

# MANAGED CARE DIGEST SERIES<sup>®</sup>

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## California

Health Care Data Summary  
2010



**CAPG**  
California Association  
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## Introduction

Sanofi-aventis is pleased to present the third edition of the **California Health Care Data Summary** (“Summary”), an overview of demographic, financial, utilization and pharmacy measures for health maintenance organizations (HMOs), hospitals and medical group practices in local markets across the state of California. The 2010 Summary also provides Type 2 diabetes benchmarks 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-aventis **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 SDI, Plymouth Meeting, Pa., a recognized leader in the health care information market, providing comprehensive profiling solutions to health care marketing business problems.

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

Sanofi-aventis, 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-aventis is that the information in the Summary be completely independent and objective.

## Methodology

### GENERAL DATA

SDI gathered national-, state- and local-level data included in this Summary from a variety of sources between February 2007 and June 2010, by contacting the state’s department of insurance, mailing a survey to each plan and following up, when necessary, with a telephone or faxed survey.

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

In addition, SDI 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 HMOs. Hospital data for this report are based on information from the SDI Hospital Market Profiling Solution®.

SDI generated Type 2 diabetes data for this Summary out of health care professional (837p) and institutional (837i) insurance claims, representing more than 8.3 million unique patients nationally in 2009 with a range of Type 2 diabetes diagnoses (250.00–250.92). Data from physicians of all specialties and from all hospital types are included.

SDI also gathers data on prescription activity from the National Council for Prescription Drug Programs (NCPDP). These data represent some 8 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, and come from a near census of more than 59,000 pharmacies in the U.S. Cash, mail-order, Medicaid, and third-party transactions are tracked.

### MARKET DEFINITIONS

SDI gathered information on the service areas of every HMO, 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 HMOs. All HMO 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 HMO enrollment, including Medicare beneficiaries and Medicaid recipients. Utilization data provided on Medicare beneficiaries and Medicaid recipients enrolled in HMOs were gathered *only* from those plans in California that have such members.

## Glossary

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

# HMO DEMOGRAPHICS



## HMO ENROLLMENT

MARKET	2007		2008		2009	
	Total # of Enrollees	Avg. # of Enrollees	Total # of Enrollees	Avg. # of Enrollees	Total # of Enrollees	Avg. # of Enrollees
Los Angeles	5,195,893	324,743	4,888,854	325,924	4,624,262	308,284
Oakland	1,215,394	135,044	1,113,916	123,768	1,030,660	114,518
Riverside	1,850,006	142,308	1,753,769	125,269	1,597,627	122,894
Sacramento	1,041,767	115,752	950,992	105,666	880,105	97,789
San Diego	1,450,118	145,012	1,360,964	136,096	1,280,809	128,081
San Francisco	850,766	94,531	780,727	86,747	722,053	72,205
San Jose	868,139	96,460	795,454	88,384	741,717	82,413
Santa Barbara	193,172	27,596	182,164	26,023	172,910	24,701
California	17,362,777	578,759	17,202,120	593,177	16,313,918	526,255
<b>NATION</b>	<b>78,280,933</b>	<b>176,706</b>	<b>77,117,880</b>	<b>175,268</b>	<b>75,348,270</b>	<b>172,422</b>

**HMO ENROLLMENT DECLINES AGAIN ACROSS CALIFORNIA**  
 Mirroring a trend seen across the nation, total enrollment in HMOs, as well as the average enrollment per plan, fell noticeably between 2007 and 2009 in all nine California state and local markets profiled. Statewide, total HMO enrollment dropped 6.0% during this period, to 16.3 million from 17.4 million two years prior. In spite of these enrollment declines, the shares of medical group patients covered by HMOs (and PPOs) increased slightly between 2007 and 2009.

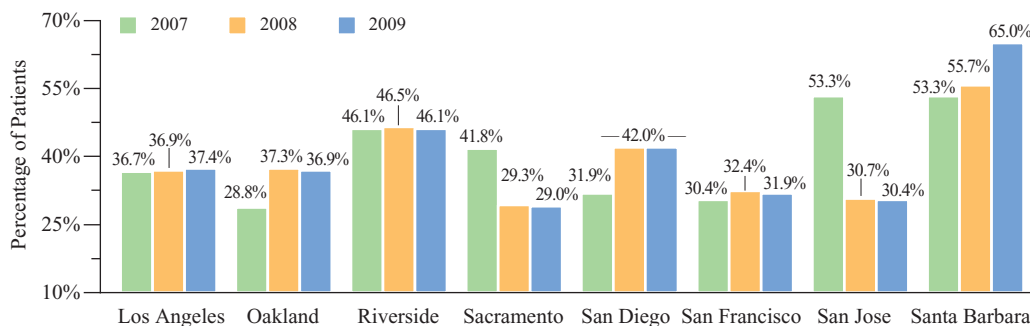
## MEDICAL GROUP PRACTICE PATIENT MIX, BY PAYER TYPE\*

MARKET	HMO			PPO			Indemnity			Medicaid			Medicare		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	36.7%	36.9%	37.4%	22.4%	22.4%	22.8%	4.4%	4.0%	4.5%	5.7%	6.1%	5.7%	17.6%	18.2%	17.8%
Oakland	28.8	37.3	36.9	20.1	22.7	22.7	7.1	2.6	3.0	6.9	5.0	4.7	16.6	18.1	17.9
Riverside	46.1	46.5	46.1	20.7	20.7	20.7	3.1	2.7	3.1	7.2	7.5	7.2	11.9	12.3	11.9
Sacramento	41.8	29.3	29.0	22.4	22.5	22.4	5.9	5.6	5.9	11.0	11.4	11.0	15.2	15.5	15.2
San Diego	31.9	42.0	42.0	21.8	21.8	23.0	2.5	2.2	2.1	5.3	5.5	4.5	19.1	19.5	19.3
San Francisco	30.4	32.4	31.9	35.2	35.2	35.2	4.3	3.8	4.3	4.0	4.4	4.0	11.6	12.0	11.6
San Jose	53.3	30.7	30.4	21.1	21.2	21.1	6.6	6.3	6.6	7.0	7.2	7.0	18.3	18.8	18.3
Santa Barbara	53.3	55.7	65.0	18.3	17.5	17.5	4.7	1.3	2.0	3.3	5.0	5.0	15.3	18.6	8.0
California	33.8	34.2	35.1	23.4	23.4	23.5	4.2	4.1	4.0	9.5	9.5	9.2	16.1	16.1	16.2
<b>NATION</b>	<b>28.9%</b>	<b>29.0%</b>	<b>29.1%</b>	<b>21.8%</b>	<b>21.8%</b>	<b>21.8%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.4%</b>	<b>11.9%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>20.2%</b>	<b>20.3%</b>	<b>20.2%</b>

## L.A. PLANS SERVE MORE THAN 25% OF CA HMO MEMBERS

Despite falling somewhat between 2008 (4.9 million) and 2009 (4.6 million), total enrollment in Los Angeles HMOs were highest, by a large margin, among the eight California local markets shown. In fact, of the state's 16.3 million HMO members in 2009, 28.3% were enrolled in plans serving Los Angeles.

## HMO SHARE OF MEDICAL GROUP PRACTICE PATIENT MIX



## MEDICARE AND GOVERNMENT ENROLLMENT IN HMOs

MARKET	Total Number of Medicare HMO Members			Total Number of HMO Government Enrollees		
	2007	2008	2009	2007	2008	2009
California	1,475,808	1,546,897	1,512,531	4,777,790	4,497,240	4,951,126
<b>NATION</b>	<b>6,182,199</b>	<b>6,226,933</b>	<b>6,579,064</b>	<b>23,256,155</b>	<b>24,132,100</b>	<b>28,063,930</b>

## MEDICARE HMO ENROLLMENT CLIMBS ACROSS CA, NATION

At odds with the downward trends in total HMO enrollment, the number of Medicare beneficiaries enrolled in HMOs climbed between 2007 and 2009 notably across the state of California and nationally.

Data source: SDI © 2010

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

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



# POINT-OF-SERVICE/TRIPLE-OPTION HMOs

## POS ENROLLMENT FALLS IN CA STATE AND LOCAL MARKETS

Between 2007 and 2009, the numbers of HMO members enrolled in point-of-service (POS) plans fell notably in the nine California markets profiled, as well as across the nation. The sharpest decline (percentagewise) took place in Oakland, in which POS enrollment fell by 34.5% in this period.

## SHARE OF CA HMOs OFFERING POS FALLS

Although the percentages of HMOs offering point-of-service plans remained fairly steady between 2008 and 2009 among the eight California local markets shown (Riverside and San Francisco excepted), the corresponding statewide share slid to 22.6% from 24.1% during this time.

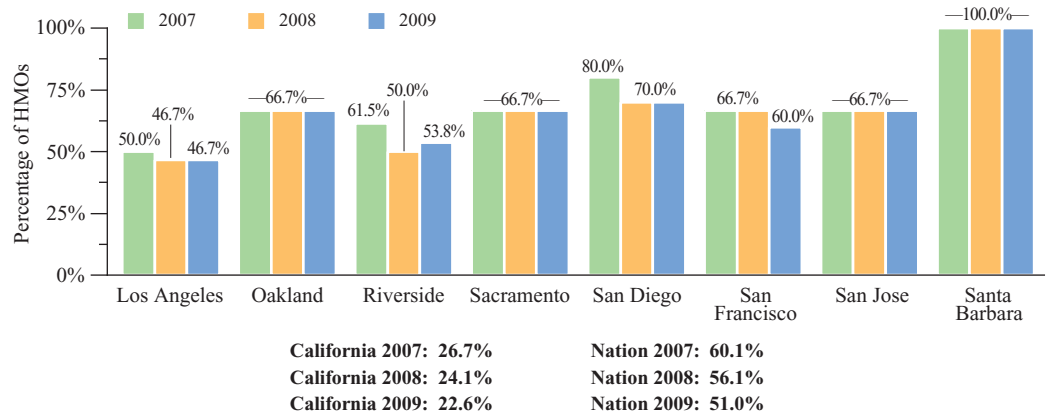
## CA HMOs OFFER TRIPLE-OPTION MORE WIDELY THAN NATION

In 2009, the shares of HMOs offering triple-option plans in all eight California local markets exceeded the national rate of 49.4%. Such plans were offered universally by Santa Barbara HMOs, and even in Los Angeles, the local market with the smallest share of triple-option availability, more than half (53.3%) of HMOs offered such plans. Meanwhile, the share of HMOs statewide that offered such plans was just 29.0%.

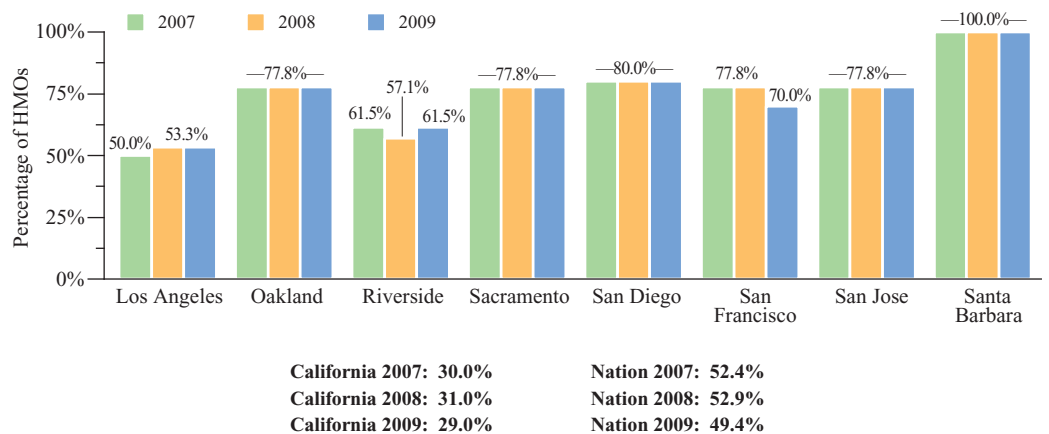
HMOs OFFERING POINT-OF-SERVICE PLANS

MARKET	Percentage of HMOs Offering Point-of-Service Plans			Point-of-Service Enrollment		
	2007	2008	2009	2007	2008	2009
Los Angeles	50.0%	46.7%	46.7%	173,851	152,847	121,017
Oakland	66.7	66.7	66.7	41,209	34,826	26,972
Riverside	61.5	50.0	53.8	63,453	54,830	41,810
Sacramento	66.7	66.7	66.7	31,201	29,732	23,032
San Diego	80.0	70.0	70.0	49,755	42,550	33,519
San Francisco	66.7	66.7	60.0	28,200	24,409	18,896
San Jose	66.7	66.7	66.7	28,748	24,869	19,411
Santa Barbara	100.0	100.0	100.0	6,615	5,695	4,525
California	26.7	24.1	22.6	585,357	510,044	426,936
NATION	60.1%	56.1%	51.0%	14,210,026	14,499,300	13,100,960

PERCENTAGE OF HMOs OFFERING POINT-OF-SERVICE PLANS



PERCENTAGE OF HMOs OFFERING TRIPLE-OPTION PLANS



Data source: SDI © 2010

**Point-of-service** plans may be separately licensed HMOs by a state department of insurance; these plans allow HMO members to use the plan's provider network or to go outside the network to obtain services. This type of hybrid plan generally assesses a higher fee to the HMO member for going outside the provider network.

**Triple-option** plans include a choice of HMO, PPO or indemnity plan.

# HMO/HOSPITAL MEDICAL UTILIZATION



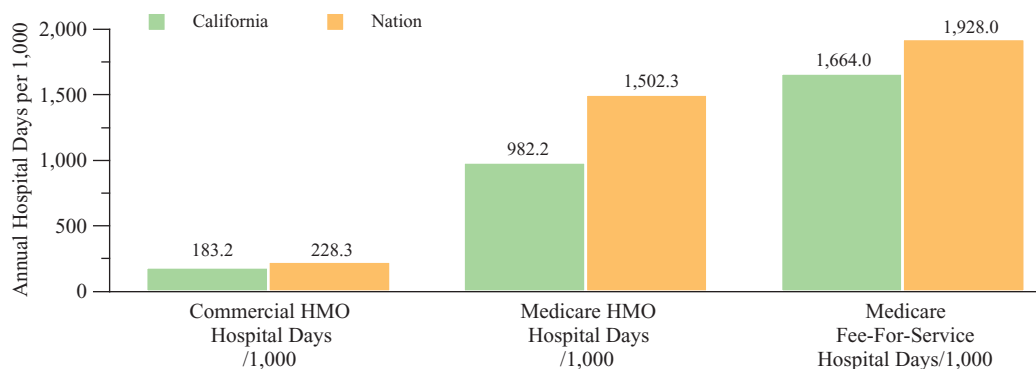
## UTILIZATION RATES FOR NON-MEDICARE HMO/POS MEMBERS

MARKET	Hospital Admissions per 1,000 Members			Hospital Days per 1,000 Members			Physician Encounters per Member			Ambulatory Visits per Member			ALOS per Hospital Admission		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	45.9	49.6	55.9	191.6	211.5	226.6	3.3	3.8	3.2	2.3	1.8	2.0	3.9	4.0	4.1
Oakland	51.9	47.0	48.9	202.4	186.6	188.4	3.8	4.2	3.9	2.2	1.9	2.2	3.6	3.7	3.8
Riverside	52.2	51.7	52.9	206.7	206.1	203.5	3.7	4.2	4.1	2.2	1.7	2.3	3.9	3.8	3.9
Sacramento	51.0	49.6	53.6	199.9	198.7	207.0	3.7	4.1	4.0	1.4	1.7	2.0	3.7	3.7	3.8
San Diego	52.2	51.7	52.7	206.7	206.1	201.8	3.7	4.2	3.6	1.4	1.7	2.0	3.9	3.8	3.9
San Francisco	47.5	48.8	50.4	194.0	204.9	199.9	3.7	4.9	5.1	2.8	2.2	1.9	3.9	4.0	4.0
San Jose	47.4	51.8	52.9	184.0	209.7	219.6	3.4	3.9	3.6	1.3	2.0	1.9	3.6	3.8	4.1
Santa Barbara	52.2	51.7	52.9	207.2	214.9	202.9	4.1	4.9	5.1	1.7	2.0	2.4	3.9	3.9	3.9
California	44.6	47.0	63.3	173.9	183.2	199.3	3.2	3.8	3.5	1.9	1.7	1.5	3.7	3.8	3.9
NATION	59.1	59.6	63.6	223.5	228.3	243.7	3.8	4.0	4.2	1.7	1.3	1.5	3.8	3.9	3.9

## HMO/HOSPITAL UTILIZATION AND COST MEASURES FROM 2008, BY REGION AND STATE

REGION/STATE	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
<b>California</b>	<b>183.2</b>	<b>982.2</b>	<b>289</b>	<b>1,664</b>	<b>\$12,322</b>	<b>\$3,522</b>
Pacific	184.0	1,129.8	273	1,526	11,850	3,205
New England	246.3	1,720.5	323	1,806	10,005	3,210
Mid Atlantic	247.2	1,895.3	375	2,416	10,495	3,901
South Atlantic	227.6	1,506.5	346	1,948	9,083	3,127
East North Central	237.3	1,672.8	372	2,004	8,970	3,310
West North Central	240.0	1,901.3	324	1,691	8,635	2,787
Mountain	203.8	1,321.0	272	1,372	9,313	2,522
South Central*	233.8	1,140.1	391	2,158	7,947	3,094
Southwest**	260.4	1,412.5	355	1,923	8,601	3,030
NATION	228.3	1,502.3	343	1,928	\$9,408	\$3,202

## HOSPITAL UTILIZATION MEASURES CALIFORNIA VS. NATION, 2008



Data source: SDI © 2010

\* Corresponds to CMS's East South Central Region.

\*\* Corresponds to CMS's West South Central Region.

NOTE: Medicare fee-for-service hospital utilization and cost measures were unavailable for 2009, so 2008 data were used.

## CA EXHIBITS LOWER HOSPITAL USE VS. U.S. IN KEY METRICS

In spite of increased ratios of hospital admissions per 1,000 non-Medicare members between 2008 and 2009, HMOs in all nine California markets reported lower such rates than the national average of 63.6. Similarly, the hospital days per 1,000 non-Medicare members ratio fell well shy of the national mark (243.7) in all eight selected California markets and statewide (199.3) in 2009. Physician encounter rates trailed the national mark of 4.2 in seven of nine California markets (San Francisco and Santa Barbara, at 5.1, excepted). By comparison, non-Medicare HMO members in all eight California local markets posted more ambulatory visits per member than their national counterparts in 2009, most notably in Santa Barbara (2.4 visits per member vs. 1.5 nationally).

## MEDICARE/COMM'L. HMO HOSPITAL RATIOS ARE LOW ACROSS CA

Compared with national and regional averages, California reported fewer hospital days per 1,000 commercial and Medicare HMO members alike in 2008. Fee-for-service Medicare beneficiaries likewise reported fewer hospital days per 1,000 compared with the national and regional averages listed.



# PHYSICIAN REIMBURSEMENT

## BONUS PROGRAMS ARE USED MORE OFTEN IN CA THAN U.S.

In all years profiled in this Summary, the shares of HMOs that remunerated physicians through a bonus program were much higher in all nine California state and local markets profiled than across the U.S. In seven of the eight featured local markets in 2009 (Los Angeles, at 25.0%, excepted), at least one-third of HMOs used a bonus program to reimburse physicians, versus only 18.8% of HMOs nationwide. California HMOs paid physicians using a fee-for-service arrangement at a lower rate than the nation (40.9% and 65.0%, respectively).

## CAPITATED SHARE OF CONTRACTS IS HIGH AT CALIF. HMO PLANS

HMOs serving the state of California fulfilled a greater share of each of the four types of contracts shown through capitation than the national average. In 2009, only 56.0% of primary care physician contracts were capitated nationwide, whereas a notable 81.5% of such contracts across California were reimbursed through capitation.

\* 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.

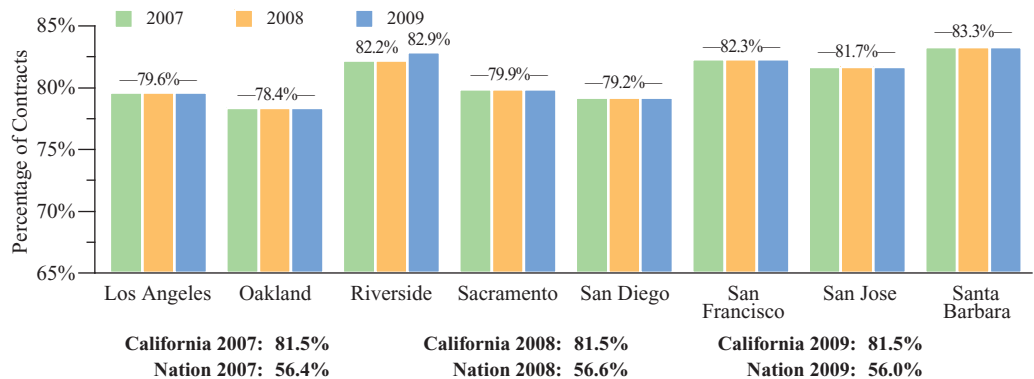
PERCENTAGE OF HMOs USING VARIOUS METHODS TO REIMBURSE PHYSICIANS\*

MARKET	Salary			Fee-for-Service			Bonus Program			Capitation		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	—	—	—	33.3%	33.3%	33.3%	25.0%	25.0%	25.0%	100.0%	100.0%	100.0%
Oakland	12.5%	12.5%	12.5%	25.0	25.0	25.0	50.0	50.0	50.0	87.5	87.5	87.5
Riverside	—	—	—	18.2	18.2	30.0	27.3	27.3	40.0	100.0	100.0	100.0
Sacramento	—	—	—	25.0	25.0	25.0	37.5	37.5	37.5	100.0	100.0	100.0
San Diego	—	—	—	11.1	11.1	11.1	33.3	33.3	33.3	100.0	100.0	100.0
San Francisco	—	—	—	37.5	37.5	37.5	37.5	37.5	37.5	87.5	87.5	87.5
San Jose	—	—	—	14.3	14.3	14.3	42.9	42.9	42.9	100.0	100.0	100.0
Santa Barbara	—	—	—	14.3	14.3	14.3	42.9	42.9	42.9	100.0	100.0	100.0
California	4.6	4.6	4.5	36.4	36.4	40.9	22.7	22.7	27.3	90.9	90.9	90.9
NATION	6.9%	7.5%	7.7%	67.0%	66.4%	65.0%	15.6%	16.8%	18.8%	74.6%	72.4%	73.1%

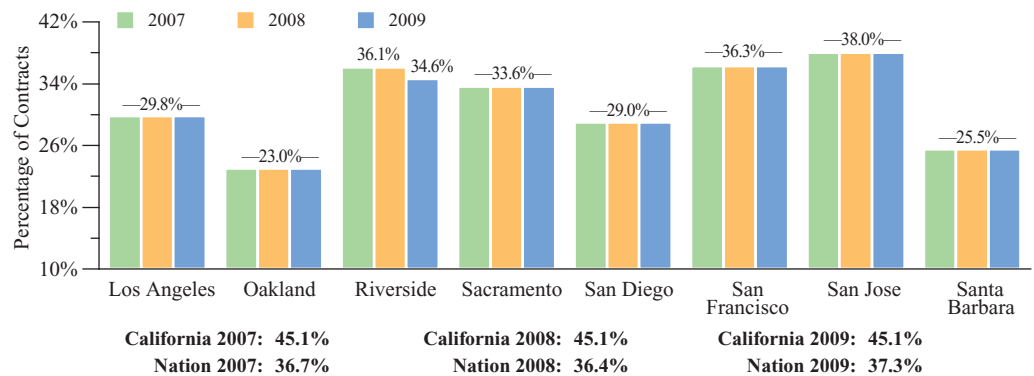
PERCENTAGE OF CONTRACTS REIMBURSED THROUGH CAPITATION\*

MARKET	Primary Care Physician Contracts			Specialist Contracts			Ancillary Provider Contracts			Hospital Contracts		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	79.6%	79.6%	79.6%	81.9%	81.9%	81.9%	63.8%	63.8%	63.8%	29.8%	29.8%	29.8%
Oakland	78.4	78.4	78.4	75.0	75.0	75.0	70.7	70.7	70.7	23.0	23.0	23.0
Riverside	82.2	82.2	82.9	80.6	80.6	80.6	75.5	75.5	75.5	36.1	36.1	34.6
Sacramento	79.9	79.9	79.9	75.0	75.0	75.0	70.7	70.7	70.7	33.6	33.6	33.6
San Diego	79.2	79.2	79.2	79.0	79.0	79.0	70.7	70.7	70.7	29.0	29.0	29.0
San Francisco	82.3	82.3	82.3	77.5	77.5	77.5	78.0	78.0	78.0	36.3	36.3	36.3
San Jose	81.7	81.7	81.7	75.0	75.0	75.0	70.7	70.7	70.7	38.0	38.0	38.0
Santa Barbara	83.3	83.3	83.3	79.0	79.0	79.0	70.7	70.7	70.7	25.5	25.5	25.5
California	81.5	81.5	81.5	82.8	82.8	82.8	69.8	69.8	69.8	45.1	45.1	45.1
NATION	56.4%	56.6%	56.0%	30.7%	29.5%	29.4%	36.3%	37.6%	37.1%	36.7%	36.4%	37.3%

PRIMARY CARE PHYSICIAN CAPITATED CONTRACTS



HOSPITAL CAPITATED CONTRACTS



Data source: SDI © 2010

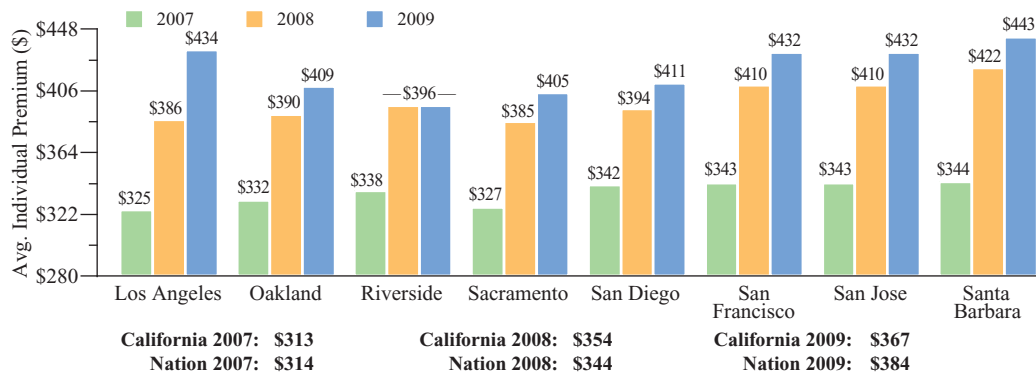
# HMO MEDICAL PREMIUM RATES



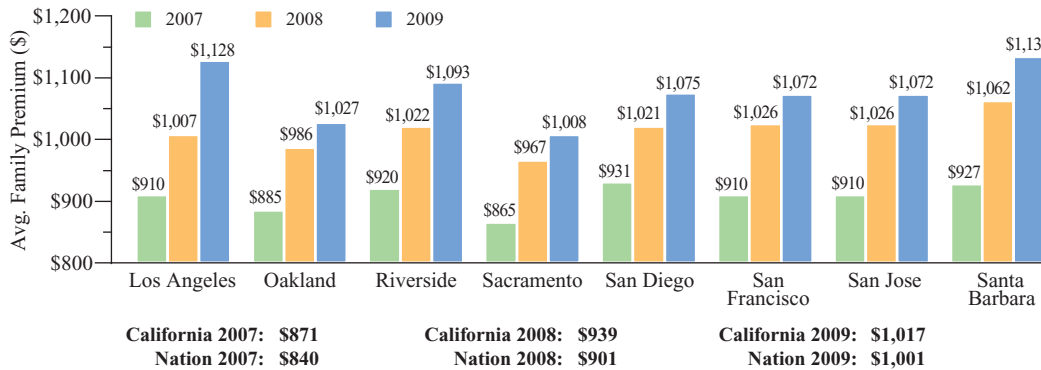
**AVERAGE PREMIUM RATES PER MONTH\***

MARKET	Average Individual Premium			Average Family Premium			Average Individual & Spouse Premium		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	\$325	\$386	\$434	\$910	\$1,007	\$1,128	\$697	\$765	\$861
Oakland	332	390	409	885	986	1,027	669	762	801
Riverside	338	396	396	920	1,022	1,093	692	785	847
Sacramento	327	385	405	865	967	1,008	663	756	795
San Diego	342	394	411	931	1,021	1,075	696	779	816
San Francisco	343	410	432	910	1,026	1,072	697	803	848
San Jose	343	410	432	910	1,026	1,072	697	803	848
Santa Barbara	344	422	443	927	1,062	1,134	713	837	882
California	313	354	367	871	939	1,017	647	698	760
NATION	\$314	\$344	\$385	\$840	\$901	\$1,001	\$634	\$691	\$777

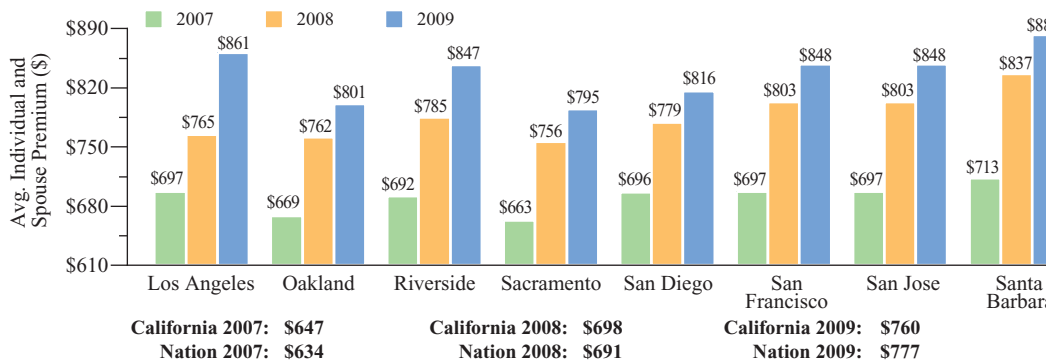
**AVERAGE INDIVIDUAL PREMIUM PER MONTH\***



**AVERAGE FAMILY PREMIUM PER MONTH\***



**AVERAGE INDIVIDUAL AND SPOUSE PREMIUM PER MONTH\***



Data source: SDI © 2010

## AVERAGE MONTHLY PREMIUMS GROW AT HMOs ACROSS CALIF.

Average monthly premiums for HMOs serving the state of California rose between 2007 and 2009, regardless of plan type. However, plan premium increases across California were more modest compared with those nationwide. The average individual monthly premium for HMOs serving California grew 17.3% over this two-year period, while such premiums climbed 22.6% for HMOs nationally. Although the annual percentage increase was comparatively less at plans in California, the average family premium was higher than the corresponding national premium (\$1,017 vs. \$1,001) in 2009.

## MONTHLY PREMIUMS FOR SANTA BARBARA PLANS REMAIN HIGH

In 2009, average monthly premiums for individuals, families and individuals, and spouses were highest of the 10 markets profiled at plans serving the Santa Barbara MSA. For example, average monthly individual and spouse HMO premiums in the Santa Barbara local market were \$882 in 2009, compared with \$760 for plans across California and \$777 for plans nationally.

\* Averages represent the flat charge for medical health coverage and do not include charges for pharmacy, dental or other services. Also, employee copay 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.



# HMO PHARMACY PREMIUMS AND UTILIZATION

## FAMILY RX PREMIUMS PMPM IN CALIFORNIA FALL BELOW NATION

At HMOs serving six of the eight California local markets profiled (Oakland and Sacramento excepted), between 2008 and 2009 family premiums per member per month (PMPM) for outpatient pharmacy benefits fell. As a result, these premiums trailed the national average (\$94.63) in all nine California markets. Statewide, outpatient pharmacy benefit premiums were \$82.40 PMPM in 2009.

## RX INGREDIENT COSTS RISE FOR CALIFORNIA HMOs

After dropping in every California market listed between 2007 and 2008, the average ingredient cost per prescription dispensed jumped for HMOs serving all nine California markets the following year in 2009. Plans serving Santa Barbara reported the highest average ingredient cost, by California market, at \$46.51 per prescription, although this cost remained below the national mark (\$54.04).

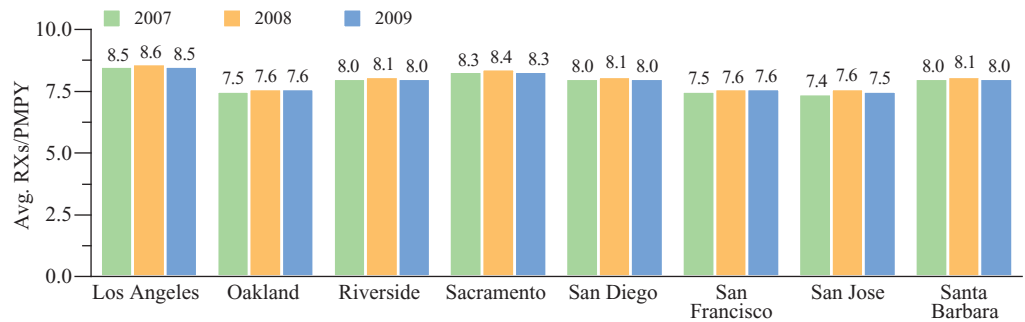
### PREMIUMS PER MEMBER PER MONTH FOR OUTPATIENT PHARMACY BENEFITS

MARKET	Individual Premiums			Family Premiums		
	2007	2008	2009	2007	2008	2009
Los Angeles	\$28.10	\$29.04	\$33.74	\$77.61	\$103.86	\$93.02
Oakland	23.33	23.07	28.96	59.47	72.83	74.88
Riverside	28.10	29.04	33.74	77.61	114.61	93.02
Sacramento	26.63	27.39	33.67	67.02	80.16	86.28
San Diego	28.10	29.04	33.74	77.61	95.51	93.02
San Francisco	26.63	27.39	33.67	67.02	87.35	86.28
San Jose	26.63	27.39	33.67	67.02	87.35	86.28
Santa Barbara	28.10	29.04	33.74	77.61	95.51	93.02
California	25.11	34.38	36.97	69.56	99.77	82.40
<b>NATION</b>	<b>\$30.32</b>	<b>\$32.83</b>	<b>\$37.49</b>	<b>\$76.00</b>	<b>\$84.83</b>	<b>\$94.63</b>

### PRESCRIPTIONS DISPENSED AND AVERAGE INGREDIENT COST

MARKET	RXs Dispensed per Commercial HMO Member per Year			Average Ingredient Cost*		
	2007	2008	2009	2007	2008	2009
Los Angeles	8.5	8.6	8.5	\$40.48	\$38.23	\$42.03
Oakland	7.5	7.6	7.6	42.84	39.30	44.12
Riverside	8.0	8.1	8.0	43.31	39.21	43.46
Sacramento	8.3	8.4	8.3	43.30	40.20	44.43
San Diego	8.0	8.1	8.0	43.39	40.64	45.69
San Francisco	7.5	7.6	7.6	43.11	40.01	44.23
San Jose	7.4	7.6	7.5	42.84	39.30	44.12
Santa Barbara	8.0	8.1	8.0	45.22	41.68	46.51
California	7.4	7.5	7.5	39.71	37.27	39.58
<b>NATION</b>	<b>9.0</b>	<b>9.2</b>	<b>9.2</b>	<b>\$48.90</b>	<b>\$49.72</b>	<b>\$54.04</b>

### PRESCRIPTIONS DISPENSED PER COMMERCIAL HMO MEMBER PER YEAR

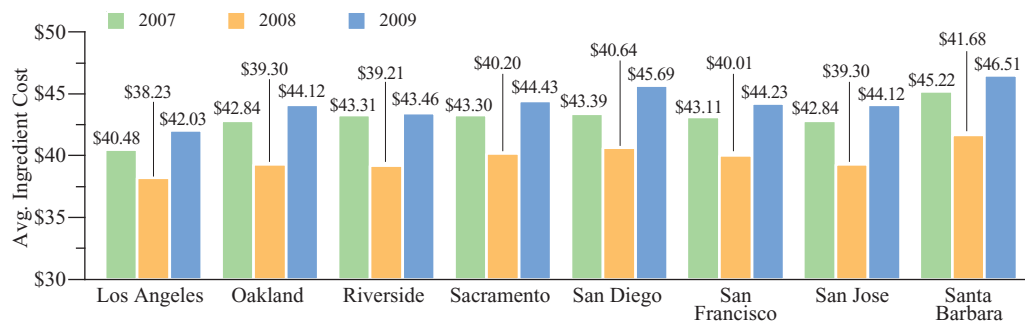


California 2007: 7.4  
Nation 2007: 9.0

California 2008: 7.5  
Nation 2008: 9.2

California 2009: 7.5  
Nation 2009: 9.2

### AVERAGE INGREDIENT COST PER PRESCRIPTION DISPENSED\*



California 2007: \$39.71  
Nation 2007: \$48.90

California 2008: \$37.27  
Nation 2008: \$49.72

California 2009: \$39.58  
Nation 2009: \$54.04

\* 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: SDI © 2010



# HMO DRUG EXPENDITURES

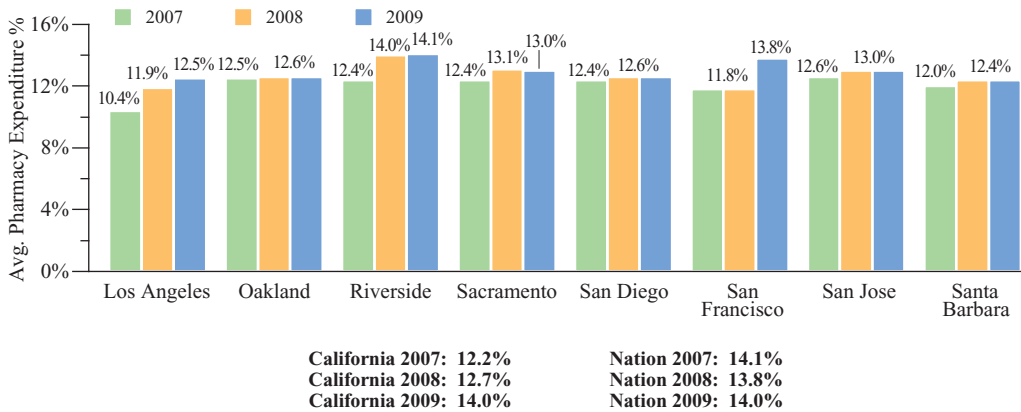


## HMO DRUG EXPENDITURES

MARKET	Drug Costs as a Percentage of Operating Expenses			Expenditures per Member per Year for Drugs*		
	2007	2008	2009	2007	2008	2009
Los Angeles	10.4%	11.9%	12.5%	\$444	\$421	\$458
Oakland	12.5	12.6	12.6	322	397	445
Riverside	12.4	14.0	14.1	385	430	470
Sacramento	12.4	13.1	13.0	356	415	467
San Diego	12.4	12.6	12.6	323	359	408
San Francisco	11.8	11.8	13.8	359	380	436
San Jose	12.6	13.0	13.0	330	359	414
Santa Barbara	12.0	12.4	12.4	342	380	436
California	12.2	12.7	14.0	375	414	436
<b>NATION</b>	<b>14.1%</b>	<b>13.8%</b>	<b>14.0%</b>	<b>\$431</b>	<b>\$470</b>	<b>\$521</b>

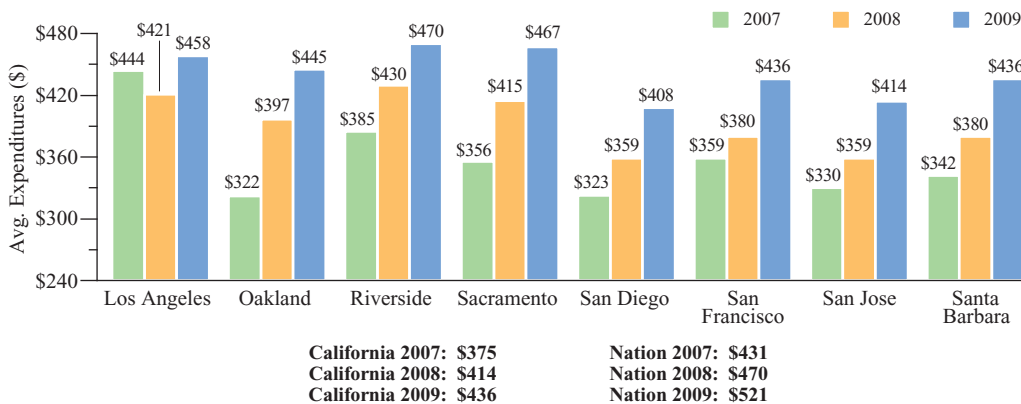
**DRUG COST SHARE CLIMBS AT CA HMOs**  
 Drug costs made up a larger percentage of total operating expenses in 2009 than in 2008 at HMOs serving the state of California. This growth was greater statewide (1.3 percentage points) than the incremental rise nationally (0.2 percentage points), and rendered the drug cost share of operating expenses in California equal to that of the nation (14.0%).

## HMO DRUG COSTS AS A PERCENTAGE OF OPERATING EXPENSES



**DRUG EXPENDITURES FOR CALIFORNIA HMOs TRAIL NATION**  
 HMO drug expenditures per member per year (PMPY) were higher in 2009 than in 2008 for each of the 10 markets profiled. Nationally, such expenditures grew 10.9% (to \$521 from \$470 in 2008), while California HMOs reported a more modest 5.3% growth in this metric (to \$436 from \$414).

## HMO DRUG EXPENDITURES PER MEMBER PER YEAR\*



**DRUG EXPENSE RATIO GROWS FOR RIVERSIDE HMOs**  
 In 2009, the ratio of drug costs to total operating expenses was highest, by market, for HMOs serving the Riverside market (14.1%). This large drug cost ratio aligned with the relatively high expenditures PMPY for drugs at Riverside HMOs. In the Riverside market, HMOs spent \$470 per member per year on drugs, versus \$436 statewide.

Data source: SDI © 2010

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

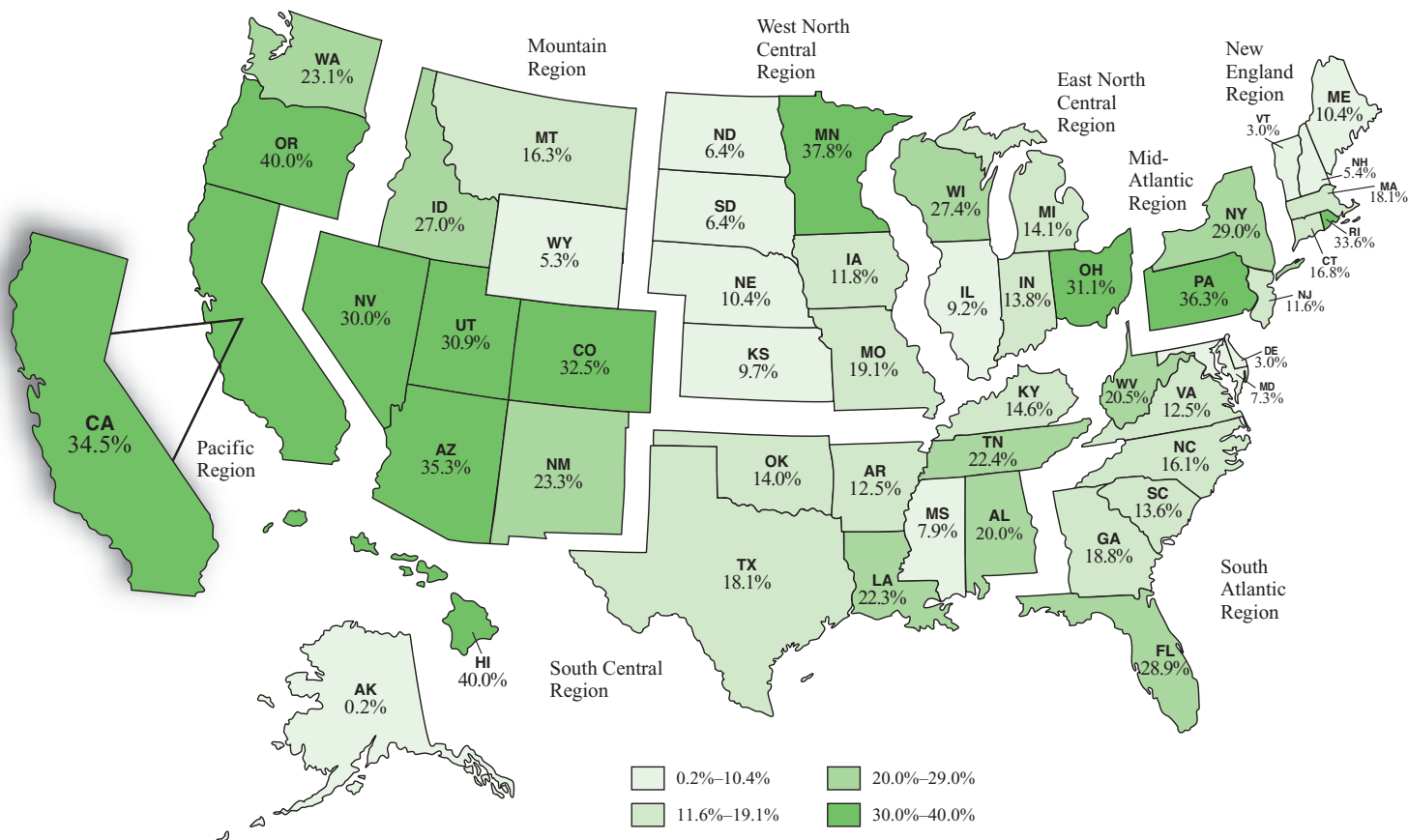
# MEDICARE ADVANTAGE

## CALIFORNIA RANKS SIXTH IN MA PENETRATION, FIRST IN ENROLLMENT

At midyear 2009, California (34.5%) had the sixth-highest Medicare Advantage (MA) penetration rate in the U.S. Oregon and Hawaii each topped the nation in the percentage of Medicare beneficiaries enrolled in MA, at 40.0%. However, due to

their much smaller Medicare populations, MA enrollment in these two states combined accounted for only 3.1% of the total MA population at midyear 2009. California MA enrollees, for their part, constituted 15.5% of MA enrollment.

MEDICARE ADVANTAGE PENETRATION, BY STATE\*



Data source: SDI and Centers for Medicare and Medicaid Services © 2010

\* Medicare Advantage (MA) data for 2009 are July totals. MA enrollment includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.



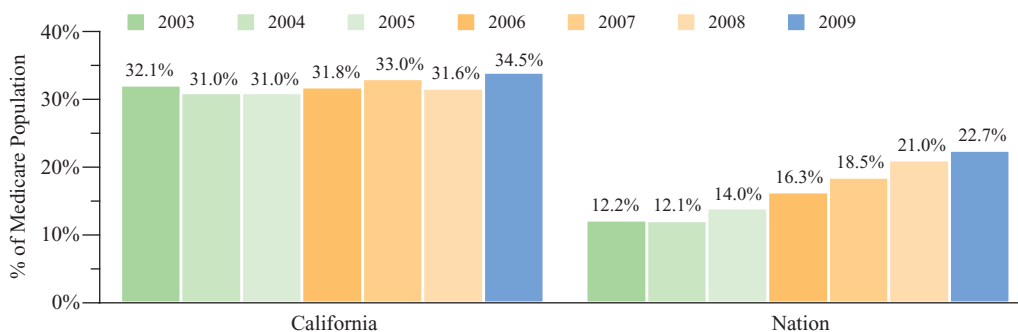
### MEDICARE ADVANTAGE ENROLLMENT, 2003–2009\*

YEAR	Number of Medicare Advantage Enrollees	
	California	Nation
2003	1,345,239	5,390,070
2004	1,322,123	5,140,293
2005	1,341,359	5,120,966
2006	1,393,240	5,999,376
2007	1,449,282	7,181,084
2008	1,412,343	9,397,889
2009	1,610,063	10,414,821

### MA ENROLLMENT GROWTH OUTPACES NATION ACROSS STATE

The growth in Medicare Advantage (MA) enrollment in California (14.0%) outpaced that of the nation (10.8%) between 2008 and 2009. However, nationwide enrollment in Medicare Advantage nearly doubled between 2003 (5.4 million) and 2009 (10.4 million), whereas MA enrollment in California increased a mere 19.7% (to 1.6 million from 1.3 million in 2003) over this seven-year span.

### MEDICARE ADVANTAGE PENETRATION, 2003–2009\*, \*\*



### CA GROWTH IN MA PENETRATION CLIMBS HIGHER THAN NATION

Although the shares of Medicare beneficiaries in California who were enrolled in MA plans were higher than such shares nationally in all seven years profiled, MA penetration growth in California was unable to match the steady climb nationally from 2004 to 2008. However, the increase in MA penetration in California between 2008 and 2009 topped that of the nation, with an increase of 2.9 percentage points (versus 1.7 percentage points nationally). By local market, Riverside (45.2%) reported the greatest share of Medicare beneficiaries enrolled in MA plans.

### MEDICARE ADVANTAGE ENROLLMENT/PENETRATION, BY MSA, 2004–2009\*, \*\*

MARKET	2004		2005		2006		2007		2008		2009	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Los Angeles	478,234	34.3%	480,819	34.0%	492,784	34.4%	504,058	35.2%	464,475	31.9%	538,623	36.4%
Riverside	178,038	42.6	183,611	42.9	188,833	43.3	193,022	44.3	175,116	38.6	209,214	45.2
Sacramento	99,156	38.4	101,351	38.4	105,069	39.0	111,098	41.2	114,523	41.1	117,677	41.3
San Diego	141,482	39.0	140,889	38.6	140,299	38.1	142,099	38.6	145,739	39.1	149,867	39.6
San Francisco	192,244	34.9	195,402	35.0	203,991	36.1	215,639	38.2	214,133	37.8	219,483	38.2
San Jose	63,400	33.8	65,440	34.1	66,663	34.0	69,636	35.5	69,912	34.4	71,946	34.5

Data source: SDI and Centers for Medicare & Medicaid Services © 2010

\* National Medicare Advantage (MA) data for 2009 are July totals. MA enrollment includes coordinated care, PPO demonstration, cost and private fee-for-service plans, and other demonstration projects.

\*\* 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 MCO MEASURES

## MEDICAID MCO ENROLLMENT RISES ACROSS CA, NATION

The number of Medicaid MCO members in California grew 6.6% in 2009, to 3.6 million from 3.4 million in 2008. This rate of increase was much higher than the previous year (3.7%), but far shy of the notably 19.3% growth nationally between 2008 and 2009. Of the California local markets, Riverside reported the largest annual growth (14.3%) in Medicaid MCO enrollment in 2009, while San Francisco reported the lowest (2.9%).

## MEDICAID HOSPITAL DAYS RATIO RISES IN CA LOCAL MARKETS

The number of hospital days per 1,000 Medicaid HMO members grew in California in 2009, to 235.1 from 208.1 in 2008. In spite of this growth, the California Medicaid hospital days ratio remained well below the national average (371.0). The average length of stay (ALOS) per Medicaid hospital admission likewise increased in seven of eight local markets profiled in 2009, although it decreased across California as a whole (to 3.5 from 3.6 the year before). San Jose reported the longest ALOS per Medicaid hospital admission, by California market, at 4.1 days (up from 4.0 days the year before).

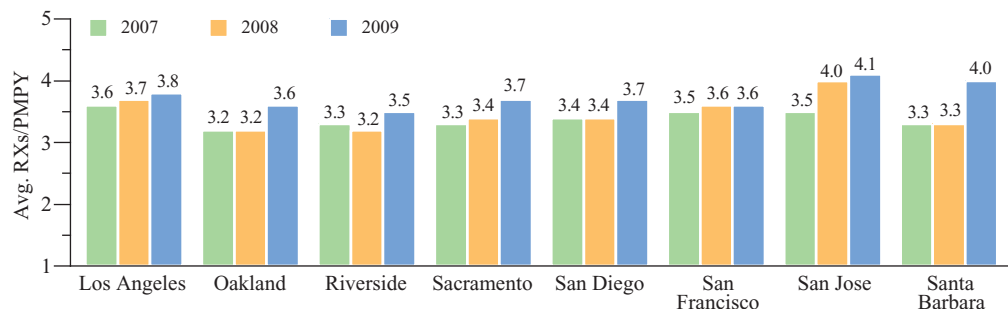
### MEDICAID MCO ENROLLMENT

MARKET	Number of Medicaid MCO Members		
	2007	2008	2009
Los Angeles	1,287,519	1,271,220	1,354,031
Oakland	207,727	218,860	233,049
Riverside	354,518	380,036	434,547
Sacramento	163,665	173,349	184,134
San Diego	169,819	177,451	192,760
San Francisco	144,103	161,166	165,798
San Jose	134,362	142,149	149,930
Santa Barbara	53,731	79,429	83,751
California	3,286,293	3,408,909	3,632,547
<b>NATION</b>	<b>15,363,923</b>	<b>16,408,680</b>	<b>19,576,800</b>

### UTILIZATION RATES FOR MEDICAID MEMBERS IN MCOs\*

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**		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	215.3	223.6	227.7	3.6	3.7	3.8	3.4	3.8	3.4	1.1	1.3	1.4
Oakland	214.5	213.5	230.6	3.2	3.2	3.6	3.8	4.3	4.1	1.6	1.8	1.9
Riverside	216.1	215.3	244.6	3.3	3.2	3.5	3.7	4.3	3.6	0.9	1.1	1.3
Sacramento	231.7	204.7	253.6	3.3	3.4	3.7	3.2	3.6	4.1	1.0	1.1	1.1
San Diego	271.1	272.1	266.3	3.4	3.4	3.7	3.0	4.6	3.5	2.7	1.8	2.8
San Francisco	240.8	262.8	298.2	3.5	3.6	3.6	4.3	4.6	4.0	2.9	2.7	3.5
San Jose	222.7	248.7	237.4	3.5	4.0	4.1	3.3	3.4	3.6	0.8	1.0	1.1
Santa Barbara	228.0	225.5	257.5	3.3	3.3	4.0	3.4	5.0	4.2	0.7	1.3	1.6
California	208.1	208.1	235.1	3.4	3.6	3.5	3.6	3.8	3.7	1.6	1.4	2.0
<b>NATION</b>	<b>346.9</b>	<b>350.6</b>	<b>371.0</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	<b>4.4</b>	<b>1.7</b>	<b>1.9</b>	<b>2.1</b>

### AVERAGE LENGTH OF STAY PER MEDICAID HOSPITAL ADMISSION



California 2007: 3.4  
California 2008: 3.6  
California 2009: 3.5

Nation 2007: 3.8  
Nation 2008: 3.9  
Nation 2009: 3.9

Data source: SDI © 2010

- \* Only HMOs that enroll Medicaid recipients are included.
- \*\* 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.

# MEDICAL GROUP PRACTICE CHAINS



**TOP 25 ACTIVE MEDICAL GROUPS, RANKED BY HMO ENROLLMENT, 2010\***

MEDICAL GROUP	Location	Number of PCPs	Number of Specialists	Total Number of Physicians
Southern California Permanente Medical Group Permanente Medical Group	Pasadena	2,232	2,665	4,897
	Oakland	2,345	3,349	5,694
Healthcare Partners Medical Group Heritage Provider Network, Inc.	Torrance	1,153	1,120	2,273
	Reseda	1,213	2,057	3,270
Hill Physicians Medical Group Primecare Medical Network	San Ramon	850	2,194	3,044
	Ontario	365	2,100	2,465
Employee Health Systems (EHS) Monarch Healthcare	Monterey Park	658	1,989	2,647
	Irvine	725	1,300	2,025
LaSalle Medical Associates St. Joseph Heritage Healthcare	Los Angeles	491	1,338	1,829
	Fullerton	346	922	1,268
Sharp Community Medical Group Los Angeles County Dept. of Health Services	San Diego	280	450	730
	Los Angeles	1,303	1,729	3,032
Vantage Medical Group Sharp Rees-Stealy Medical Group	Corona	399	799	1,198
	San Diego	162	217	379
Brown & Toland Physicians Health Care LA, IPA	San Francisco	261	1,285	1,546
	Woodland Hills	265	988	1,253
Palo Alto Medical Foundation Preferred IPA of California	Palo Alto	409	537	946
	Glendale	350	525	875
Facey Medical Foundation Sante Community Physicians	Mission Hills	92	157	249
	Fresno	339	759	1,098
Greater Newport Physicians Medical Group Accountable Health Care IPA	Newport Beach	157	321	478
	Signal Hill	192	350	542
Choc Physicians Network Beaver Medical Group UC Davis Medical Group	Orange	320	433	753
	Redlands	113	118	231
	Sacramento	182	705	887
<b>TOTAL</b>		<b>15,202</b>	<b>28,407</b>	<b>43,609</b>

## KAISER OPERATED MEDICAL GROUPS TOP ENROLLMENT RANKS

Two Kaiser operated medical groups—Southern California Permanente Medical Group (based in Pasadena) and Permanente Medical Group (based in Oakland)—ranked first and second among active California medical groups in HMO enrollment in 2010. These two Kaiser groups likewise employed the most PCPs, specialists and total physicians among active California medical groups as of August 2010.

## HERITAGE NETWORK HAS THIRD-LARGEST PHYSICIAN COUNT

Heritage Provider Network, which ranked fourth among active medical groups in California by HMO enrollment, had the third-largest number of physicians (3,270) in 2010. In spite of ranking third in HMO enrollment among active California medical groups, Healthcare Partners Medical Group had substantially fewer physicians (2,273) in 2010.

\* Medical groups with at least six PCPs and accepting contracts directly from HMOs.

NOTE: Data are as of August 10, 2010.

Data source: Catteneo & Stroud Inc. © 2010



# DEMOGRAPHICS

## NUMBER OF CA GROUPS WITH 5+ MDs RISES ONCE MORE

After declining slightly between 2007 (1,311) and 2008 (1,294), the number of medical group practices across the state of California with five or more FTE physicians climbed notably in 2009, to 1,374. This growth was paced by the corporate-owned medical group practices, which rose sharply over this time, to 602 from 514 the prior year.

## MULTISPECIALTY GROUPS ARE MORE COMMON ACROSS CA

In eight of nine California markets profiled in 2009 (Oakland excepted), medical group practices were more likely to offer multiple specialties than a single one. For example, of the 352 groups in Los Angeles, 228 were multispecialty practices in 2009, compared with 124 single specialty practices.

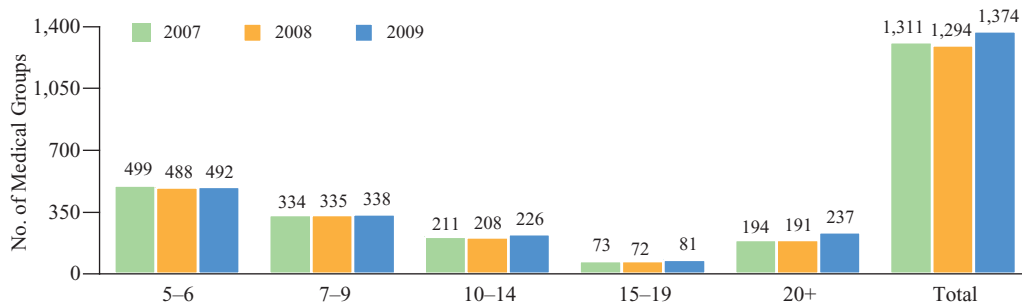
## LARGE GROUPS ARE BECOMING MORE PREVALENT IN CA

Much of the growth in the number of medical group practices across the state of California in 2009 could be ascribed to large practices (those with 20 or more FTE physicians). There were 237 such practices in California in 2009, accounting for 17.2% of all groups state-wide, up from 14.8% of California groups in 2008.

NUMBER OF MEDICAL GROUP PRACTICES WITH 5 OR MORE FTE PHYSICIANS, 2009

SIZE (# of MDs)	Los Angeles	Oakland	Riverside	Sacramento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
5-6	131	37	23	26	43	31	17	10	492	5,715
7-9	76	31	19	17	35	27	17	2	338	3,289
10-14	63	21	18	16	25	14	10	2	226	1,793
15-19	21	8	6	4	11	6	6	0	81	632
20+	61	18	22	11	27	18	14	3	237	1,518
<b>TOTAL</b>	<b>352</b>	<b>115</b>	<b>88</b>	<b>74</b>	<b>141</b>	<b>96</b>	<b>64</b>	<b>17</b>	<b>1,374</b>	<b>12,947</b>
<b>AFFILIATION</b>										
Corporate	162	54	38	45	70	37	31	4	602	5,366
Independent	190	61	50	29	71	59	33	13	772	7,581
<b>TOTAL</b>	<b>352</b>	<b>115</b>	<b>88</b>	<b>74</b>	<b>141</b>	<b>96</b>	<b>64</b>	<b>17</b>	<b>1,374</b>	<b>12,947</b>
<b>SPECIALTY COMPOSITION</b>										
Single Specialty	124	60	33	34	43	44	21	7	553	7,209
Multispecialty	228	55	55	40	98	52	43	10	821	5,738
<b>TOTAL</b>	<b>352</b>	<b>115</b>	<b>88</b>	<b>74</b>	<b>141</b>	<b>96</b>	<b>64</b>	<b>17</b>	<b>1,374</b>	<b>12,947</b>
<b>NUMBER OF VISITS PER WEEK</b>										
Under 250	31	13	4	7	9	12	4	1	108	1,039
250-499	45	19	11	10	13	9	7	1	164	2,073
500-749	32	17	4	11	14	14	5	1	157	2,039
750+	61	10	15	9	29	7	13	6	238	2,776
Unknown	183	56	54	37	76	54	35	8	707	5,020
<b>TOTAL</b>	<b>352</b>	<b>115</b>	<b>88</b>	<b>74</b>	<b>141</b>	<b>96</b>	<b>64</b>	<b>17</b>	<b>1,374</b>	<b>12,947</b>

NUMBER OF MEDICAL GROUP PRACTICES, BY NUMBER OF FTE PHYSICIANS: CALIFORNIA



Data source: SDI © 2010

NOTE: SDI defines the medical group practices represented in this Digest 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.

# UTILIZATION TRENDS



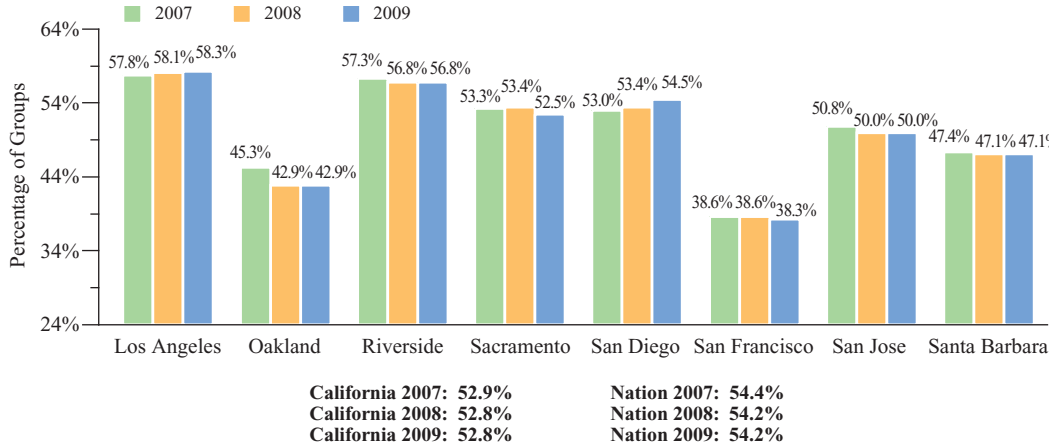
## MEDICAL GROUP PRACTICE UTILIZATION IN SELECTED MSAs

MARKET	Groups That Perform Surgery (%)			Groups That Have Clinical Labs (%)			Groups That Offer Imaging Services (%)		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	57.8%	58.1%	58.3%	44.2%	44.1%	44.1%	60.1%	59.7%	59.8%
Oakland	45.3	42.9	42.9	38.9	38.6	38.6	46.3	45.0	45.0
Riverside	57.3	56.8	56.8	36.2	36.8	36.8	52.1	52.8	52.8
Sacramento	53.3	53.4	52.5	27.3	28.6	27.9	40.0	39.6	38.8
San Diego	53.0	53.4	54.5	52.2	52.7	54.2	62.3	61.0	62.7
San Francisco	38.6	38.6	38.3	26.8	26.8	27.1	43.6	43.0	42.3
San Jose	50.8	50.0	50.0	58.8	60.0	60.0	52.7	51.9	51.9
Santa Barbara	47.4	47.1	47.1	23.5	26.7	26.7	50.0	43.8	43.8
California	52.9	52.8	52.8	40.5	41.0	41.0	55.4	54.6	54.6
NATION	54.4%	54.2%	54.2%	49.5%	49.5%	49.5%	64.7%	64.4%	64.2%

### SHARES OF GROUPS IN SACRAMENTO THAT OFFER SERVICES FALL

Between 2008 and 2009, the shares of medical group practices in Sacramento that offered surgical, clinical laboratory or imaging services declined slightly. For example, 52.5% of groups in the state capital performed surgery in 2009, down from 53.4% the year before. At the state level, by comparison, the shares of groups offering these three services remained constant between 2008 and 2009.

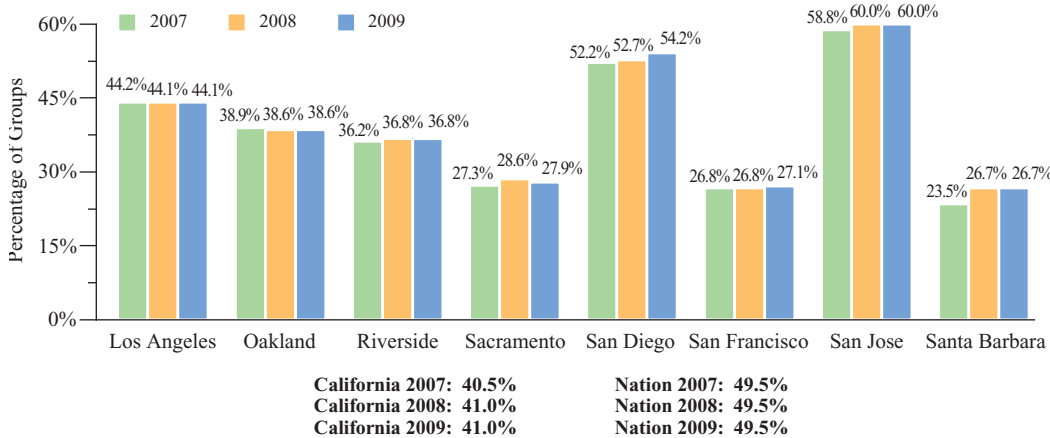
### GROUPS THAT PERFORM SURGERY



### S.F. GROUP SERVICE OFFERINGS TRAIL CALIFORNIA, NATION

In 2009, medical group practices in the San Francisco market were notably less likely than groups across the state of California and nationally to offer each of the three service types profiled. For example, only 27.1% of San Francisco groups provided clinical labs in 2009, compared with 41.0% of groups in California and 49.5% of groups nationwide.

### GROUPS THAT HAVE CLINICAL LABS



### BELOW AVERAGE SHARE OF CA GROUPS OFFERS IMAGING

In each of nine California markets shown, the shares of medical group practices that offered imaging services trailed the national average (64.2%) in 2009. For instance, only 38.8% of Sacramento groups offered such services.

Data source: SDI © 2010



# PHARMACY SERVICES

## CA GROUPS ARE LESS LIKELY TO OFFER PHARMACY SERVICES

In 2009, medical group practices in eight of the nine California markets profiled (San Diego excepted) were less likely than were groups nationally (60.2%) to provide pharmacy services. In Sacramento (32.6%) and Santa Barbara (33.3%) alike, approximately one-third of groups offered pharmacy services in 2009.

## FULL PHARMACY SERVICES ARE MORE COMMON AT CA MGPs

Medical group practices in eight of nine California markets (San Francisco excepted) were more likely than groups nationally to provide full pharmacy services in 2009. Across the state of California, 33.0% of groups provided full pharmacy services, compared with just 19.0% of such practices nationally. This pharmacy service gap was widest in Sacramento, in which one-half (50.0%) of the groups tracked provided full services to their patients in 2009.

\* 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.

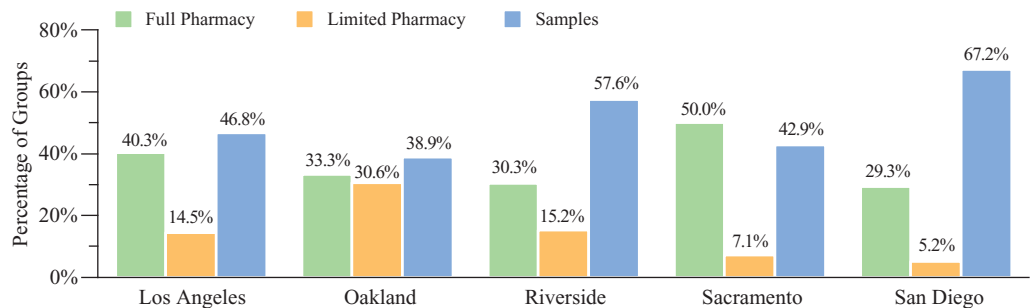
MEDICAL GROUP PRACTICES WITH PHARMACY SERVICES

MARKET	Provide Pharmacy Services			Do Not Provide Pharmacy Services		
	2007	2008	2009	2007	2008	2009
Los Angeles	54.6%	55.3%	55.4%	45.4%	44.7%	44.6%
Oakland	52.1	50.7	50.7%	47.9	49.3	49.3
Riverside	49.3	48.5	48.5%	50.7	51.5	51.5
Sacramento	34.1	33.3	32.6%	65.9	66.7	67.4
San Diego	59.1	59.6	61.7	40.9	40.4	38.3
San Francisco	47.1	47.1	46.4	52.9	52.9	53.6
San Jose	56.0	57.1	57.1	44.0	42.9	42.9
Santa Barbara	41.2	33.3	33.3	58.8	66.7	66.7
California	50.9	50.9	51.0	49.1	49.1	49.0
NATION	60.3%	60.2%	60.2%	39.7%	39.8%	39.8%

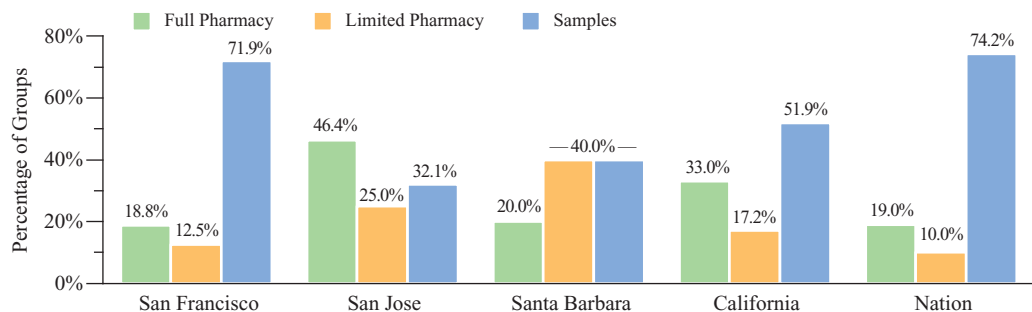
MEDICAL GROUP PRACTICES, BY TYPE OF PHARMACY SERVICE\*

MARKET	Full Pharmacy			Limited Pharmacy			Samples		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	39.2%	40.0%	40.3%	16.0%	14.4%	14.5%	46.4%	47.2%	46.8%
Oakland	31.6	33.3	33.3	31.6	30.6	30.6	39.5	38.9	38.9
Riverside	29.4	30.3	30.3	17.6	15.2	15.2	55.9	57.6	57.6
Sacramento	46.7	50.0	50.0	13.3	7.1	7.1	40.0	42.9	42.9
San Diego	30.8	32.1	29.3	7.7	5.7	5.2	63.5	64.2	67.2
San Francisco	18.2	18.2	18.8	12.1	12.1	12.5	72.7	72.7	71.9
San Jose	46.4	46.4	46.4	25.0	25.0	25.0	32.1	32.1	32.1
Santa Barbara	28.6	20.0	20.0	28.6	40.0	40.0	42.9	40.0	40.0
California	32.3	33.1	33.0	19.1	17.5	17.2	50.9	51.5	51.9
NATION	19.0%	19.1%	19.0%	10.4%	10.0%	10.0%	73.8%	74.0%	74.2%

MEDICAL GROUP PRACTICES, BY TYPE OF PHARMACY SERVICE, 2009\*



MEDICAL GROUP PRACTICES, BY TYPE OF PHARMACY SERVICE, 2009\*



Data source: SDI © 2010



# MANAGED CARE



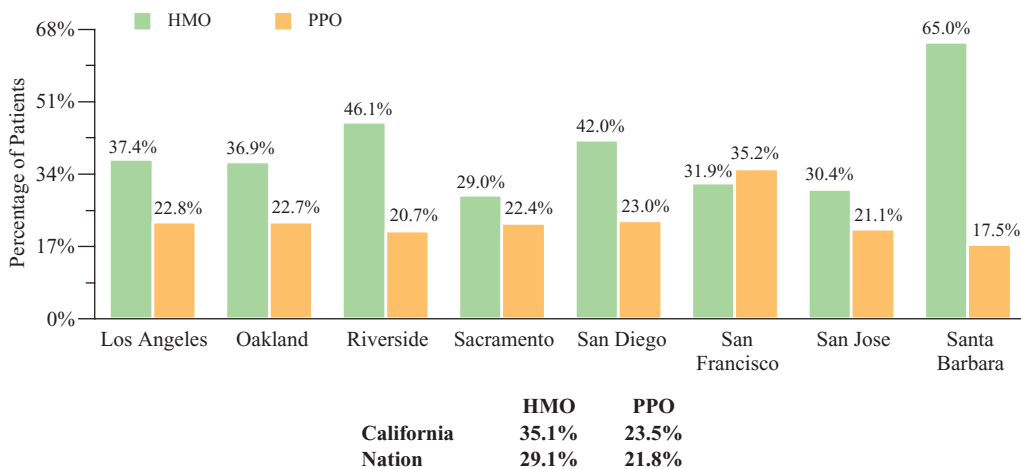
**MEDICAL GROUP PRACTICE PATIENT MIX, BY PAYER TYPE\***

MARKET	HMO			PPO			Indemnity			Medicaid			Medicare		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	36.7%	36.9%	37.4%	22.4%	22.4%	22.8%	4.4%	4.0%	4.5%	5.7%	6.1%	5.7%	17.6%	18.2%	17.8%
Oakland	28.8	37.3	36.9	20.1	22.7	22.7	7.1	2.6	3.0	6.9	5.0	4.7	16.6	18.1	17.9
Riverside	46.1	46.5	46.1	20.7	20.7	20.7	3.1	2.7	3.1	7.2	7.5	7.2	11.9	12.3	11.9
Sacramento	41.8	29.3	29.0	22.4	22.5	22.4	5.9	5.6	5.9	11.0	11.4	11.0	15.2	15.5	15.2
San Diego	31.9	42.0	42.0	21.8	21.8	23.0	2.5	2.2	2.1	5.3	5.5	4.5	19.1	19.5	19.3
San Francisco	30.4	32.4	31.9	35.2	35.2	35.2	4.3	3.8	4.3	4.0	4.4	4.0	11.6	12.0	11.6
San Jose	53.3	30.7	30.4	21.1	21.2	21.1	6.6	6.3	6.6	7.0	7.2	7.0	18.3	18.8	18.3
Santa Barbara	53.3	55.7	65.0	18.3	17.5	17.5	4.7	1.3	2.0	3.3	5.0	5.0	15.3	18.6	8.0
California	33.8	34.2	35.1	23.4	23.4	23.5	4.2	4.1	4.0	9.5	9.5	9.2	16.1	16.1	16.2
NATION	28.9%	29.0%	29.1%	21.8%	21.8%	21.8%	7.5%	7.5%	7.4%	11.9%	12.0%	12.0%	20.2%	20.3%	20.2%

## MEDICARE/MEDICAID PAYER SHARES ARE SMALL AT CA GROUPS

Compared with the corresponding national averages in 2009, patients in all nine California markets who were treated at medical group practices were less likely to have Medicaid or Medicare coverage. Only 4.0% of patients treated at San Francisco groups were Medicaid recipients, for example, compared with a more notable 12.0% of patients at groups nationally.

**MEDICAL GROUP PRACTICE PATIENT MIX, BY PAYER TYPE, 2009\***



## LARGE SHARE OF S.B. GROUP PATIENTS ENROLL IN HMOs

In 2009, a remarkably large proportion of patients treated at Santa Barbara medical group practices (65.0%) received their coverage from HMOs. This was the largest such share, by far, among the 10 markets profiled, easily eclipsing the state (35.1%) and national (29.1%) HMO payer shares.

**MEDICAL GROUP PRACTICE PAYER TYPE, BY SPECIALTY: CALIFORNIA\***

SPECIALTY	HMO		PPO		Indemnity		Medicaid		Medicare	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Cardiology	34.3%	36.9%	24.3%	24.0%	2.4%	2.2%	5.9%	4.9%	25.8%	24.5%
Family Practice	37.6	39.4	20.2	19.9	2.9	3.0	13.4	12.4	15.5	14.9
General Surgery	46.2	50.2	24.4	22.0	3.3	3.0	4.8	3.7	16.3	16.0
Internal Medicine	43.6	46.2	20.2	19.8	3.2	3.1	6.6	5.9	17.7	16.4
Obstetrics/Gynecology	38.5	40.7	21.8	22.2	2.6	2.6	11.4	10.3	13.1	13.2
Oncology	45.2	44.9	21.9	22.4	2.6	2.6	7.7	6.7	15.5	15.9
Orthopedics	29.9	32.6	23.4	22.9	3.2	3.2	7.9	6.8	19.1	18.3
Pediatrics	38.2	39.3	25.2	25.6	3.5	3.5	11.1	10.2	10.9	11.1

## MEDICARE PAYER SHARE IS NEARLY 25% AT CARDIOLOGY MGPs

Although down slightly from 25.8% in 2008, the Medicare payer share of the patient mix at California medical group practices specializing in cardiology was still nearly one-quarter (24.5%) in 2009. At 18.3%, the Medicare payer share of the patient mix for groups with an orthopedic specialty was substantially lower in 2009.

Data source: SDI © 2010

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



# HOSPITAL LEADERS

## ADMISSIONS RISE AS NO. OF BEDS FALLS AT TOP 30 CA HOSPITALS

Despite a slight decline in the total number of staffed beds (to 16,182 from 16,827), total admissions grew 5.2% at California's 30 largest hospitals (as ranked by number of staffed beds), to 707,133 in 2008 from 672,175 in 2007. The largest hospital by number of staffed beds in 2008, USC Medical Center, saw total staffed beds decrease, to 1,003 from 1,402 in 2007, even as the number of admissions grew from 36,466 to 39,356.

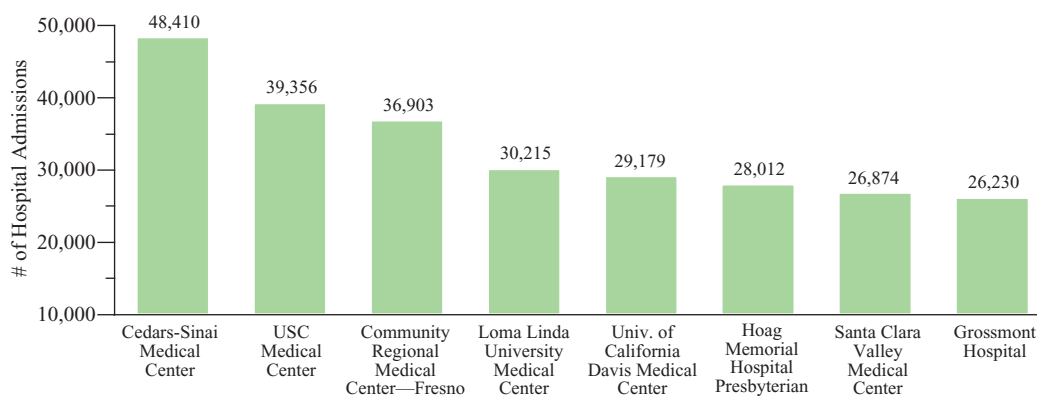
## CEDARS-SINAI AGAIN TOPS ADMISSIONS RANKINGS IN 2008

For the third consecutive year, Cedars-Sinai Medical Center in Los Angeles had the highest number of admissions among the 30 largest California hospitals in 2008, at 48,410. This volume eclipsed those of USC Medical Center (39,356) and Community Regional Medical Center—Fresno (36,903), which posted the second and third highest numbers of admissions, respectively. The top eight hospitals, ranked by number of admissions, accounted for 265,179 admissions in 2008.

TOP 30 HOSPITALS, RANKED BY NUMBER OF STAFFED BEDS, 2008

HOSPITAL NAME	Headquarters	Number of Staffed Beds	Number of Hospital Admissions
USC Medical Center	Los Angeles	1,003	39,356
Cedars-Sinai Medical Center	Los Angeles	962	48,410
Loma Linda University Medical Center	Loma Linda	728	30,215
Stanford Hospital	Palo Alto	613	22,065
San Francisco General Hospital	San Francisco	598	14,981
University of California Davis Medical Center	Sacramento	593	29,179
UCSF Medical Center	San Francisco	590	25,343
Santa Clara Valley Medical Center	San Jose	586	26,874
Harbor—UCLA Medical Center	Torrance	570	21,788
Little Company of Mary Hospital—San Pedro	San Pedro	559	6,945
Huntington Memorial Hospital	Pasadena	528	24,448
St. Joseph Hospital—Orange	Orange	525	21,471
Scripps Mercy Hospital—San Diego	San Diego	517	19,850
Glendale Adventist Medical Center—Wilson Terrace	Glendale	508	16,462
Hoag Memorial Hospital Presbyterian	Newport Beach	498	28,012
Community Regional Medical Center—Fresno	Fresno	492	36,903
Grossmont Hospital	La Mesa	481	26,230
St. Bernardine Medical Center	San Bernardino	463	15,608
Long Beach Memorial Medical Center	Long Beach	462	24,777
Methodist Hospital of Southern California	Arcadia	460	16,288
Pomona Valley Hospital Medical Center	Pomona	453	22,527
University of California Irvine Douglas Hospital	Orange	452	16,355
Kaweah Delta Medical Center	Visalia	450	17,867
Providence St. Joseph Medical Center	Burbank	448	19,671
Riverside County Regional Medical Center	Moreno Valley	447	21,507
Presbyterian Intercommunity Hospital	Whittier	444	18,078
Kaiser Permanente Fontana Medical Center	Fontana	440	25,983
Kaiser Foundation Hospital—Sunset	Los Angeles	439	21,978
Antelope Valley Hospital	Lancaster	437	23,033
St. Agnes Medical Center	Fresno	436	24,929
<b>TOTAL</b>		<b>16,182</b>	<b>707,133</b>

HIGHEST NUMBER OF HOSPITAL ADMISSIONS, 2008



Data source: SDI © 2010



**TOP 30 HOSPITALS, RANKED BY NUMBER OF STAFFED BEDS, 2008**

Average Occupancy	Average FTEs per Occupied Bed	Average Length of Stay*	HOSPITAL NAME
60.7%	10.8	5.6	USC Medical Center
77.7	10.4	5.6	Cedars-Sinai Medical Center
71.8	12.5	6.3	Loma Linda University Medical Center
63.3	14.1	6.4	Stanford Hospital
60.0	7.0	7.4	San Francisco General Hospital
77.8	13.2	5.8	University of California Davis Medical Center
75.8	11.3	6.4	UCSF Medical Center
69.4	11.4	5.5	Santa Clara Valley Medical Center
59.8	9.4	5.7	Harbor—UCLA Medical Center
24.1	7.0	5.5	Little Company of Mary Hospital—San Pedro
65.7	7.8	5.2	Huntington Memorial Hospital
43.5	11.0	3.9	St. Joseph Hospital—Orange
52.8	10.6	5.0	Scripps Mercy Hospital—San Diego
56.9	5.9	5.9	Glendale Adventist Medical Center—Wilson Terrace
63.1	10.9	4.1	Hoag Memorial Hospital Presbyterian
82.9	8.7	4.0	Community Regional Medical Center—Fresno
72.0	7.2	4.5	Grossmont Hospital
45.0	5.5	4.9	St. Bernardine Medical Center
82.5	6.8	5.1	Long Beach Memorial Medical Center
50.9	6.1	5.0	Methodist Hospital of Southern California
68.3	7.9	4.6	Pomona Valley Hospital Medical Center
61.4	12.1	6.2	University of California Irvine Douglas Hospital
64.6	9.3	5.0	Kaweah Delta Medical Center
69.5	6.8	4.9	Providence St. Joseph Medical Center
63.3	7.4	4.8	Riverside County Regional Medical Center
51.5	8.5	4.3	Presbyterian Intercommunity Hospital
65.3	6.1	4.0	Kaiser Permanente Fontana Medical Center
68.2	6.3	5.0	Kaiser Foundation Hospital—Sunset
61.3	7.0	4.3	Antelope Valley Hospital
69.1	8.1	4.4	St. Agnes Medical Center
<b>63.3%</b>	<b>8.9</b>	<b>5.2</b>	<b>AVERAGE</b>

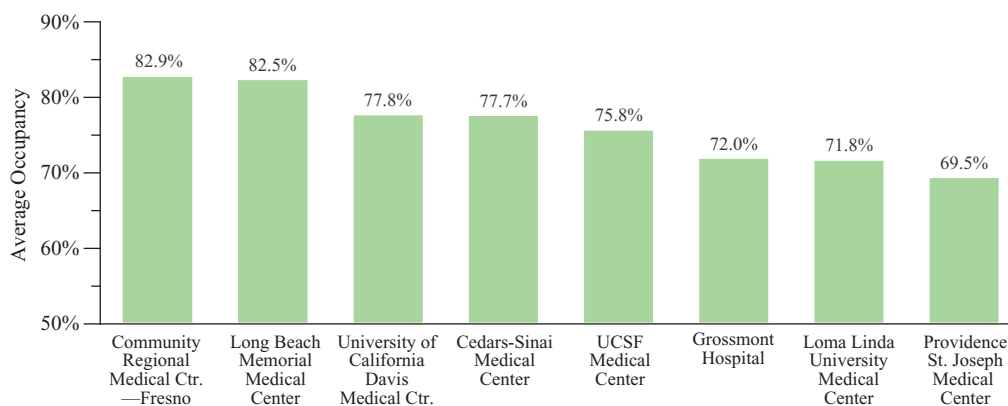
**AVG. OCCUPANCY EDGES UPWARD FOR TOP 30 CA HOSPITALS**

In 2008, the average occupancy rate at the top 30 hospitals in California (as ranked by number of staffed beds) climbed slightly, to 63.3% from 62.6% the prior year. This expansion was led by Community Regional Medical Center—Fresno and Long Beach Memorial Medical Center, both of which reported average occupancy rates of more than 80% in 2008. The 2007 leader, Cedars-Sinai Medical Center, reported a somewhat reduced average occupancy of 77.7% in 2008.

**NUMBER OF FTEs PER BED CLIMBS AT TOP 30 CA HOSPITALS**

The average number of full-time equivalents (FTEs) per occupied bed employed across California's top 30 hospitals (ranked by number of staffed beds) grew to 8.9 in 2008 from 8.1 in 2007. For the third year in a row, Stanford Hospital boasted the highest ratio of FTEs per occupied bed, at 14.1.

**HIGHEST AVERAGE HOSPITAL OCCUPANCY, 2008**



**ST. JOSEPH HOSPITAL CLAIMS LOWEST ALOS AMONG TOP 30**

In 2008, St. Joseph Hospital—Orange reported the lowest ALOS (3.9 days) among the 30 hospitals shown. San Francisco General Hospital patients, by comparison, reported the longest ALOS (7.4 days).

Data source: SDI © 2010

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

# HOSPITAL UTILIZATION



## TOTAL ADMISSIONS IN MOST CA MARKETS TOP U.S. AVERAGE

Of the nine California markets profiled, total facility hospital admissions exceeded the national average in eight (Santa Barbara excepted). This coincided with hospitals in all nine California markets reporting lower outpatient surgery ratios, compared with the national average of 69.8%. By comparison, outpatient surgeries in Santa Barbara hospitals accounted for 64.6% of total surgeries in 2008, highest among the California markets listed.

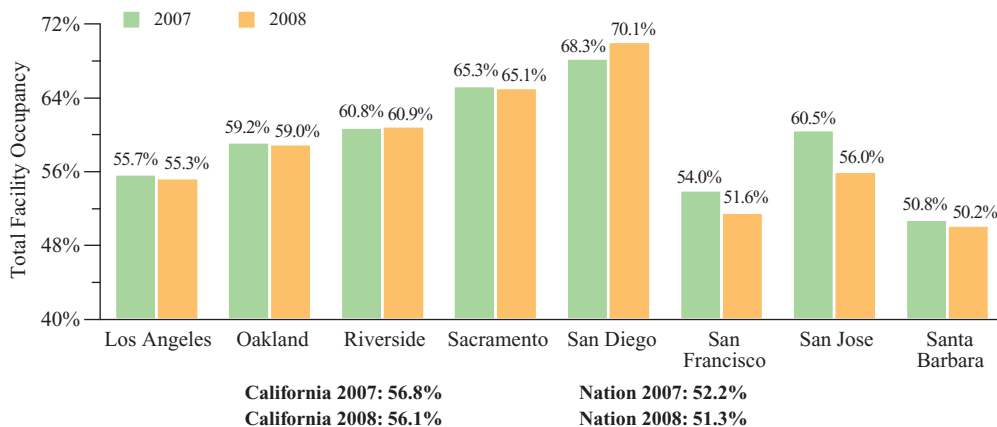
## OCCUPANCY RATES FALL IN CALIFORNIA AND ACROSS THE U.S.

Total facility occupancy rates in seven of nine California markets followed the national trend, dropping fractionally between 2007 and 2008 (Riverside and San Diego excepted). In San Diego, occupancy rates climbed nearly two percentage points over this time (to 70.1% from 68.3%), significantly higher than the state (56.1%) and national (51.3%) marks alike. San Diego staffing ratios also edged up in 2008, to 6.6 FTEs per occupied bed from 6.5 in 2007, but still remained lowest by California market and well below the national average (11.0).

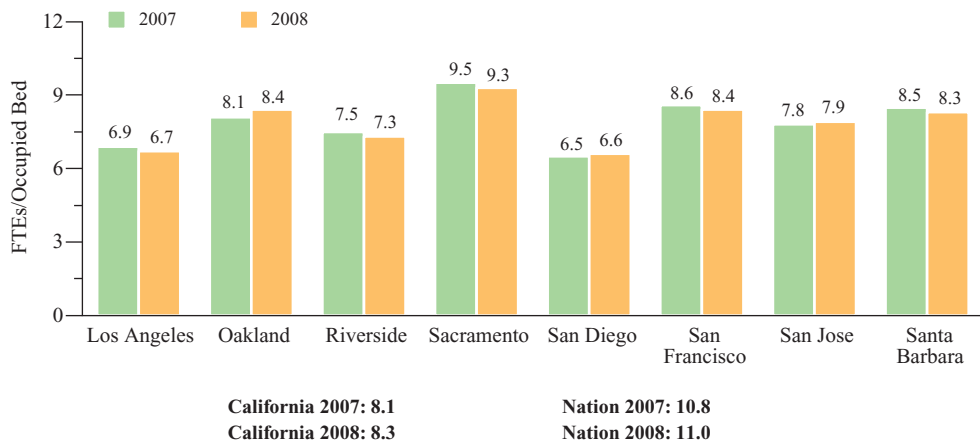
SELECTED UTILIZATION STATISTICS FOR HOSPITALS, 2008\*

SERVICE VOLUME	Los Angeles	Oakland	Riverside	Sacramento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
Total Facility Admissions	10,814.4	9,260.4	10,881.7	12,556.4	12,545.0	7,749.6	13,560.7	6,897.0	8,988.8	7,290.9
Total Facility Patient Days	56,611.9	45,305.5	48,834.5	62,390.6	66,610.5	57,972.4	67,521.9	41,507.8	45,672.8	36,608.8
Total Facility ALOS	7.0	6.2	4.7	4.8	6.8	7.0	5.1	7.9	6.0	4.9
Inpatient Surg./ Staffed Bed	9.6	12.7	12.5	15.1	14.2	11.0	12.5	8.3	12.4	11.8
Outpatient Surg. per Day	8.8	8.3	8.2	12.0	14.0	9.5	15.4	7.1	8.8	10.3
Outpatient Surg. as a Percentage of Total Surg.	54.4%	55.4%	50.6%	52.7%	53.5%	59.2%	56.3%	64.6%	56.6%	69.8%
Outpatient Visits per Day	178.0	321.6	177.1	212.2	261.9	465.9	192.1	127.6	211.9	211.5
ER Visits per Day	97.4	111.0	109.0	118.5	123.2	84.1	111.2	73.2	90.4	69.5

TOTAL FACILITY OCCUPANCY\*



FTEs/OCCUPIED BED



\* Total facility figures reflect all portions of the hospitals' occupancy.

Data source: SDI © 2010

# HOSPITAL COSTS



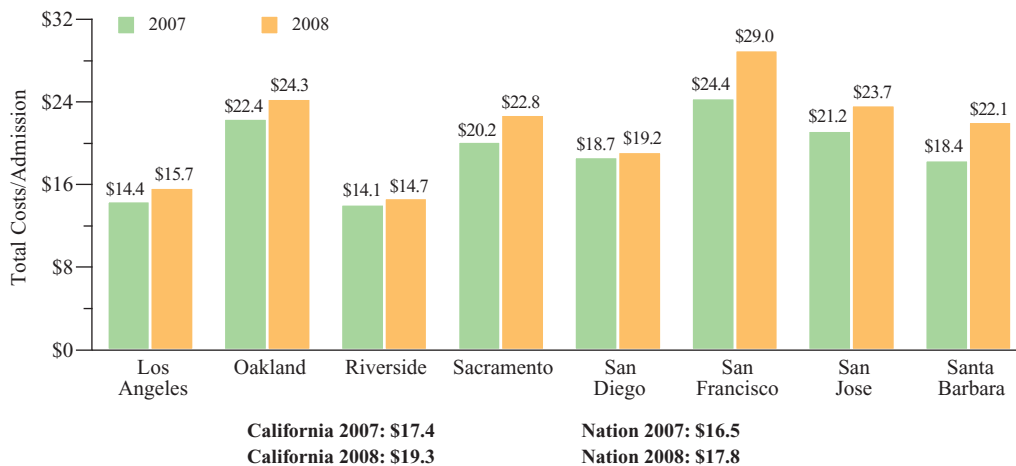
SELECTED FINANCIAL RATIOS FOR HOSPITALS (IN THOUSANDS), 2008

MARKET	Los Angeles	Oakland	Riverside	Sacramento	San Diego	San Francisco	San Jose	Santa Barbara	California	NATION
Total Costs/ Occupied Bed	\$956.3	\$1,059.2	\$995.3	\$620.2	\$891.4	\$909.6	—	\$782.4	\$970.9	\$1,016.3
Total Costs/ Admission	15.7	24.3	14.7	22.8	19.2	29.0	\$23.7	22.1	19.3	17.8
Total Costs/ Patient Day	3.2	5.0	3.4	5.2	3.6	4.6	5.5	2.8	4.1	4.1
Labor Costs/ Patient Day	1.5	1.9	1.6	2.1	1.5	2.1	2.5	1.4	1.7	1.5
Salary Costs/FTE	62.3	61.6	60.7	63.4	65.6	—	—	65.4	61.5	51.3
Total Costs/FTE	156.9	152.7	148.5	164.5	160.1	161.2	199.9	156.1	152.3	128.8

## TOTAL COSTS PER ADMISSION IN CA FALL SHY OF U.S. AVERAGE

In 2008, total costs per admission fell below the national benchmark of \$17,780 in two of nine California markets (Los Angeles [\$15,730] and Riverside [\$14,727]). Across the nation and for all nine California markets, total costs per hospital admission rose between 2007 and 2008. This ratio remained the highest in San Francisco after a sizable gain in 2008, to \$29,030 from \$24,424.

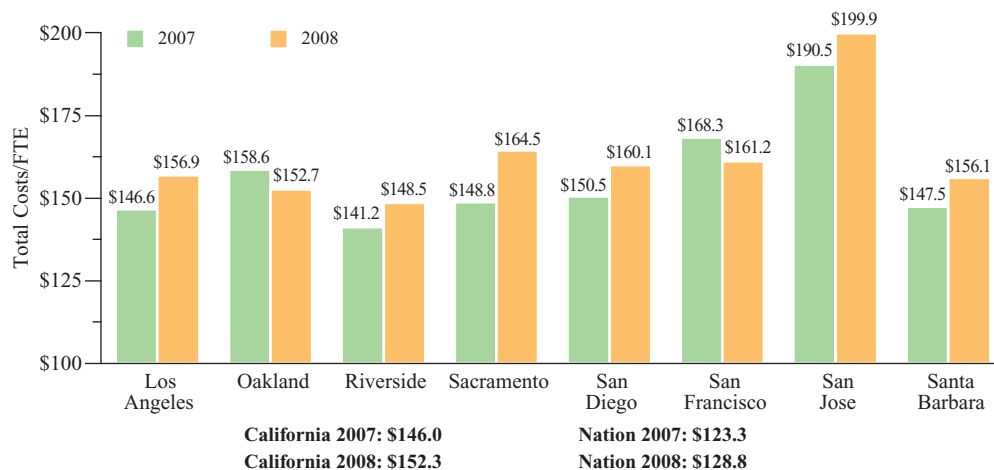
TOTAL COSTS PER HOSPITAL ADMISSION (IN THOUSANDS)



## SAN DIEGO COST/OCCUPIED BED RATIO IS BELOW U.S. MARK

Along with its high average total facility occupancy rates, San Diego reported lower-than-average total costs per occupied bed in 2008, at \$891,392 (up from \$813,923 in 2007). Of the eight California markets for which data were available, only the Oakland MSA (at \$1.06 million) topped the U.S. total costs per occupied bed average of \$1.02 million in 2008. By comparison, total costs per occupied bed in the Santa Barbara market were \$782,383 in 2008, lowest among the six California markets for which comparable data were available.

TOTAL COSTS PER FTE FOR HOSPITALS (IN THOUSANDS)



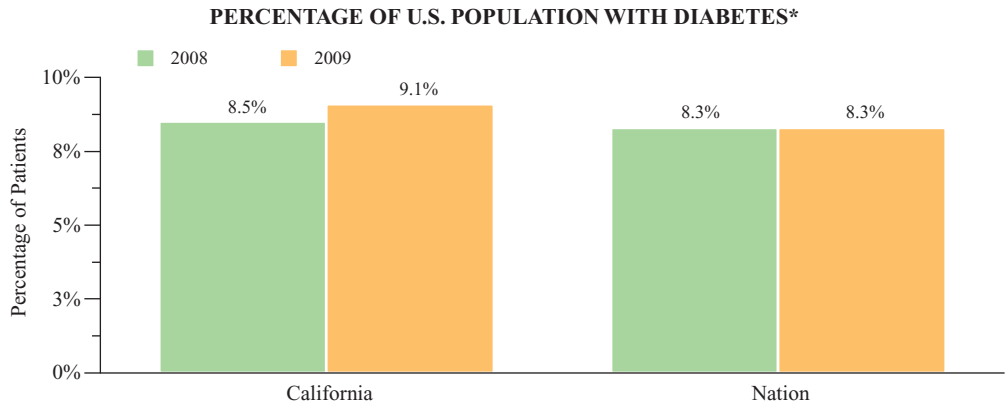
Data source: SDI © 2010



# DIABETES: DEMOGRAPHICS

## PREVALENCE OF DIABETES GROWS IN CALIFORNIA

While the national prevalence rate of diabetes remained flat between 2008 and 2009, at 8.3%, the share of patients indicating they had been told by a doctor they had diabetes grew in California, to 9.1% from 8.5% the year before.



Data source: Centers for Disease Control and Prevention's Behavioral Risk Factor Surveillance System (BRFSS), 2010

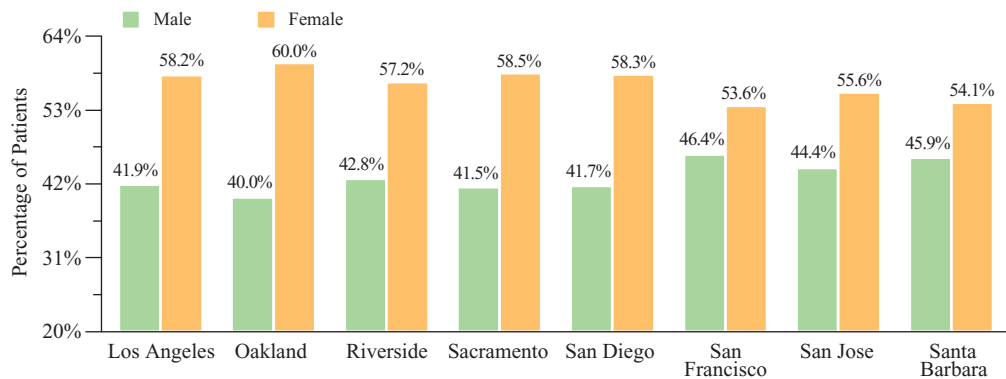
## WORKING-AGE SHARE OF TYPE 2 PATIENTS IS HIGH IN CALIFORNIA

Although the share of Type 2 diabetes patients who were of working age (18 to 64) fell across all nine California markets between 2007 and 2009, such patients in virtually every California market were more likely to be in this age range than their national counterparts (Santa Barbara, at 47.8%, excepted). With nearly two thirds (64.5%) of its Type 2 diabetes patients between the ages of 18 and 64, Sacramento had the highest share of Type 2 diabetes patients in this age range among the 10 markets listed.

**PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY AGE\*\***

MARKET	0-17			18-35			36-64			65-79			80+		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	0.5%	0.5%	0.5%	5.1%	4.7%	4.5%	60.2%	59.0%	59.6%	25.8%	26.5%	26.4%	8.4%	9.2%	9.1%
Oakland	0.6	0.5	0.5	4.0	3.9	3.9	63.4	61.0	59.8	24.2	25.5	26.3	7.8	9.0	9.6
Riverside	0.5	0.4	0.5	5.7	5.2	4.8	58.8	59.5	59.1	26.7	26.6	27.1	8.3	8.3	8.5
Sacramento	0.8	0.8	0.6	4.7	4.5	4.6	62.3	59.3	59.9	23.9	26.3	26.1	8.4	9.2	8.8
San Diego	0.3	0.3	0.3	4.4	4.8	4.3	54.9	54.7	52.5	29.4	28.8	30.4	10.9	11.5	12.5
San Francisco	0.3	0.2	0.3	4.7	4.0	3.5	53.2	51.6	49.4	32.4	34.2	35.9	9.5	9.9	10.9
San Jose	0.3	0.2	0.3	3.7	3.3	3.4	59.2	55.3	58.2	26.9	29.8	27.8	10.0	11.4	10.3
Santa Barbara	0.0	0.2	—	2.5	2.7	2.8	46.1	46.3	45.0	36.7	36.1	37.0	14.5	14.7	15.1
California	0.5	0.5	0.4	4.4	4.2	4.0	57.1	56.1	55.1	28.3	29.2	30.1	9.7	10.1	10.4
NATION	0.4%	0.4%	0.4%	3.4%	3.2%	3.1%	49.5%	48.4%	47.2%	34.1%	34.7%	35.4%	12.7%	13.4%	13.9%

## PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY GENDER, 2009\*\*



	2009	California	Nation
Male	44.0%	44.0%	45.4%
Female	56.0%	56.0%	54.7%

Data source: SDI © 2010

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

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



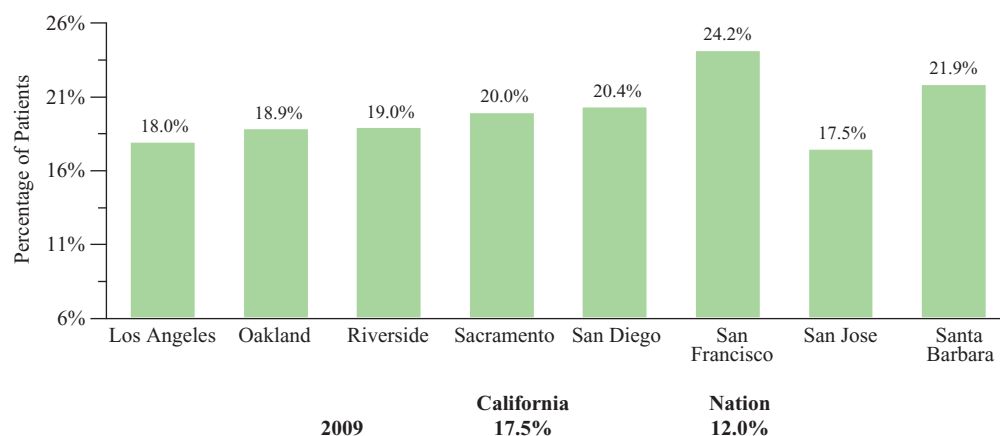
**PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY NUMBER OF COMPLICATIONS\***

MARKET	0			1			2			>2		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	59.3%	58.2%	52.5%	27.8%	28.2%	29.5%	9.5%	10.1%	12.3%	3.3%	3.6%	5.7%
Oakland	56.1	55.1	50.4	29.3	29.9	30.8	10.8	11.2	13.2	3.9	3.9	5.7
Riverside	57.0	56.1	51.0	29.7	29.6	30.0	9.9	10.9	13.3	3.4	3.4	5.7
Sacramento	53.8	53.1	51.2	29.1	29.2	28.8	11.9	12.5	13.5	5.3	5.3	6.5
San Diego	58.0	54.8	45.9	28.7	30.2	33.6	10.1	11.3	14.5	3.2	3.7	5.9
San Francisco	49.2	47.3	41.9	33.3	34.1	33.9	12.8	13.8	16.5	4.7	4.8	7.7
San Jose	55.6	52.7	51.4	30.0	31.9	31.1	10.7	11.4	12.1	3.7	4.0	5.4
Santa Barbara	51.8	50.0	45.0	32.3	31.6	33.2	11.8	13.3	15.1	4.2	5.1	6.8
California	58.6	57.2	52.4	28.6	29.1	30.1	9.5	10.2	12.3	3.2	3.4	5.2
NATION	62.5%	61.6%	58.5%	28.2%	28.6%	29.4%	7.3%	7.8%	9.1%	2.0%	2.1%	2.9%

**PATIENT SHARE WITH 2+ COMPLICATIONS RISES IN CALIFORNIA**

After growing nearly five percentage points between 2007 (12.7%) and 2009 (17.5%), the share of California Type 2 diabetes patients with two or more diagnosed complications topped the national average of 12.0% by a significant margin. In 2009, all nine California markets reported higher-than-average shares of Type 2 diabetes patients with multiple complications, most notably in the San Francisco (24.2%), Santa Barbara (21.9%) and San Diego (20.4%) markets.

**PERCENTAGE OF TYPE 2 DIABETES PATIENTS WITH TWO OR MORE COMPLICATIONS, 2009\***



**CVD IS A COMMON COMPLICATION FOR CA TYPE 2 PATIENTS**

Of the five complications shown, California Type 2 diabetes patients were most likely to be diagnosed with cardiovascular disease as a direct result of their Type 2 diabetes, at 41.7%. Type 2 diabetes patients in all nine California markets profiled were also more likely than their national peers (18.2%) to receive a diagnosis of nephropathy arising from their Type 2 diabetes.

**PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY TYPE OF COMPLICATION, 2009\***

MARKET	Cardiovascular Disease	Neuropathy	Nephropathy	Retinopathy	Hypoglycemia
Los Angeles	41.5%	23.3%	20.4%	10.0%	4.8%
Oakland	42.1	22.9	19.2	11.9	3.9
Riverside	42.5	23.9	20.3	9.6	3.8
Sacramento	38.8	23.9	19.8	13.1	4.4
San Diego	41.7	20.4	24.7	8.3	4.9
San Francisco	40.0	18.1	28.1	9.8	4.0
San Jose	38.4	19.6	24.2	14.4	3.4
Santa Barbara	40.0	20.6	22.0	12.0	5.4
California	41.7	21.6	21.6	10.9	4.2
NATION	45.4%	20.6%	18.2%	11.9%	3.9%

\* 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, coronary artery disease, hypoglycemia, nephropathy, neuropathy and retinopathy.

Data source: SDI © 2010



# DIABETES: DEMOGRAPHICS

## SMALL SHARE OF S.F. TYPE 2 PATIENTS HAS NO COMORBIDITIES

In 2009, just 21.1% of San Francisco Type 2 diabetes patients had zero diagnosed comorbidities, well below both the state (36.1%) and national (46.0%) averages. In fact, all nine California markets had lower shares of comorbidity-free Type 2 diabetes patients than the nation in 2009. Over half (52.0%) of patients in the San Francisco market had two or more comorbidities in 2009, the highest share, by market, by a notable margin.

## HYPERTENSION IS LESS COMMON AMONG CA TYPE 2s THAN U.S.

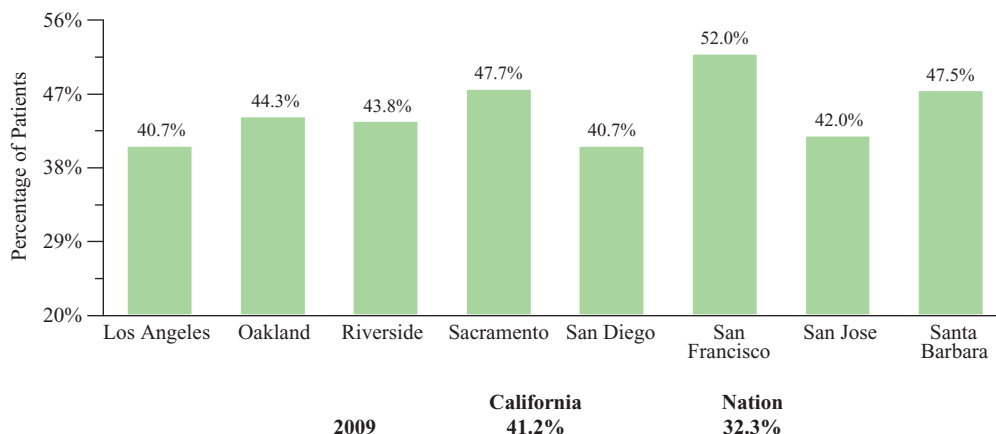
Although hypertension was the most common diagnosed comorbidity for Type 2 diabetes patients in California, at 43.6%, it occurred less frequently as a comorbidity among these patients across all nine California markets than for Type 2 diabetes patients nationwide. Yet California Type 2 diabetes patients were more apt than their national peers to have hyperlipidemia, obesity and dysmetabolic syndrome.

\* 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, coronary artery disease, dysmetabolic syndrome, hyperlipidemia, hypertension and obesity.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY NUMBER OF COMORBIDITIES\*

MARKET	0			1			2			>2		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	39.0%	39.7%	36.8%	24.8%	24.5%	22.5%	27.2%	27.5%	29.5%	9.0%	8.3%	11.2%
Oakland	34.1	37.3	34.6	23.5	21.9	21.1	31.8	31.4	31.9	10.7	9.4	12.4
Riverside	37.1	36.5	34.5	24.9	24.2	21.8	28.0	29.2	30.5	10.0	10.2	13.3
Sacramento	29.9	31.0	30.2	23.0	22.3	22.1	34.2	34.8	34.4	13.0	11.9	13.3
San Diego	43.6	39.7	35.7	22.2	23.2	23.6	24.8	27.8	29.4	9.4	9.4	11.3
San Francisco	25.9	23.8	21.1	32.5	30.6	26.9	30.8	36.2	38.4	10.7	9.5	13.6
San Jose	33.7	37.2	33.7	24.7	22.9	24.4	32.0	30.8	31.8	9.7	9.2	10.2
Santa Barbara	33.6	32.8	29.9	22.7	22.6	22.6	34.0	34.5	35.4	9.7	10.2	12.1
California	39.7	38.8	36.1	24.5	24.2	22.7	27.1	28.9	30.7	8.7	8.2	10.5
NATION	46.7%	47.6%	46.0%	23.4%	22.9%	21.8%	24.3%	24.8%	26.2%	5.5%	4.7%	6.1%

PERCENTAGE OF TYPE 2 DIABETES PATIENTS WITH TWO OR MORE COMORBIDITIES, 2009\*



PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY TYPE OF COMORBIDITY, 2009\*

MARKET	Hypertension	Hyperlipidemia	Congestive Heart Failure	Obesity	Dysmetabolic Syndrome
Los Angeles	44.0%	38.5%	7.7%	8.9%	0.9%
Oakland	44.0	38.8	7.7	8.6	0.9
Riverside	43.2	37.3	8.2	10.6	0.7
Sacramento	42.6	40.7	6.7	9.0	1.0
San Diego	45.2	36.5	9.8	7.8	0.8
San Francisco	40.1	45.5	7.7	5.6	1.3
San Jose	43.3	41.9	7.3	6.5	1.0
Santa Barbara	44.4	39.5	7.0	8.0	1.2
California	43.6	40.4	7.5	7.6	1.0
NATION	47.3%	38.5%	8.2%	5.4%	0.6%

Data source: SDI © 2010



# DIABETES: USE OF SERVICES



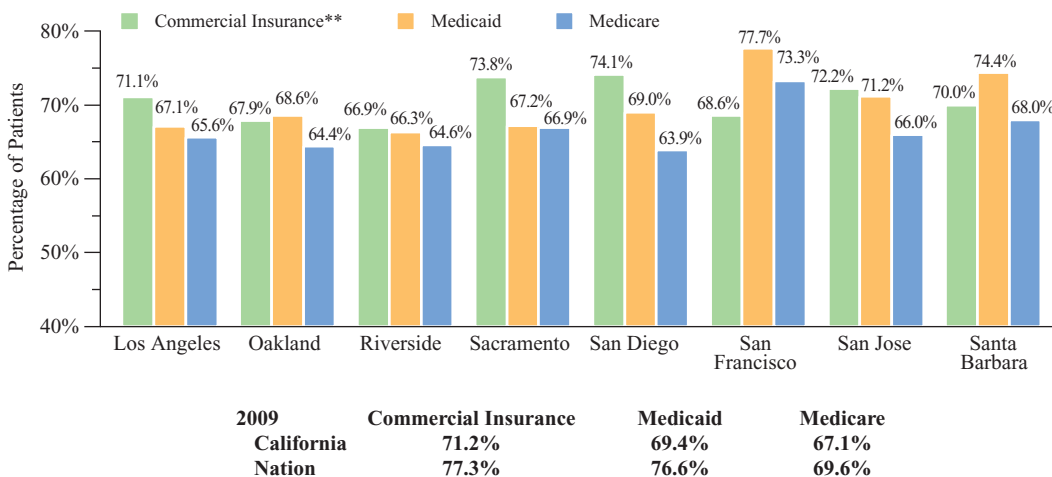
PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY SERVICE

MARKET	A1c Test*			Blood Glucose Test			Serum Cholesterol Test			Ophthalmologic Exam			Urine Glucose Test		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	71.0%	72.0%	70.9%	87.0%	87.5%	86.5%	82.8%	83.5%	83.1%	61.9%	62.9%	62.6%	73.1%	74.2%	73.5%
Oakland	68.4	67.4	67.3	84.0	83.6	83.7	79.6	80.1	80.5	65.8	67.6	65.8	72.8	72.7	73.7
Riverside	64.0	68.4	68.5	83.6	84.9	85.3	79.7	80.5	81.8	63.1	64.3	64.4	72.5	72.8	73.2
Sacramento	79.6	78.4	72.7	89.6	89.2	87.1	86.8	86.3	83.6	64.8	66.1	64.5	72.6	73.9	72.2
San Diego	71.8	70.5	69.8	87.2	86.3	85.5	83.6	82.2	82.3	63.5	64.2	64.0	74.1	73.6	73.4
San Francisco	73.1	73.3	72.0	83.9	84.2	84.5	86.8	87.7	86.6	64.7	65.5	65.4	71.1	71.2	72.3
San Jose	76.5	71.8	71.0	89.0	86.3	86.0	86.1	83.3	82.5	61.8	66.9	65.9	70.4	72.8	72.0
Santa Barbara	66.6	69.9	69.0	85.4	85.8	84.9	81.4	81.7	82.2	66.0	65.0	71.0	73.9	73.7	74.6
California	72.1	72.0	70.4	86.4	86.4	85.7	83.4	83.5	82.9	63.4	64.4	64.3	72.7	73.5	73.2
NATION	73.8%	73.8%	73.6%	86.6%	86.7%	86.6%	83.8%	83.9%	83.9%	69.2%	69.4%	69.4%	83.3%	83.8%	83.8%

## SERVICE UTILIZATION IS LOWER THAN U.S. FOR CA MARKETS

In virtually every California market profiled in this Summary, Type 2 diabetes patients were less apt than their national counterparts to undergo any of the five tests shown. For example, just 67.3% of Oakland Type 2 diabetes patients received an A1c test in 2009 compared with 73.6% of such patients nationally. In seven of eight California local markets (San Francisco excepted) and across California, Type 2 diabetes patients covered by Medicare were least likely, by payer, to receive an A1c test in 2009.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS RECEIVING A1c TESTS, BY PAYER TYPE, 2009\*



## HIGHER SHARES OF CA TYPE 2 PATIENTS HAVE A1c ≤7.0% VS. U.S.

Following the national trend, the shares of Type 2 diabetes patients who had A1c levels at or lower than 7.0% on their most recent test dropped between 2007 and 2009 in every California market shown. In spite of these declines, a higher percentage of California Type 2 diabetes patients (62.4%) had A1c levels in this range than such patients nationally (58.1%) in 2009.

PERCENTAGE OF TYPE 2 DIABETES PATIENTS, BY A1c LEVEL RANGE

MARKET	≤7.0%			7.1–7.9%			8.0–9.0%			>9.0%		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	62.7%	63.4%	60.9%	15.4%	15.5%	16.9%	9.4%	9.1%	9.5%	12.6%	12.0%	12.7%
Oakland	66.1	65.6	64.0	14.6	15.3	16.0	8.2	8.3	8.9	11.2	10.9	11.2
Riverside	63.3	64.5	62.1	15.2	15.1	15.5	9.2	8.9	9.8	12.3	11.5	12.6
Sacramento	66.6	66.8	64.1	14.7	14.6	15.5	7.9	8.2	9.1	10.7	10.4	11.3
San Diego	65.7	66.3	64.3	15.2	14.6	15.7	8.4	8.7	9.1	10.7	10.4	10.9
San Francisco	66.3	67.2	64.6	15.1	15.1	16.4	8.5	8.1	8.9	10.2	9.6	10.1
San Jose	65.0	67.2	64.4	15.0	14.8	16.0	8.1	8.3	8.8	12.0	9.7	10.7
Santa Barbara	66.3	68.4	64.0	14.5	13.9	15.9	8.0	7.8	8.3	11.1	9.9	11.9
California	64.2	64.9	62.4	15.4	15.3	16.5	8.9	8.7	9.4	11.6	11.1	11.7
NATION	61.1%	61.4%	58.1%	17.4%	17.2%	18.7%	9.8%	9.9%	10.8%	11.7%	11.5%	12.5%

Data source: SDI © 2010

\* 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.

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



# DIABETES: CHARGES

## TYPE 2 INPATIENT PROVIDER CHARGES ARE HIGHEST IN S.F.

Coinciding with higher-than-average shares of patients with multiple complications, professional inpatient charges incurred by Type 2 diabetes patients in San Francisco were highest of the 10 markets shown in 2009, at \$8,528. By comparison, such charges were considerably lower across the state of California (\$6,601) and nationally (\$6,500) in 2009.

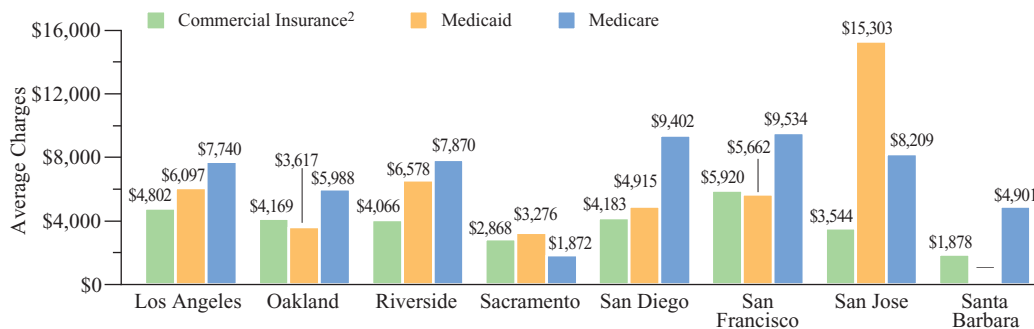
## L.A. AND SAN DIEGO INPATIENT CHARGES BOOST CA MARK

Of the eight California local markets, only Los Angeles (\$57,328) and San Diego (\$63,310) reported average inpatient facility charges for Type 2 diabetes patients that exceeded the national average in 2009. These markets, in turn, helped drive the statewide average to \$62,497 from \$57,728 the year before, well above the corresponding national mark of \$52,944.

PROFESSIONAL CHARGES PER YEAR FOR TYPE 2 DIABETES PATIENTS<sup>1</sup>

MARKET	Emergency Room		Hospital Inpatient		Hospital Outpatient		Office/Clinic	
	2008	2009	2008	2009	2008	2009	2008	2009
Los Angeles	\$1,055	\$958	\$7,611	\$6,769	\$4,714	\$3,215	\$2,671	\$2,228
Oakland	467	438	5,230	5,408	620	572	3,034	3,469
Riverside	280	281	6,780	5,947	1,888	1,464	2,918	1,723
Sacramento	1,037	1,166	6,492	5,661	1,969	2,015	3,079	3,236
San Diego	578	606	6,746	7,661	1,351	1,059	1,806	2,015
San Francisco	962	790	9,295	8,528	4,704	4,587	2,052	2,078
San Jose	442	456	6,806	5,691	2,636	2,631	2,870	2,444
Santa Barbara	404	341	6,227	4,770	423	390	1,626	1,634
California	894	817	7,010	6,601	2,866	2,469	2,656	2,600
NATION	\$722	\$646	\$6,570	\$6,500	\$2,042	\$1,931	\$3,399	\$3,798

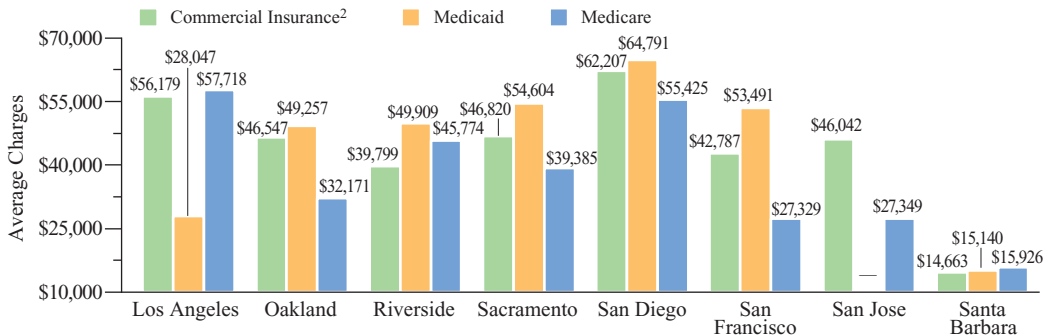
PROFESSIONAL HOSPITAL INPATIENT CHARGES PER YEAR FOR TYPE 2 DIABETES PATIENTS, BY PAYER TYPE, 2009<sup>1</sup>



HOSPITAL CHARGES PER YEAR FOR TYPE 2 DIABETES PATIENTS, 2009<sup>3</sup>

MARKET	Emergency Room		Hospital Inpatient		Hospital Outpatient	
	2008	2009	2008	2009	2008	2009
Los Angeles	\$2,659	\$2,376	\$52,286	\$57,328	\$6,251	\$5,135
Oakland	1,372	2,045	32,345	33,902	3,387	2,807
Riverside	2,233	3,327	37,759	48,689	4,186	4,821
Sacramento	1,751	1,963	41,327	43,367	5,209	4,401
San Diego	2,453	2,877	70,103	63,310	7,084	7,510
San Francisco	—	1,220	—	30,082	—	2,916
San Jose	1,038	1,392	—	30,081	3,628	3,113
Santa Barbara	1,329	1,308	17,422	16,924	2,223	2,089
California	2,754	3,053	57,728	62,497	6,230	6,621
NATION	\$1,854	\$1,948	\$52,730	\$52,944	\$5,196	\$5,656

HOSPITAL INPATIENT CHARGES PER YEAR FOR TYPE 2 DIABETES PATIENTS, BY PAYER TYPE, 2009<sup>3</sup>



<sup>1</sup> Professional charges are those generated by the providers delivering care to Type 2 diabetes patients in various settings.

<sup>2</sup> Includes HMOs, PPOs, point-of-service plans, and exclusive provider organizations.

<sup>3</sup> Data reflect the charges generated for Type 2 diabetes patients by the facilities that delivered care.

The data also reflect the average amounts charged in Type 2 diabetes patient claims, not the amount the claims paid.

Data source: SDI © 2010

# DIABETES: PHARMACOTHERAPY



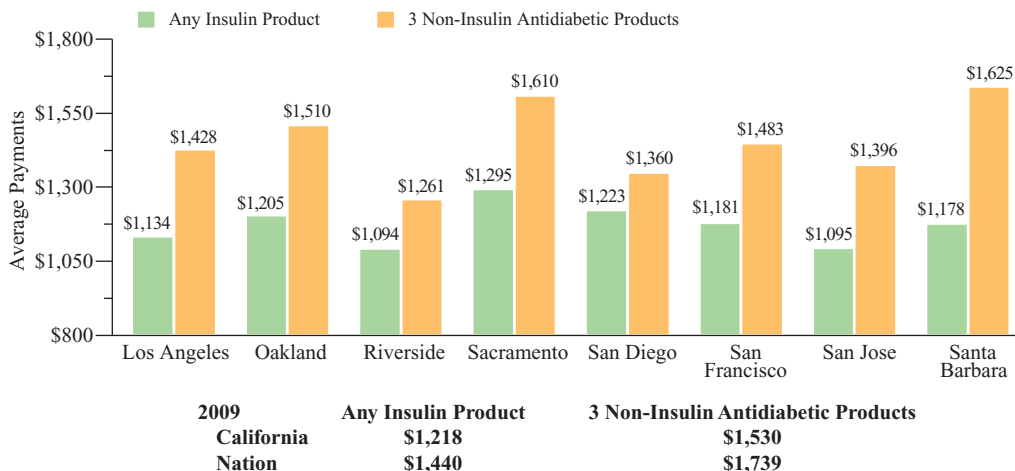
**PERCENTAGE OF TYPE 2 DIABETES PATIENTS USING INSULIN THERAPIES, 2009**

MARKET	Any Insulin Product	Long-Acting Insulin		Short-Acting Insulin		Intermediate-Acting Insulin		Mixed Insulin	
		Pens	Vials	Pens	Vials	Pens	Vials	Pens	Vials
Los Angeles	29.6%	4.7%	12.1%	3.3%	10.0%	0.2%	3.5%	1.4%	6.6%
Oakland	27.9	5.1	13.1	4.5	10.7	0.3	2.8	1.4	4.1
Riverside	31.2	4.9	15.2	2.9	11.6	0.1	3.5	1.3	5.0
Sacramento	30.8	6.7	16.1	4.6	11.6	0.1	2.4	0.9	2.5
San Diego	33.6	5.6	18.2	4.8	14.4	0.1	2.4	0.8	2.8
San Francisco	24.0	5.3	10.2	4.1	8.2	0.2	2.4	1.1	2.6
San Jose	24.4	5.4	10.4	4.0	8.4	0.4	2.2	0.9	2.9
Santa Barbara	30.1	6.6	13.4	4.5	9.9	0.5	2.7	0.7	2.4
California	30.4	5.7	13.9	4.0	11.0	0.2	2.9	1.3	4.5
<b>NATION</b>	<b>35.5%</b>	<b>9.0%</b>	<b>14.2%</b>	<b>6.2%</b>	<b>11.0%</b>	<b>0.4%</b>	<b>3.0%</b>	<b>2.5%</b>	<b>5.5%</b>

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

MARKET	Any Non-Insulin Antidiabetic Product			Biguanides			Sulfonylureas			Insulin Sensitizing Agents		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Los Angeles	86.9%	86.8%	86.8%	57.0%	56.0%	56.7%	40.7%	40.1%	38.3%	27.4%	22.7%	21.1%
Oakland	87.2	86.4	85.9	60.5	60.8	61.0	37.9	36.9	35.8	29.8	23.5	21.4
Riverside	86.7	86.5	86.6	57.5	58.9	59.5	42.3	42.1	41.3	28.1	22.2	20.4
Sacramento	87.3	85.8	85.4	59.4	58.8	59.3	38.1	36.6	35.0	31.6	23.8	22.8
San Diego	84.7	83.9	82.8	60.3	60.6	59.8	34.2	32.7	31.9	28.9	21.6	19.5
San Francisco	87.2	87.4	88.4	58.8	59.6	61.2	39.8	39.9	38.9	29.1	21.8	19.3
San Jose	90.3	89.5	89.0	59.7	60.7	61.8	38.0	37.8	36.7	30.9	23.3	20.7
Santa Barbara	87.1	86.0	86.0	56.0	55.4	56.1	35.2	33.7	33.0	28.5	23.4	20.8
California	87.3	86.8	86.5	59.0	59.1	59.6	38.4	37.9	36.9	30.4	24.1	22.0
<b>NATION</b>	<b>84.8%</b>	<b>84.5%</b>	<b>84.6%</b>	<b>52.5%</b>	<b>54.2%</b>	<b>55.9%</b>	<b>39.5%</b>	<b>39.0%</b>	<b>38.0%</b>	<b>26.0%</b>	<b>19.4%</b>	<b>17.0%</b>

**PAYMENTS PER TYPE 2 DIABETES PATIENT PER YEAR, BY TYPE OF THERAPY, 2009\***



Data source: SDI © 2010

**Biguanides**

Improve insulin sensitivity; reduce the production of glucose by the liver, decrease intestinal absorption of glucose and increase the peripheral uptake and use of circulating glucose.

**Insulin Sensitizing Agents**

Improve 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.

**CA TYPE 2 PATIENTS ARE LESS APT TO FILL INSULIN PRODUCTS**

Compared with the 2009 national average of 35.5%, Type 2 diabetes patients in all nine California state and local markets were less apt to fill a prescription for any insulin product. For example, just 24.0% of Type 2 diabetes patients in San Francisco filled a prescription for any insulin product in 2009, lowest among the California markets listed. Meanwhile California Type 2 diabetes patients who filled prescriptions for long-acting insulin in 2009 were far more likely to use vials (13.9%) than pens (5.7%).

**NON-INSULIN COMBO RX PAYMENTS TOP INSULIN IN CA AND U.S.**

For all nine California markets and nationally, Type 2 diabetes patients who filled prescriptions for any insulin product reported lower annual payments than their counterparts who filled three non-insulin antidiabetic products. This price gap was sharpest in Santa Barbara, where annual payments for any insulin product were \$1,178, well below such payments for three non-insulin antidiabetic products (\$1,625)

\* 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.



# California Glossary of Managed Care Terms

California healthcare organization may use managed care terminology different from conventional interpretations in other states. In pursuit of clarity, here are a few examples.

**“HMO”** In California, we regard “HMO” as a design for an insurance product...not a company, not a medical organization, not 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 that 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”** In California, a Plan is an insurance company which sells insurance coverage to purchasers, including employers, civil agencies, union trust funds, and individuals. Plans typically offer a wide variety of insurance products, including HMO, PPO, and various newer benefit designs such as HSA’s and CDHP’s. Plans do not actually deliver medical care, but they typically offer an array of supportive services to physicians and medical organizations caring for beneficiaries of that Plan. Most of CA’s Plans collaborate with medical groups and other health Plans in a wide array of quality improvement activities to achieve some standardization in clinical metrics, goals, and strategies. Examples: The Integrated Healthcare Association’s Pay for Performance (P4P) program and the California Quality Collaborative.

**“Medical Group”** In California parlance, a medical group is a multidisciplinary, legally defined organization with a spectrum of contracted responsibilities and regulatory obligations. These include formal utilization oversight, quality improvement processes, claims payment, network organization, formal reporting of administrative and financial performance, clinical measurement, 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. “Very Small” medical groups may care for as few as 10,000 patients. “Small” may care for 30,000. Medium up to 100,000. Large up to 300,000. Extra large pushing up to a million or more.

**“Integrated Medical Group”** This refers to the structure of a parent organization which employs physicians and other healthcare 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”** East of California, IPA’s function largely as contractual financial “pass-through” organizations from a health Plan to individual doctors and small offices contracted with that Plan. Eastern IPA’s function almost exclusively in fee-for-service payment models. Quality improvement, utilization oversight, and financial risk are variably present, but tend to be lean compared to California regulatory requirements. Actual financial risk bearing is rare. These organizations typically do not have the fiscal administrative infrastructure to pay claims and handle complex revenue streams and payment methodologies.

**“IPA”** in California may also be called “Network Model Medical Groups,” meaning a physician organization which contracts with a panel of independent community professionals, as opposed to employing them. IPA’s deliver all of the functions and carry all of the obligations of an integrated group, including financial risk. However, unlike integrated groups, California IPA’s generally limit their service to HMO model insurance products.

**“Medical Office”** Clusters of 5 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.

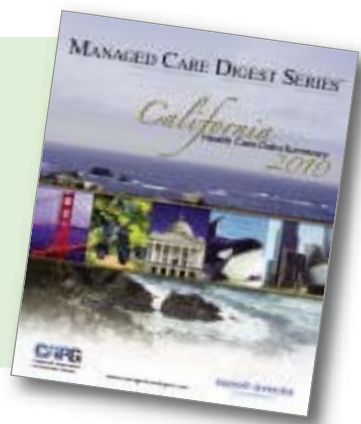
**“Risk”** Risk means the acceptance of prepayment (called “capitation”) for a range of services for a defined population. The scope of those services is defined by a detailed contractual document known as the “Division of Financial Responsibilities”...or DOFR. If the risk-bearing organization delivers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

**“Gainsharing”** This incentive system uses actuarial methods to estimate cost for specified services for a given population over a specified time interval. When actual costs fall below these estimates, a retrospective savings is calculated, and typically divided between the payor 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, ER use, and generic pharmaceutical use. California groups regard gain-sharing as a considerably weaker incentive system than risk.

## CALIFORNIA HEALTH CARE DATA SUMMARY™ 2010

The third 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-aventis Managed Care Digest Series®**.

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



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