29.2%	29.2%	21.8%	21.8%	7.4%	7.4%	12.1%	11.9%	20.3%	20.2%

MEDICARE/MEDICAID PAYER SHARES ARE LOW AMONG CALIFORNIA MEDICAL GROUPS

Compared with the corresponding national averages in 2011, patients treated by medical groups in any of nine California markets listed were less likely to have Medicare or Medicaid coverage. For example, just 8.0% of patients treated by medical groups in Santa Barbara were covered by Medicare, more than 12 percentage points lower than the national average (20.2%).

MEDICAL GROUP PATIENT MIX, BY PAYER TYPE, 2011¹



HMO PAYER SHARE IS HIGH FOR CALIFORNIA GENERAL SURGERY MEDICAL GROUPS

Of patients treated at California medical groups with a general surgery specialty in 2011, nearly half (49.4%) were paid for by HMOs, the highest percentage by specialty. The HMO payer shares for internal medicine (45.9%) and oncology (45.0%) medical groups in California were also noteworthy. Meanwhile, just 3.0% of patients treated at general surgery medical groups in California were covered by Medicaid in 2011, the lowest such share by specialty.

MEDICAL GROUP PAYER TYPE, BY SPECIALTY, CALIFORNIA¹

SPECIALTY	HMO		PPO		Indemnity		Medicaid		Medicare	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Cardiology	37.2%	36.4%	23.2%	25.2%	2.5%	1.8%	5.4%	4.0%	24.0%	25.2%
Family Practice	39.6	39.1	19.8	20.4	3.1	2.8	13.0	11.7	14.7	15.6
General Surgery	50.7	49.4	21.6	22.7	3.3	2.5	4.1	3.0	15.3	17.0
Internal Medicine	47.4	45.9	18.9	20.9	3.3	2.8	6.4	5.3	16.4	16.8
Obstetrics/Gynecology	39.1	39.9	22.5	22.5	2.9	2.3	10.6	9.1	12.2	14.3
Oncology	44.8	45.0	21.9	23.0	3.0	2.1	7.6	5.4	15.1	17.0
Orthopedics	33.9	35.0	24.1	23.1	3.3	2.8	8.3	6.0	18.2	18.2
Pediatrics	38.6	39.3	25.4	25.9	3.3	3.1	10.9	9.1	10.3	12.1

Data source: IMS Health © 2012

¹ Data represent the percentage of patients for which medical groups receive reimbursement of a particular type (e.g., Medicare).



HOSPITAL LEADERS

TOTAL NUMBER OF ADMISSIONS RISES AMONG TOP 30 CALIFORNIA HOSPITALS

In accordance with a modest increase in the total number of staffed beds (to 16,606 in 2010 from 16,094 in 2009), the total number of admissions at California's top 30 hospitals (as ranked by number of staffed beds) edged up 1.1% in 2010, to 692,855 from 685,077 the year before.

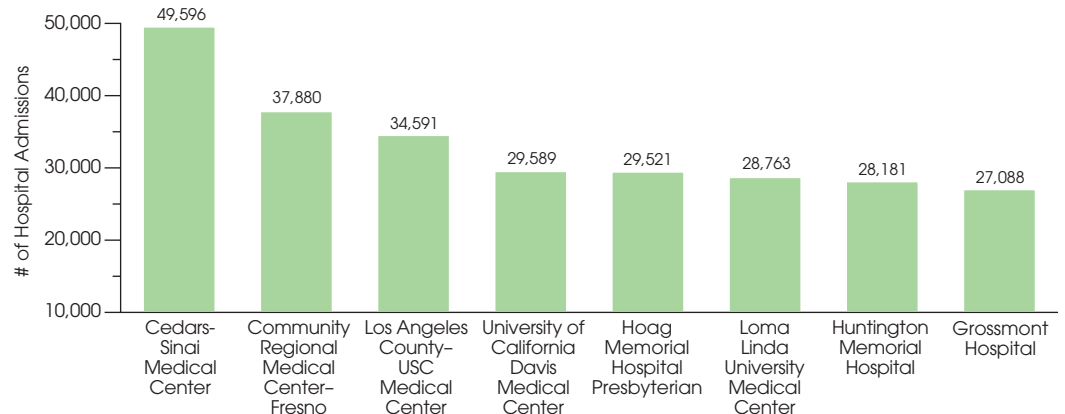
TOP 30 CALIFORNIA HOSPITALS REPORT A SHARP DECLINE IN AVERAGE OCCUPANCY

After rising two percentage points between 2007 (62.6%) and 2009 (64.6%), the average occupancy rate for the top 30 California hospitals fell 3.5 percentage points (to 61.1%) in 2010. Of the top 30 California hospitals, four—Cedars-Sinai Medical Center, Los Angeles County-USC Medical Center, UCSF Medical Center and Ronald Reagan UCLA Medical Center—reported average occupancy rates that exceeded 75% in 2010, down from six of the top 30 hospitals the previous year.

TOP 30 HOSPITALS, RANKED BY NUMBER OF STAFFED BEDS, 2010

HOSPITAL NAME	Number of Staffed Beds	Number of Hospital Admissions	Average Occupancy	Average Length of Stay ¹
Cedars-Sinai Medical Center	968	49,596	78.0%	5.6
Los Angeles County-USC Medical Center	731	34,591	77.2	6.0
Loma Linda University Medical Center	728	28,763	70.6	6.5
Sharp Memorial Hospital	643	18,330	40.7	5.2
Huntington Memorial Hospital	642	28,181	54.7	4.6
University of California Davis Medical Center	629	29,589	73.2	5.7
Community Regional Medical Center-Fresno	626	37,880	74.9	4.5
Stanford Hospital	613	24,072	60.3	5.6
UCSF Medical Center	606	25,644	77.6	6.7
San Francisco General Hospital	598	14,570	53.2	6.8
Los Angeles County Harbor-UCLA Medical Center	587	23,715	59.3	5.4
Santa Clara Valley Medical Center	586	26,607	63.7	5.1
Providence Little Company of Mary Subacute Care	556	7,457	25.7	5.4
Grossmont Hospital	536	27,088	63.3	4.3
St. Joseph Hospital-Orange	525	22,521	44.9	3.8
Kaweah Delta Medical Center	518	20,877	59.0	4.6
Scripps Mercy Hospital-San Diego	517	20,737	50.6	4.6
San Mateo Medical Center	509	3,637	47.8	6.4
Hoag Memorial Hospital Presbyterian	498	29,521	66.6	4.1
St. Bernardine Medical Center	463	17,007	44.6	4.4
Long Beach Memorial Medical Center	462	24,138	74.6	4.7
Methodist Hospital of Southern California	460	15,451	49.7	5.1
Kaiser Foundation Hospital-Fontana	458	26,235	64.4	4.1
Glendale Adventist Medical Center-Wilson Terrace	457	18,413	68.5	5.7
Ronald Reagan UCLA Medical Center	456	23,158	98.1	7.1
Hemet Valley Medical Center	454	11,353	39.9	4.4
Pomona Valley Hospital Medical Center	453	21,878	67.9	4.7
Riverside County Regional Medical Center	447	21,233	71.4	5.5
Presbyterian Intercommunity Hospital	444	16,643	44.9	4.0
St. Agnes Medical Center	436	23,970	68.4	4.5
TOTAL	16,606	692,855	61.1%	5.2

HIGHEST NUMBER OF HOSPITAL ADMISSIONS, 2010



Data source: IMS Health © 2012

¹ Average length of stay data shown for these hospitals represent only the acute-care portion of the hospitals' occupancy.

HOSPITAL UTILIZATION



SELECTED UTILIZATION STATISTICS FOR HOSPITALS, 2010¹

MEASURE	Los Angeles	Oakland	River-side	Sacra-mento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
Total Facility Admissions	10,984.7	8,904.3	10,341.5	12,440.9	12,829.5	7,996.9	13,285.4	6,796.4	8,918.2	7,290.1
Total Facility Patient-Days	56,966.7	43,444.7	48,040.1	62,624.3	67,068.9	46,676.8	66,000.9	41,892.4	44,397.2	35,844.0
Total Facility ALOS	6.1	5.7	4.7	5.4	6.9	5.7	5.2	8.0	5.6	4.8
Inpatient Surg./ Staffed Bed	10.5	12.3	13.1	13.0	13.9	11.8	12.2	9.8	12.4	12.0
Outpatient Surg. per Day	9.1	9.3	8.6	14.6	13.0	8.8	14.5	7.7	8.9	10.3
Outpatient Surg. as a Percentage of Total Surg.	51.8%	57.9%	53.6%	57.5%	50.9%	58.0%	54.4%	69.4%	56.4%	70.2%

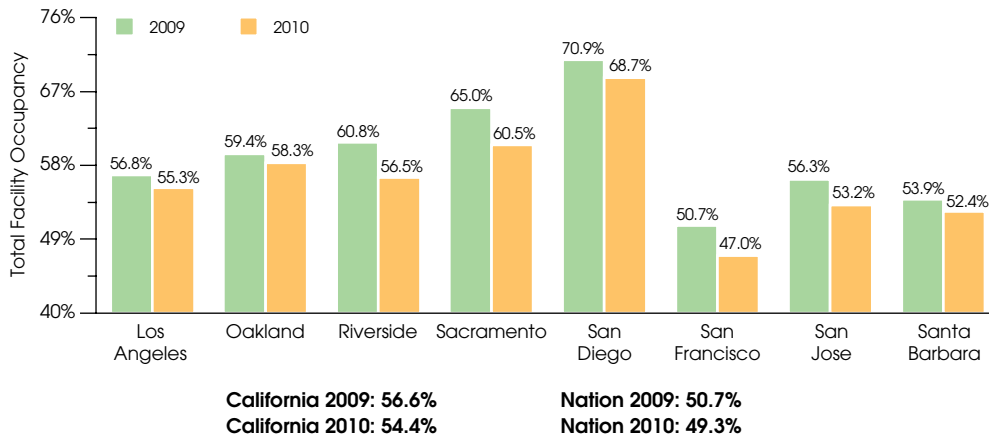
INPATIENT SURGERY RATES TOP THE NATIONAL AVERAGE IN MOST CALIFORNIA MARKETS

Of the nine California markets listed, the number of hospital inpatient surgeries per staffed bed surpassed the national mean (12.0) in six in 2010. By comparison, the number of outpatient surgeries per day trailed the corresponding national average at hospitals in six of nine California markets shown. Hospitals in San Diego reported the highest inpatient surgery ratio, by California local market, at 13.9 per staffed bed, while Sacramento hospitals had the highest number of outpatient surgeries per day, at 14.6.

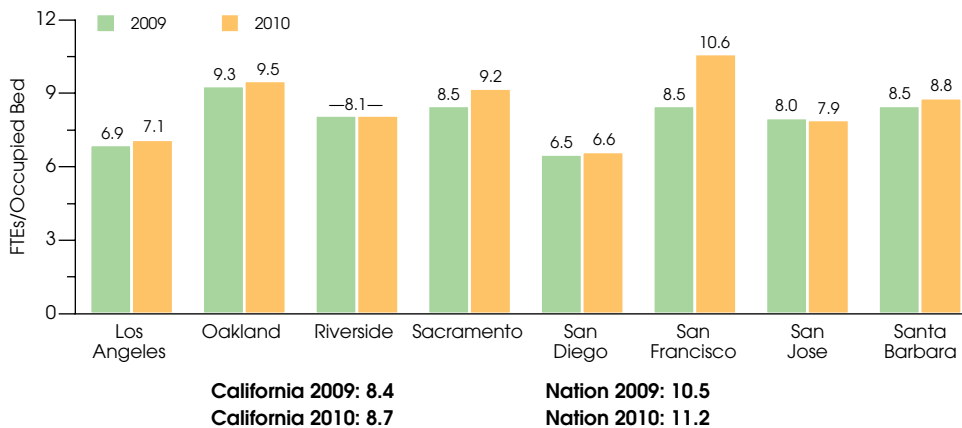
OCCUPANCY RATES FALL AT HOSPITALS ACROSS THE STATE OF CALIFORNIA

Total facility occupancy rates fell between 2009 and 2010 in all nine California markets profiled, mimicking the overall national trend (to 49.3% from 50.7% the year before). In Riverside, for example, occupancy rates fell more than four percentage points (to 56.5% from 60.8% in 2009) over this time. Although total facility occupancy declined across the board in California, occupancy rates still exceeded the national benchmark in every market except San Francisco (47.0%).

TOTAL FACILITY OCCUPANCY¹



FTEs/OCCUPIED BED²



Data source: IMS Health © 2012

¹ Total facility figures reflect all portions of the hospital's occupancy.

² "FTE" is full-time equivalent

NOTE: Hospital utilization data represent patients of all payer types.



HOSPITAL OPERATING COSTS

TOTAL COSTS PER ADMISSION INCREASE ACROSS THE BOARD IN CALIFORNIA

Between 2009 and 2010, total costs per hospital admission rose for all nine California markets profiled. Such costs likewise exceeded the national average (\$20,844) in seven of the nine California markets (Los Angeles and Riverside excepted), most notably at San Francisco hospitals, at \$32,990.

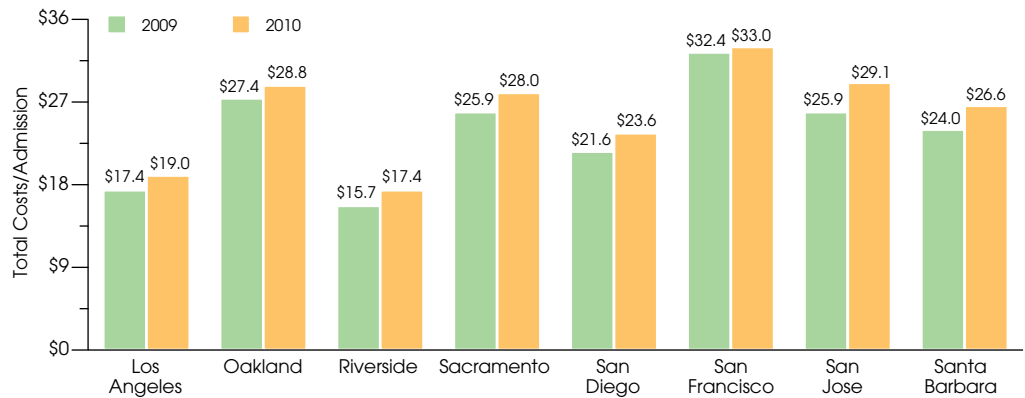
SALARY COSTS PER FTE ARE RELATIVELY HIGH ACROSS THE STATE OF CALIFORNIA

In 2010, salary costs per full-time equivalent (FTE) employee surpassed the corresponding national mean (\$59,405) in all eight California local markets and across the state as a whole (\$79,065). Of the California markets shown, salary costs per FTE were highest at San Jose hospitals (\$112,093) and lowest at Riverside facilities (\$72,969). Still, salary costs per FTE were nearly 23% higher at Riverside hospitals than at hospitals across the nation in 2010.

SELECTED FINANCIAL RATIOS FOR HOSPITALS (IN THOUSANDS), 2010

CATEGORY	Los Angeles	Oakland	Riverside	Sacramento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
Total Costs/ Occupied Bed	\$1,404.6	\$2,139.1	\$1,478.8	\$1,979.9	\$1,604.8	\$2,204.9	\$2,733.3	\$1,924.4	\$1,821.6	\$1,800.6
Total Costs/ Admission	19.0	28.8	17.4	28.0	23.6	33.0	29.1	26.6	22.9	20.8
Total Costs/ Patient-Day	3.8	5.9	4.1	5.4	4.4	6.0	7.5	5.3	5.0	5.1
Labor Costs/ Patient-Day	1.8	3.2	1.8	2.9	2.1	3.1	3.3	1.6	2.3	1.9
Salary Costs/FTE	74.8	96.1	73.0	93.2	78.1	97.9	112.1	79.9	79.1	59.4
Total Costs/ FTE	186.8	217.0	171.7	212.4	198.7	239.1	241.2	203.5	189.7	152.1

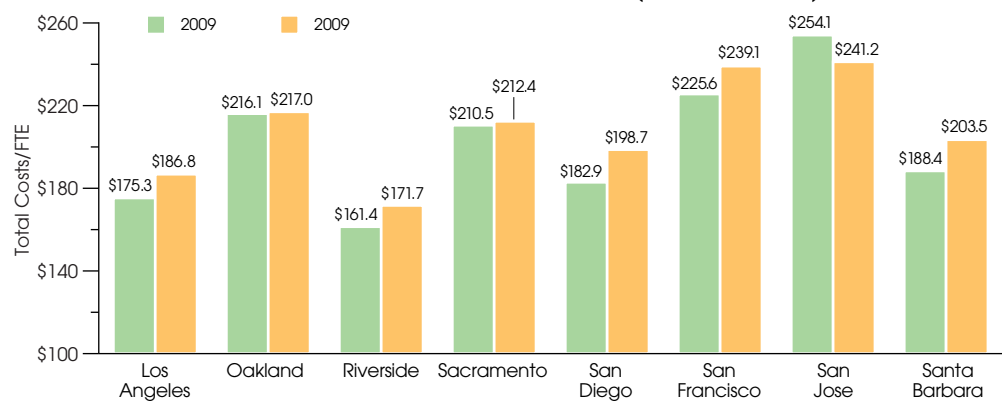
TOTAL COSTS PER HOSPITAL ADMISSION (IN THOUSANDS)



California 2009: \$21.2
California 2010: \$22.9

Nation 2009: \$19.7
Nation 2010: \$20.8

TOTAL COSTS PER FTE FOR HOSPITALS (IN THOUSANDS)



California 2009: \$181.7
California 2010: \$189.7

Nation 2009: \$149.1
Nation 2010: \$152.1

Data source: IMS Health © 2012

SPECIALTY RETAIL DRUG UTILIZATION



DRUG UTILIZATION AND SPENDING FOR SELECTED SPECIALTY RXs, CALIFORNIA¹

DRUG CLASS	Product	Total Retail Rx's		Total Retail Rx Spending (in \$ Thousands)	
		July 2010–June 2011	July 2011–June 2012	July 2010–June 2011	July 2011–June 2012
Arthritis	Enbrel	30,415	27,180	\$52,741	\$51,165
	Humira	18,289	17,146	35,392	36,567
Hematinics	Procrit	27,235	24,760	28,054	31,096
	Aranesp	5,146	3,813	8,033	6,039
	Epogen	3,143	2,976	1,910	1,547
Hepatitis	Pegasys	7,591	9,762	17,193	23,062
HIV	Truvada	128,373	143,461	128,430	154,517
	Norvir	125,281	142,759	41,542	43,961
	Atripla	85,031	91,272	133,850	148,544
Hypertension	Revatio	13,209	12,034	19,594	20,859
Immunosuppressants	Protopic	36,167	37,047	7,399	8,881
Multiple Sclerosis	Copaxone	8,954	8,321	31,339	33,510
	Avonex	5,323	4,347	15,972	15,022
	Betaseron	3,800	2,904	11,465	9,967
	Rebif	2,182	1,891	6,140	6,330
Oncology	Femara	87,755	13,556	41,565	7,364
	Arimidex	31,508	11,211	13,533	5,168
	Casodex	2,005	896	1,256	642
Osteoporosis	Forteo	26,748	27,135	27,464	30,608
Systemic Antibiotics	Tobi	2,005	1,626	8,204	7,320

RETAIL RX SPENDING RISES IN CALIFORNIA FOR MOST SPECIALTY DRUG PRODUCTS

Between midyear 2011 and midyear 2012, total retail drug spending in California rose for 11 of 20 specialty drugs profiled. For example, retail drug spending increased for each of three specialty products that treated human immunodeficiency virus (HIV). By comparison, retail prescription spending dropped sharply for all three specialty products in the oncology category.

OOP COSTS FOR SPECIALTY DRUGS ARE HIGH FOR THIRD PARTY PAYERS IN CALIFORNIA

Excluding out-of-pocket (OOP) costs for those patients who paid cash for their specialty prescriptions, such costs were highest, by payer, for third parties for 17 of the 20 specialty drug products listed. Meanwhile, Medicaid reported the lowest such OOP costs, by payer, for 18 of the 19 products for which Medicaid costs were shown (Aranesp, a specialty hematinic drug excluded).

AVERAGE OUT-OF-POCKET COSTS FOR SELECTED SPECIALTY RXs, BY PAYER, CALIFORNIA, 2012¹

DRUG CLASS	Product	Third Party	Medicare Part D	Medicaid	Cash
Arthritis	Enbrel	\$127	\$89	\$16	\$2,176
	Humira	138	71	13	2,329
Hematinics	Procrit	139	51	36	1,068
	Aranesp	128	64	86	2,395
	Epogen	90	59	10	374
Hepatitis	Pegasys	161	112	17	2,714
HIV	Truvada	64	53	18	1,071
	Norvir	38	19	13	301
	Atripla	91	71	14	1,635
Hypertension	Revatio	93	80	11	1,478
Immunosuppressants	Protopic	52	33	13	240
Multiple Sclerosis	Copaxone	288	125	10	3,999
	Avonex	75	134	11	3,313
	Betaseron	61	107	12	3,488
	Rebif	211	111	11	3,341
Oncology	Femara	94	66	25	399
	Arimidex	75	40	38	500
	Casodex	101	77	—	1,033
Osteoporosis	Forteo	157	92	33	1,321
Systemic Antibiotics	Tobi	311	335	11	3,935

Data source: IMS Health © 2012

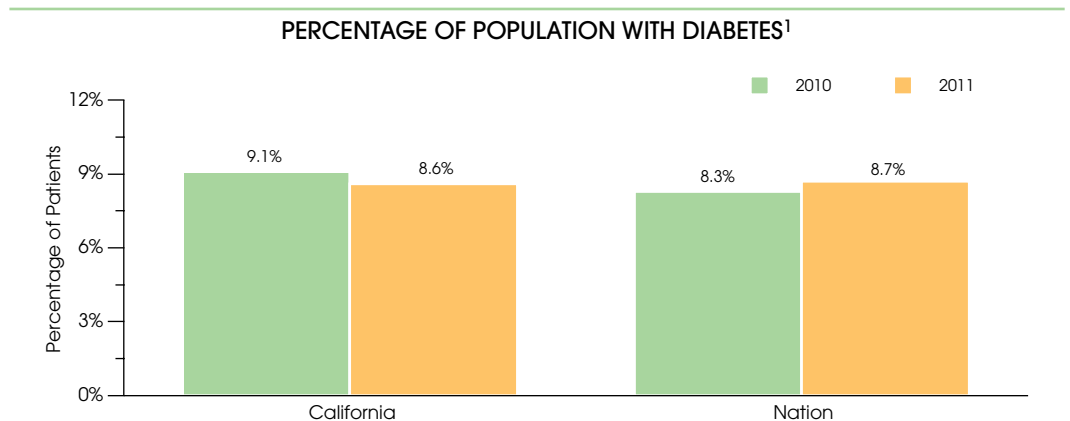
¹ Data are current as of midyear 2012, and represent the numbers/percentages of prescriptions dispensed, by drug class, to all patients between July 2010 and June 2012.



DIABETES: DEMOGRAPHICS

PERCENTAGE OF CALIFORNIA POPULATION WITH DIABETES FALLS MODESTLY IN 2010

The percentage of surveyed California residents who were told by a physician that they had diabetes dropped in 2010, to 8.6% from 9.1% the previous year. As a result of this decline, the share of the California population identified as being diabetic was fractionally lower than the corresponding national average (8.7%) in 2010.



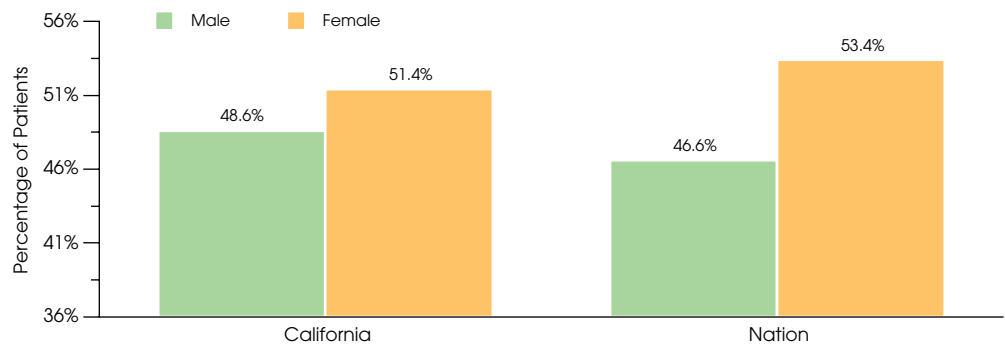
Data source: Centers for Disease Control and Prevention's Behavioral Risk Factor Surveillance System (BRFSS), 2011

TYPE 2 DIABETES PATIENTS IN CALIFORNIA ARE MORE LIKELY TO BE 80+ YEARS OF AGE

In six of the eight California markets profiled (Riverside and San Diego excepted), patients diagnosed with Type 2 diabetes in 2011 were more apt than their national counterparts to be at least 80 years of age. The Santa Barbara (17.3%) and San Francisco markets (16.2%) had the highest percentages of Type 2 diabetes patients in this oldest age category in 2011.

MARKET	0-17	18-35	36-64	65-79	80+
Los Angeles	0.8%	4.0%	46.8%	34.7%	13.7%
Oakland	0.5	2.3	42.0	40.0	15.3
Riverside	0.4	3.2	46.7	37.0	12.7
Sacramento	0.6	2.8	48.4	35.3	12.9
San Diego	0.4	3.5	52.8	31.4	12.0
San Francisco	0.3	2.2	44.4	36.9	16.2
San Jose	0.4	2.8	48.6	33.3	15.0
Santa Barbara	0.4	2.0	41.2	39.1	17.3
California	0.5	3.2	47.3	35.5	13.6
NATION	0.4%	2.9%	47.8%	36.1%	12.8%

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY GENDER, 2011²



Data source: IMS Health © 2012

¹ Percentages do not include those patients with pregnancy-related or pre- or borderline diabetes.

² On pages 22-27, the percentages are representative of the universe of Type 2 diabetes patients on whom claims data have been collected in a given year.



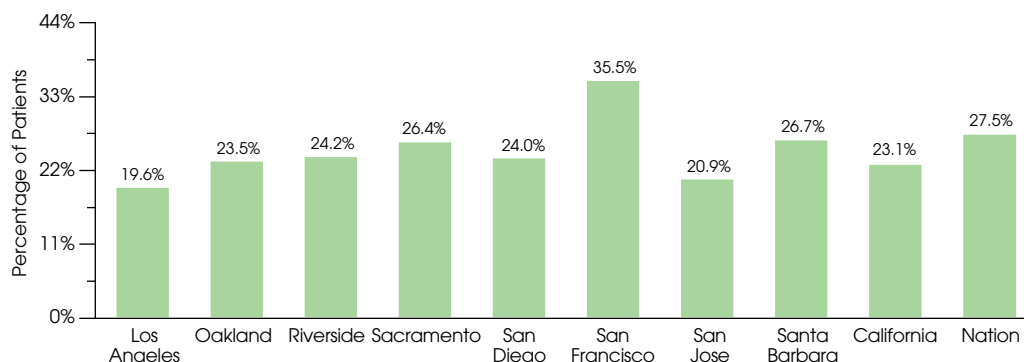
PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY NUMBER OF COMPLICATIONS¹

MARKET	0		1		2		>2	
	2010	2011	2010	2011	2010	2011	2010	2011
Los Angeles	55.2%	60.7%	16.0%	17.7%	8.6%	8.0%	20.2%	13.6%
Oakland	53.4	59.8	16.6	16.6	9.0	8.1	21.0	15.4
Riverside	52.8	57.4	16.0	18.4	9.1	8.3	22.1	15.9
Sacramento	51.5	56.5	15.2	17.1	9.4	9.0	23.8	17.4
San Diego	53.0	59.6	16.3	16.4	8.8	7.9	21.9	16.1
San Francisco	47.7	50.0	13.5	14.5	7.5	7.9	31.4	27.6
San Jose	59.0	64.2	15.9	14.8	8.0	7.0	17.1	13.9
Santa Barbara	52.7	57.0	15.8	16.3	9.9	9.7	21.5	17.0
California	53.3	60.4	15.7	16.6	8.6	8.0	22.5	15.1
NATION	54.1%	56.5%	16.4%	16.1%	9.1%	8.8%	20.4%	18.7%

SHARE OF CALIFORNIA TYPE 2 PATIENTS WITH MORE THAN TWO COMPLICATIONS DROPS

In 2011, 15.1% of Type 2 diabetes patients across the state of California were diagnosed with more than two complications from their disease, down from 22.5% the previous year, and nearly four percentage points lower than the corresponding national average (18.7%). The shares of Type 2 diabetes patients with more than two diagnosed complications likewise declined in all eight California local markets over this time.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS DIAGNOSED WITH TWO OR MORE COMPLICATIONS, 2011¹



CARDIOVASCULAR DISEASE RATES ARE LOW AMONG CA TYPE 2 DIABETES PATIENTS

In all nine California markets shown, Type 2 diabetes patients were less likely than their national peers (58.5%) to be diagnosed with a complication of cardiovascular disease in 2011. However, Type 2 diabetes patients in five California local markets and across the state as a whole were more inclined than such patients nationally (28.8%) to be diagnosed with nephropathy as a complication of their disease.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY TYPE OF COMPLICATION, 2011¹

MARKET	Cardiovascular Disease	Neuropathy	Nephropathy	Retinopathy	Hypoglycemia
Los Angeles	50.0%	28.7%	30.6%	16.7%	10.7%
Oakland	55.4	25.7	27.7	22.3	4.3
Riverside	47.9	30.8	40.6	17.9	6.0
Sacramento	48.3	26.5	28.5	30.9	5.5
San Diego	45.8	29.3	36.1	21.0	6.0
San Francisco	41.7	22.1	54.5	18.4	4.6
San Jose	50.4	20.9	37.1	17.4	6.4
Santa Barbara	38.9	21.4	21.8	51.5	2.7
California	51.4	27.6	33.3	18.7	6.9
NATION	58.5%	30.3%	28.8%	18.2%	7.0%

Data source: IMS Health © 2012

¹ A complication is defined as a patient condition caused by the Type 2 diabetes of the patient. These conditions are a direct result of having Type 2 diabetes. Complications of Type 2 diabetes include, but are not limited to, cardiovascular disease, hypoglycemia, nephropathy, neuropathy and retinopathy.



DIABETES: DEMOGRAPHICS

LARGE SHARES OF CALIFORNIA TYPE 2 PATIENTS HAVE NO DIAGNOSED COMORBIDITIES

Between 2010 and 2011, the percentages of Type 2 diabetes patients without a diagnosed comorbidity grew in all nine California markets profiled. For example, in Los Angeles, 53.0% of Type 2 diabetes patients did not have a diagnosed comorbidity in 2011, up from 48.4% the year before. All nine California markets had comorbidity-free patient shares that exceeded the national average of 38.4%.

HYPERTENSION RATES ARE RELATIVELY LOW FOR TYPE 2 PATIENTS IN CALIFORNIA

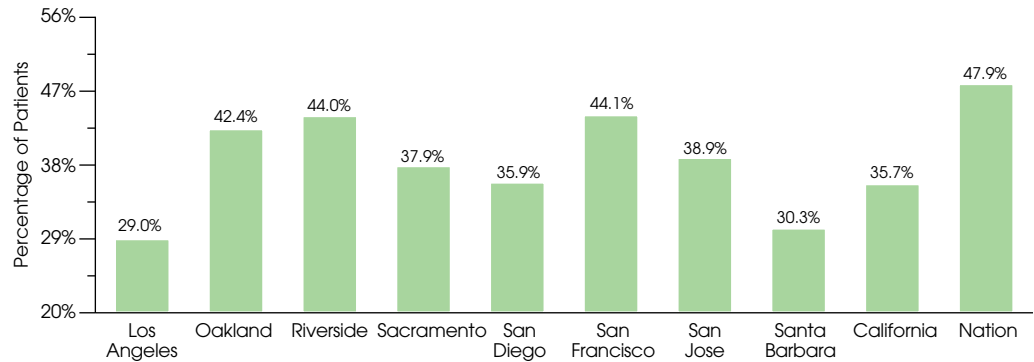
In 2011, Type 2 diabetes patients in all nine California markets were less apt than such patients nationally to be diagnosed with hypertension as a comorbidity. At 77.8%, Type 2 diabetes patients in Riverside were most likely to record such a comorbid diagnosis. Yet, such patients in Riverside were least likely, by California market, to be diagnosed with a comorbidity of hyperlipidemia in 2011.

¹ A comorbidity is a condition a Type 2 diabetes patient may also have, which is not directly related to the diabetes. Comorbidities were narrowed down to a subset of conditions which are typically present in patients with Type 2 diabetes. Comorbidities of Type 2 diabetes may include, but are not limited to, congestive heart failure, dysmetabolic syndrome, hyperlipidemia, hypertension and obesity.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY NUMBER OF COMORBIDITIES¹

MARKET	0		1		2		>2	
	2010	2011	2010	2011	2010	2011	2010	2011
Los Angeles	48.4%	53.0%	16.0%	18.0%	11.7%	12.3%	23.9%	16.7%
Oakland	37.2	40.4	14.3	17.2	13.7	15.2	34.8	27.2
Riverside	42.9	47.9	14.2	18.1	12.8	13.0	30.1	21.0
Sacramento	44.3	47.7	13.0	14.5	11.7	11.9	31.1	26.0
San Diego	44.6	47.3	14.1	16.7	13.0	12.6	28.3	23.3
San Francisco	37.0	41.8	15.1	14.1	12.6	11.7	35.4	32.4
San Jose	40.5	43.3	14.0	17.8	13.4	14.9	32.1	24.0
Santa Barbara	51.1	54.7	14.1	15.1	11.0	11.1	23.9	19.2
California	45.9	47.7	13.8	16.6	12.2	12.7	28.1	23.0
NATION	35.1%	38.4%	13.4%	13.7%	12.5%	12.5%	39.0%	35.4%

PERCENTAGE OF TYPE 2 DIABETES PATIENTS DIAGNOSED WITH TWO OR MORE COMORBIDITIES, 2011¹



PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY TYPE OF COMORBIDITY, 2011¹

MARKET	Hypertension	Hyperlipidemia	Congestive Heart Failure	Obesity	Dysmetabolic Syndrome
Los Angeles	75.1%	54.7%	10.8%	9.8%	0.7%
Oakland	73.8	70.0	9.2	8.6	1.7
Riverside	77.8	51.4	13.2	13.4	0.4
Sacramento	75.5	65.9	11.6	10.9	0.9
San Diego	73.3	58.0	11.7	12.0	1.1
San Francisco	73.2	68.0	10.3	8.4	1.0
San Jose	75.1	66.9	8.7	6.7	1.5
Santa Barbara	75.0	59.4	12.1	8.7	0.4
California	75.9	60.3	11.2	10.2	1.0
NATION	80.6%	65.0%	12.2%	10.5%	0.9%

Data source: IMS Health © 2012

DIABETES: USE OF SERVICES



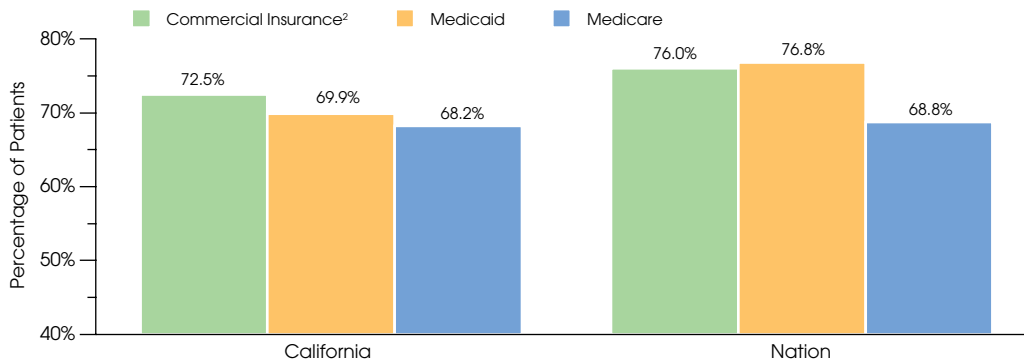
PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY SERVICE

MARKET	A1c Test ¹		Blood Glucose Test		Serum Cholesterol Test		Ophthalmologic Exam		Urine Microalbumin Test	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Los Angeles	69.4%	70.3%	86.2%	87.0%	83.3%	83.7%	63.9%	64.8%	64.8%	65.3%
Oakland	67.4	68.9	85.0	85.6	84.8	85.2	69.1	69.7	65.0	65.0
Riverside	66.8	67.2	84.9	85.6	81.4	82.6	65.8	65.9	63.4	63.8
Sacramento	72.4	72.8	86.4	86.8	85.1	84.9	69.0	68.5	67.7	67.9
San Diego	71.7	72.5	86.3	86.9	84.2	84.6	65.4	65.6	66.1	66.2
San Francisco	70.8	71.6	86.7	86.8	83.6	84.0	69.3	69.0	64.1	64.2
San Jose	72.5	74.3	87.2	87.7	84.8	85.7	66.7	66.6	66.8	67.8
Santa Barbara	69.6	70.3	85.3	85.9	82.9	84.0	77.6	76.5	66.1	66.0
California	69.8	70.7	86.0	86.6	83.4	83.9	65.8	66.1	65.0	65.4
NATION	75.4%	73.2%	87.8%	86.2%	85.1%	84.1%	71.4%	69.1%	72.3%	71.2%

A1c TEST RATES TRAIL THE NATIONAL AVERAGE IN SEVEN CALIFORNIA LOCAL MARKETS

In seven of eight local markets (San Jose excepted) and across the state of California, Type 2 diabetes patients were less likely than their national counterparts to receive at least one A1c test during calendar year 2011. California Type 2 diabetes patients were also less apt than such patients nationally to undergo serum cholesterol or urine microalbumin tests, or receive an eye examination in 2011.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS RECEIVING A1c TESTS, BY PAYER TYPE, 2011¹



SHARE OF CALIFORNIA TYPE 2 PATIENTS WITH AN A1c LEVEL ≤7.0% EXCEEDS THE NATION

Of California Type 2 diabetes patients who received at least one A1c test in calendar year 2011, 55.3% recorded an A1c level at or below 7.0%, more than four percentage points above the national benchmark of 51.1%. Type 2 diabetes patients in San Jose (62.7%) were most likely, by California local market, to be in this controlled A1c range.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY A1c LEVEL RANGE

MARKET	≤7.0%		7.1–7.9%		8.0–9.0%		>9.0%	
	2010	2011	2010	2011	2010	2011	2010	2011
Los Angeles	48.6%	52.1%	23.4%	21.0%	13.1%	12.6%	14.9%	14.4%
Oakland	55.9	59.9	22.0	20.8	11.4	9.8	10.7	9.5
Riverside	51.8	53.2	21.8	19.9	12.7	11.8	13.7	15.1
Sacramento	54.0	57.1	21.5	20.2	12.6	10.2	11.9	12.6
San Diego	53.4	54.8	20.6	19.8	12.6	10.9	13.4	14.6
San Francisco	53.7	58.1	24.5	21.1	11.8	11.2	10.1	9.7
San Jose	59.9	62.7	21.2	19.3	9.8	8.8	9.1	9.2
Santa Barbara	45.9	52.7	21.3	17.6	15.5	10.7	17.3	19.0
California	52.6	55.3	22.1	20.1	12.3	11.4	13.0	13.2
NATION	50.2%	51.1%	22.0%	20.8%	13.3%	12.6%	14.6%	15.5%

¹ The A1c test measures the amount of glucose present in the blood during the past 2–3 months. Figures reflect the percentage of Type 2 diabetes patients who have had at least one A1c test in a given year.

² Includes, HMOs, PPOs, point-of-service plans and exclusive provider organizations.

NOTE: Medicare data include both fee-for-service and Medicare managed care.

Data source: IMS Health © 2012



DIABETES: PHARMACOTHERAPY

INSULIN PRODUCT USE IS LOW AMONG TYPE 2 DIABETES PATIENTS IN CALIFORNIA

In 2011, the percentages of Type 2 diabetes patients who filled a prescription for any insulin products trailed the corresponding national average (33.0%) in seven of eight California local markets (San Diego excepted) and across the state as a whole. In San Francisco, for example, just 24.3% of Type 2 diabetes patients filled prescriptions for insulin products in 2011, more than eight percentage points lower than the respective national average.

PAYMENTS FOR INSULIN ARE LOWER THAN SUCH COSTS FOR THREE NON-INSULINS

Across the state of California, Type 2 diabetes patients who filled prescriptions for insulin products paid on average \$1,607 for their therapy in 2011, 31.9% lower than the yearly payments for three non-insulin antidiabetic products (\$2,361). Average annual payments for three non-insulin prescriptions likewise exceeded such payments for insulin in all eight California local markets profiled in 2011.

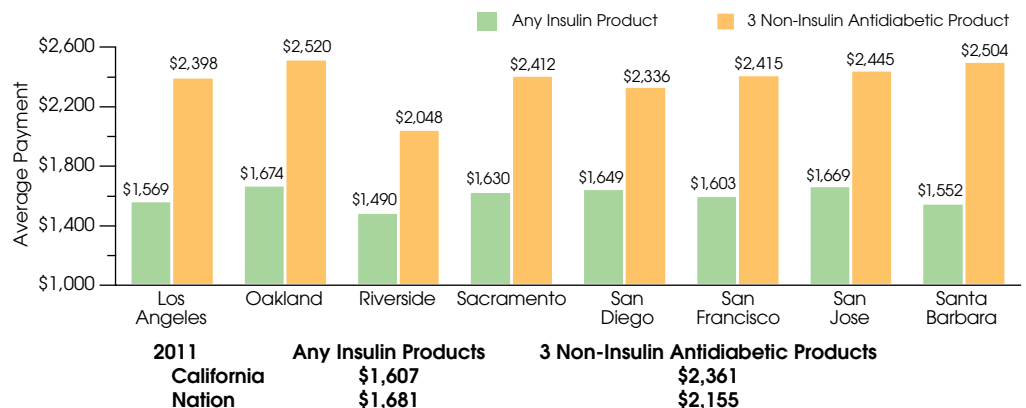
PERCENTAGE OF TYPE 2 DIABETES PATIENTS USING INSULIN THERAPIES, 2011

MARKET	Any Insulin Products	Long-Acting Insulin		Short-Acting Insulin		Rapid-Acting Insulin		Intermediate-Acting Insulin	
		Pens	Vials	Pens	Vials	Pens	Vials	Pens	Vials
Los Angeles	30.1%	8.7%	13.1%	5.3%	10.3%	5.3%	7.8%	0.2%	2.4%
Oakland	28.6	10.4	12.4	7.3	10.6	7.3	8.9	0.3	2.0
Riverside	32.6	8.3	16.6	4.5	13.3	4.5	9.7	0.1	2.8
Sacramento	32.1	10.9	16.2	6.6	12.1	6.6	10.2	0.1	1.8
San Diego	33.4	9.6	17.6	7.0	14.6	7.0	13.0	0.2	1.7
San Francisco	24.3	9.6	9.6	6.7	8.2	6.7	6.9	0.3	1.5
San Jose	25.2	9.8	10.0	6.4	8.4	6.4	6.6	0.4	1.8
Santa Barbara	27.8	9.8	13.3	5.5	9.2	5.5	7.0	—	1.8
California	30.2	9.8	13.7	6.1	11.2	6.1	18.9	0.2	2.0
NATION	33.0%	12.8%	12.1%	8.0%	10.1%	8.0%	8.1%	0.3%	2.0%

PERCENTAGE OF TYPE 2 DIABETES PATIENTS USING NON-INSULIN ANTIDIABETIC THERAPIES

MARKET	Any Non-Insulin Antidiabetic Product			Sulfonylureas			DPP-4 Inhibitors			Insulin Sensitizing Agents			Incretin Mimetic Agents		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Los Angeles	88.6%	88.3%	87.5%	40.2%	39.2%	37.6%	10.7%	12.3%	15.2%	23.8%	21.7%	17.9%	2.8%	2.8%	3.5%
Oakland	86.3	86.7	86.3	36.1	36.2	35.2	9.3	10.8	13.0	23.5	21.2	17.6	2.5	2.8	3.5
Riverside	87.4	87.1	86.7	43.2	42.0	41.3	8.7	9.4	12.2	22.6	20.6	16.6	2.8	3.0	3.4
Sacramento	86.7	86.1	85.8	36.3	35.7	35.9	10.1	11.3	14.5	25.3	23.0	18.8	3.4	3.4	3.5
San Diego	84.7	84.9	83.9	32.1	31.9	30.4	10.1	11.0	12.7	21.8	19.4	15.3	4.1	4.0	5.0
San Francisco	89.5	89.1	89.3	40.6	38.8	38.0	11.6	14.2	16.1	22.1	19.0	15.1	3.6	4.1	4.2
San Jose	91.4	90.6	89.8	38.6	37.2	37.2	9.8	11.2	13.3	25.8	21.8	18.4	2.3	2.7	3.5
Santa Barbara	86.7	87.6	87.2	34.9	33.4	33.1	13.0	13.4	15.8	22.4	20.5	17.9	4.8	5.1	5.9
California	87.7	87.5	86.9	37.9	37.1	36.1	10.2	11.5	13.9	24.0	21.7	17.8	3.3	3.4	4.0
NATION	84.0%	84.3%	84.5%	37.8%	36.1%	35.3%	8.9%	9.8%	11.4%	17.8%	15.7%	12.1%	3.6%	3.9%	4.3%

PAYMENTS PER TYPE 2 DIABETES PATIENT PER YEAR, BY TYPE OF THERAPY, 2011¹



Data source: IMS Health © 2012

¹ Figures reflect the per-patient yearly payments for Type 2 diabetes patients receiving a particular type of therapy.

NOTE: Type 2 diabetes prescription activity covers cash and insurance claims from retail pharmacies.

Dipeptidyl Peptidase 4 (DPP-4) Inhibitors

Inhibit DPP-4 enzymes and slow inactivation of incretin hormones, helping to regulate glucose homeostasis through increased insulin release and decreased glucagon levels.

Incretin Mimetic Agents

Used in conjunction with oral agents; increase glucose-dependent insulin secretion and pancreatic beta-cell sensitivity, reduce glucagon production, slow rate of absorption of glucose in the digestive tract by slowing gastric emptying, and suppress appetite.

Insulin Sensitizing Agents

Increase insulin sensitivity by improving response to insulin in liver, adipose tissue, and skeletal muscle, resulting in decreased production of glucose by the liver and increased peripheral uptake and use of circulating glucose.

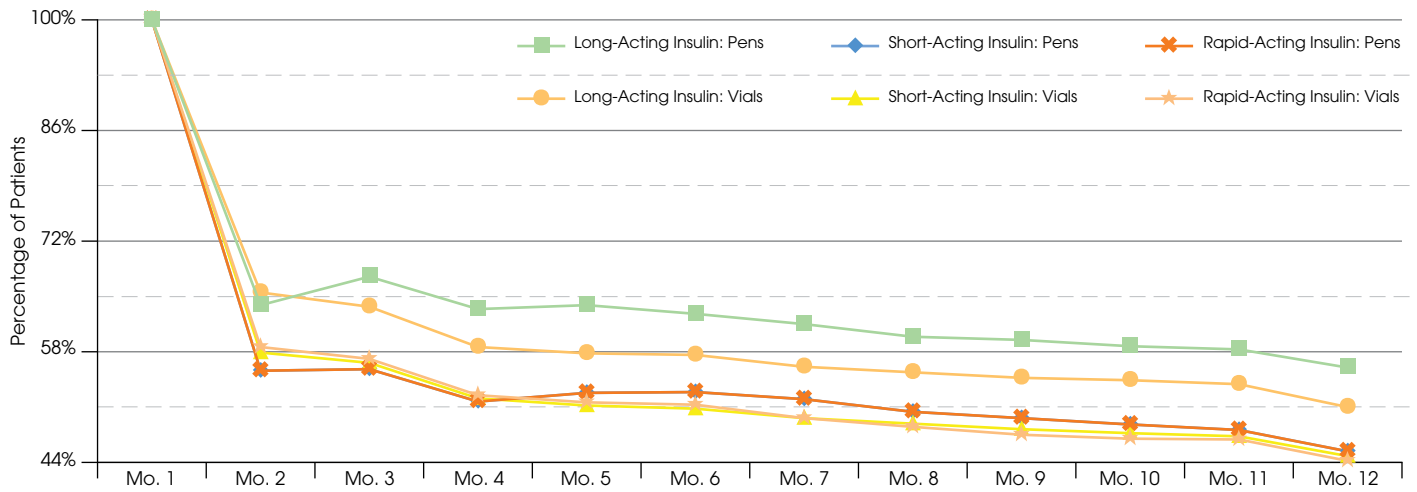
Sulfonylureas

Stimulate the release of insulin in the pancreas.

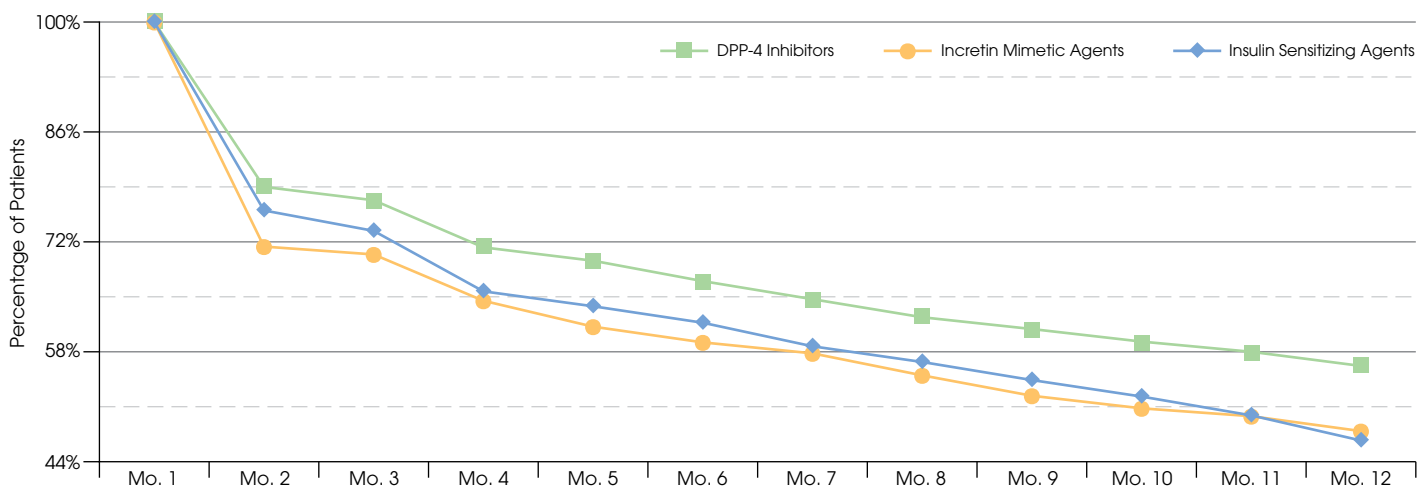
DIABETES: PERSISTENCY/READMISSIONS



PERSISTENCY: VARIOUS INSULIN THERAPIES, CALIFORNIA, 2011



PERSISTENCY: VARIOUS NON-INSULIN ANTIDIABETIC THERAPIES, CALIFORNIA, 2011



READMISSION RATES FOR PATIENTS DIAGNOSED WITH TYPE 2 DIABETES, BY TYPE OF THERAPY, 2009-2011¹

MARKET	3-Day Readmissions		30-Day Readmissions	
	Any Insulin Products	3 Non-Insulin Products	Any Insulin Products	3 Non-Insulin Products
California	7.5%	13.3%	16.4%	24.3%
West Region	7.9	12.7	16.3	23.5
NATION	10.1%	14.3%	19.0%	25.1%

Data source: IMS Health © 2012

¹ Figures reflect the percentages of Type 2 diabetes patients who were readmitted to an inpatient facility in the three-year period between 2009 and 2011. These percentages include patients who filled multiple prescriptions. Readmissions are not necessarily due to Type 2 diabetes.

CALIFORNIA TYPE 2 PATIENTS ON THREE NON-INSULINS HAVE HIGH READMISSION RATES

Of California Type 2 diabetes inpatients admitted to the hospital between 2009 and 2011, those who filled three non-insulin products were more likely to be readmitted within 30 days of discharge than similar patients who filled prescriptions for insulin.

NOTE: "Persistence" measures whether patients maintain their prescribed therapy. It is calculated by identifying patients who filled a prescription for the reported drug class in the four months prior to the reported year, and then tracking prescription fills for those same patients in each of the months in the current reported year. If patients fill a prescription in a month, they are reported among the patients who have continued or restarted on therapy. Continued means that the patient has filled the drug group in each of the preceding months. Restarted means that the patient did not fill in one or more of the preceding months. Continuing and restarting patients are reported together. All patients tracked are "New-to-Brand," meaning they have not filled a prescription for their cohort product during the six months prior to initiation of therapy on that product.

California Glossary of Managed Care Terms

California health care organizations may use managed care terminology differently from conventional interpretations in other states. For clarity, here are some examples.

“HMO” In California, we regard “HMO” as a design for an insurance product, not as a company, a medical organization, or a facility. HMO coverage typically means a prepaid program with guaranteed rich benefits, lenient co-pays, large cushions for patients on total cost, and an assured medical home primary care physician with formal responsibilities. Member patients typically need to stay within a defined network of providers, unless a necessary service is unavailable. Some people regard this as a restriction in free choice. California medical groups see it quite differently. To us, the network “restriction” is an assurance of locally peer-reviewed care with professionals who must fulfill demanding credentialing standards. Those professionals are accountable for their work, including patient satisfaction, and their performance is continually measured. HMO coverage is tightly and prescriptively regulated by the California Department of Managed Health Care, in contrast to the much looser constraints upon PPO and other fee-for-service products.

“Health Plan” California “plans” are corporations that sell health insurance coverage to employers, civil agencies, and individuals. Plans typically offer multiple insurance products, including HMOs, PPOs, and newer devices such as HSAs and CDHPs. Increasingly, Medicaid enrollees also receive thoughtfully overseen care through public sector plans of several types. Plans do not deliver direct medical care, but they offer an array of supportive services to physicians and medical organizations caring for beneficiaries of that plan. For HMO products in particular, plans delegate extensive care oversight responsibilities to local groups, with strict accountability. Most of California’s plans collaborate with groups and other plans in quality improvement activities to achieve standardization in clinical metrics and overarching goals. Examples: The Integrated Healthcare Association’s P4P program and the California Quality Collaborative.

“Medical Group” In California parlance, a medical group is a legally defined organization of multidisciplinary professionals with formally contracted responsibilities and regulatory obligations. These include formal utilization oversight, clinical measurement and quality improvement processes, electronic connectivity, claims review and payment, network organization, formal reporting of administrative and financial performance, and public reporting. These organizations typically have familiar corporate structures—a CEO, COO, CFO, and medical director, with a governing board heavily representing medical doctors. Crucially, in California, these groups bear financial risk. Group dimensions are typically measured by the number of HMO patients they serve, ranging from 10,000 to over a million.

“Integrated Medical Group” This refers to the structure of a parent organization that employs physicians and other health

care providers in order to offer a full spectrum of professional services. Physicians typically work on a salaried basis with a variety of adjustments and additional incentives. Integrated groups may contract externally for additional professional services. They own and/or contract with other facilities, including hospitals, urgent care, ambulatory surgery centers, imaging centers, etc. Integrated groups typically serve HMO model beneficiaries as well as PPO and governmental programs.

“IPA” In California, IPAs may also be called “Network Model Medical Groups,” meaning a physician organization that contracts with a panel of independent community professionals, as opposed to employing them. IPAs deliver all the functions and carry all the obligations of an integrated group, including financial risk. IPAs share the reputation for creative quality systems, HIT innovations, novel payment and incentive designs, public accountability, and community engagement. California IPAs generally limit their contracts to HMO model insurance products.

“Medical Office” Clusters of five or more physicians sharing overhead and clinical responsibilities may be called “groups” in many publications, but these small to medium organizations do not have the infrastructure, responsibilities, and risks described above. These office practices may have single or multiple disciplines represented. To avoid ambiguity, we call these “medical offices.” These offices typically contract with medical groups as well as health plans for care, responsibilities and payment.

“Risk” Risk means the acceptance of prepayment (called “capitation”) for a range of services for a defined population. The scope of those services is defined by a detailed contractual document known as the Division of Financial Responsibilities (DOFR). If the risk-bearing organization delivers that care ethically and effectively for a cost lower than the prepayment, the difference may be applied to provider rewards as well as infrastructure development. If the group fails, those costs must be paid from the group’s reserves and other revenue. The California Department of Managed Health Care places stringent financial solvency requirements on any organization accepting risk, including comprehensive quarterly financial audits.

“Gain-sharing” This incentive system uses actuarial methods to estimate costs for specific services provided to a given population over a specific time period. When actual costs fall below these estimates, a retrospective savings is calculated, and typically divided between the payer and the group. If costs surpass the estimate, the group does not encumber debt. In other words, the groups have no downside risk. California health plans use gain-sharing for a number of targeted areas where utilization may be sensitive to energetic care management, such as hospital readmissions, hospital days, emergency room use and generic pharmaceutical use. California groups regard gain-sharing as a weaker incentive system than risk.

—Definitions provided by Wells Shoemaker MD, Medical Director, California Association of Physician Groups

CALIFORNIA HEALTH CARE DATA SUMMARY™ 2012-2013

The fifth edition of the **California Health Care Data Summary™** features key national, state and local HMO, medical group practice, hospital and Type 2 diabetes data from the Sanofi **Managed Care Digest Series®**.

- HMO Demographics
- HMO Medical Utilization/Premium Rates
- HMO Pharmacy Utilization/Premiums Rates
- Medicare Advantage/Medicaid Measures
- Medical Group Practices
- Hospital Measures
- Specialty Drugs
- Type 2 Diabetes

