

Agenda Item VII: Drivers of California Health Care Spending across Commercial Payers

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Background

- OHCA is statutorily required to analyze drivers of health care spending. Earlier this year, OHCA made a request to use the HPD for this purpose and was granted access.
- At the April 2025 HPD Advisory Committee, OHCA shared that it planned to explore how different factors – for example, aging, chronic condition prevalence, and utilization – might affect spending growth, both overall and at the payer-level.
- In June 2025, OHCA published its baseline report on health care spending for calendar years 2022 and 2023 and is using the HPD for supplemental analyses.

Executive Summary

Background: OHCA's baseline report documented that, in the commercial market, total medical expenses per member per year (TME PMPY) increased by 5% from 2022 to 2023.

Objective: Use HPD data from 2022 and 2023 to examine commercial payer-level variation in (1) the average age of members, (2) the share of commercial members who used health care services and (3) the share of members with chronic conditions.

Findings: From 2022 to 2023, we find no meaningful change in the average age of members; we find that the utilization rate decreased for all payers; and chronic condition prevalence decreased for 4 out of 13 payers.

Implications: Since utilization decreased across all commercial payers, the observed increase in TME PMPY from OHCA's data collection is likely driven by other factors, such as higher prices or greater intensity of utilization, which could be explored in future analyses.

Empirical Approach

- For this analysis, we used HPD data – specifically, the eligibility, medical and reference tables as well as a crosswalk for chronic conditions diagnosis codes and a crosswalk of HPD to OHCA submitters.
- We created a member-year-payer-level dataset for 2022 and 2023 so as to align with OHCA's baseline report.
- We excluded less than 0.5% of distinct members in HPD from the analysis due to conflicting or incomplete age or gender information. From OHCA's data, about 0.1% of member equivalents are submitted with unknown gender; these data are excluded as well.
- Based on these exclusions, we found that approximately 85% of OHCA member months are represented in the HPD data. The count of member months in OHCA's data is higher due to submission of some private self-insured enrollment and spending.

Key Metrics of Interest

- **Member Age:** The eligibility table reports an individual's age on a member-month basis. For this analysis, age was converted to one value per member per year. When a member's age increased by one year during the enrollment year, a midpoint age was assigned (e.g., 35.5 for individuals reported as 35 and 36 within the same year).
- **Utilization Rate:** Proportion of members who had at least one medical claim or encounter within a given calendar year, divided by the total number of members with coverage in the eligibility table during the same year.
- **Chronic Condition Rate:** Proportion of members who had at least one service incident in the medical table within a given calendar year containing a chronic condition diagnosis code, divided by the number of members with coverage in the eligibility table in that year.
- For the utilization and chronic condition measures, if an individual is covered by multiple insurance plans (Plan 1 and Plan 2) during the year and only accesses care with one of those plans (Plan 1), the individual will be counted as having utilization with Plan 1 but not Plan 2.

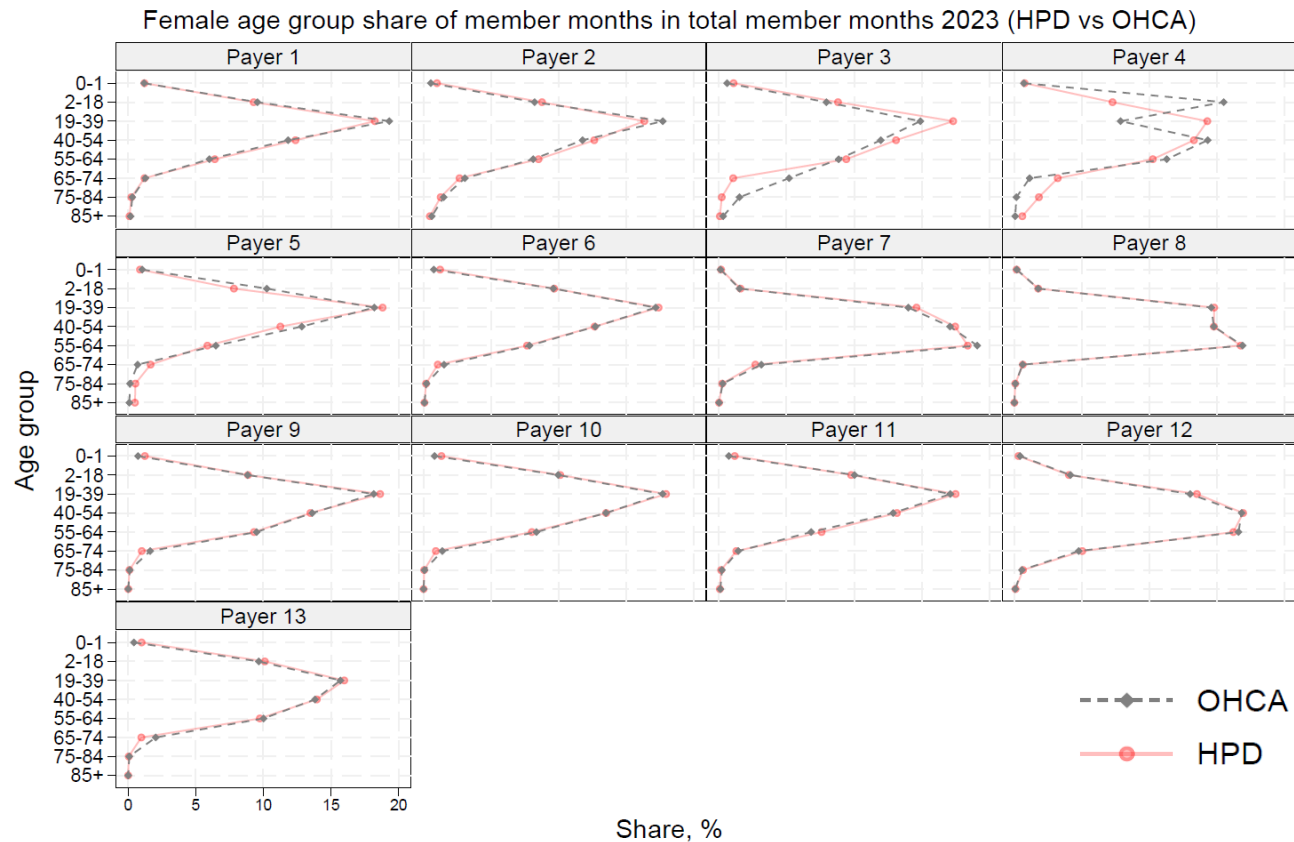
Note: The list of 30 chronic conditions and corresponding diagnosis codes are available at [CMS's Chronic Condition warehouse](#).

Limitations

- Utilization and chronic conditions are based on medical service records. Excluding pharmacy claims could result in understated utilization rates.
- Our analysis focused on how many members use their health insurance coverage (the extensive margin of utilization) but not how much care a member may have used (the intensive margin). In future analyses, we intend to explore the latter.
- For this analysis, we focus on the commercial market. In future analyses, we intend to incorporate the Medicare Advantage market category.

Age Composition

- The age distribution across the HPD and OHCA data sources closely aligns.
- Overall, across commercial payers, we find no meaningful change in average age of members from 2022 to 2023.



Age, mean (SD)	2022	2023
Payer 1	34.6 (18.2)	34.8 (18.2)
Payer 2	37.6 (20.0)	37.9 (20.0)
Payer 3	36.2 (18.6)	36.3 (18.6)
Payer 4	41.0 (20.0)	41.1 (20.3)
Payer 5	35.0 (18.0)	35.2 (17.8)
Payer 6	35.0 (18.6)	35.1 (18.5)
Payer 7	45.4 (15.0)	43.5 (15.7)
Payer 8	44.1 (15.6)	43.5 (15.7)
Payer 9	35.6 (18.3)	35.5 (18.6)
Payer 10	34.3 (18.2)	34.4 (18.2)
Payer 11	34.8 (18.4)	35.0 (18.5)
Payer 12	44.6 (17.3)	43.5 (17.8)
Payer 13	35.7 (18.7)	35.8 (18.7)
Market Average	36.1 (18.9)	36.2 (18.8)

Utilization Rate

- On average, payers saw a decrease in the share of members who used medical services from 76.7% in 2022 to 72.6% in 2023 (a 5.3% relative decrease).
- Payer 6 had the highest share of members with utilization at 83.1% and 79.4% in 2022 and 2023
- Payer 5 had the lowest share both in 2022 and 2023 at 41.0% and 36.9%, respectively.

	2022	2023	Percentage Change in share, %	Change in share, percentage points
Payer 1	70.5%	66.7%	-5.5%	-3.8pp
Payer 2	75.0%	71.7%	-4.4%	-3.3pp
Payer 3	76.5%	71.3%	-6.9%	-5.2pp
Payer 4	65.0%	62.5%	-3.7%	-2.4pp
Payer 5	41.0%	36.9%	-9.9%	-4.1pp
Payer 6	83.1%	79.4%	-4.4%	-3.6pp
Payer 7	59.7%	47.3%	-20.7%	-12.3pp
Payer 8	56.9%	47.4%	-16.7%	-9.5pp
Payer 9	74.8%	72.8%	-2.7%	-2.0pp
Payer 10	74.9%	72.8%	-2.8%	-2.1pp
Payer 11	70.2%	67.1%	-4.5%	-3.1pp
Payer 12	66.4%	49.6%	-25.4%	-16.8pp
Payer 13	75.4%	73.6%	-2.3%	-1.8pp
Market Average	76.7%	72.6%	-5.3%	-4.1pp

Covered California Utilization Rate

To assess the reasonableness of our utilization rate analysis, we looked to Covered California, which has used its claims database to report on both overall and payer-specific trends in utilization and similarly found a decrease in the utilization rate from 2022 to 2023 (88% down to 83%).

HEI	QHP PERFORMANCE				
	No Utilization of Care Over Time				
QHP Issuer	2019	2020	2021	2022	2023
All Population	18%	18%	9%	12%	17%
Anthem EPO	22%	20%	11%	15%	19%
Anthem HMO		21%	9%	14%	20%
Blue Shield HMO	17%	16%	9%	12%	16%
Blue Shield PPO	13%	12%	6%	9%	11%
Chinese Community HMO	29%	29%	15%	21%	28%
Health Net EPO	19%	17%	11%	13%	N/A
Health Net HMO	18%	20%	9%	11%	14%
Health Net PPO	33%	33%	21%	19%	24%
Kaiser HMO	17%	17%	8%	12%	16%
L.A. Care HMO	20%	21%	13%	16%	23%
Molina HMO	42%	31%	16%	23%	30%
Oscar EPO	26%	24%	10%	14%	18%
Sharp HMO	16%	16%	8%	13%	15%
Valley Health Plan HMO	29%	28%	14%	21%	28%
Western Health Advantage HMO	20%	18%	10%	13%	16%



Values marked as high rate outliers (lower is better measure), based on z-scores or Interquartile Range, are identified with a red box. Lower rate outliers (lower is better) are identified with a blue circle.
Blank cells are suppressed data due to counts too low to report.
N/A indicates plan was not offered that year

Chronic Condition Rate

- On average, the share of members with a chronic condition diagnosis was 31.5% in 2022 and 32.4% in 2023 (a 2.9% increase).
- Several payers saw an increase in the share of members with a chronic condition diagnosis – 5.4% for Payer 6, 4.1% for Payer 1 and 3.6% for Payer 9 – while other payers saw a decrease.
- The largest decreases in the share of members with chronic conditions were
 - Payer 12 from 37.9% to 28.8% (a 24% decrease),
 - Payer 7 from 34% to 28.5% (a 16.3% decrease) and
 - Payer 8 from 32.9% to 30.2% (an 8% decrease).

	2022	2023	Percentage Change in share, %	Change in share, percentage points
Payer 1	28.5%	29.7%	4.1%	1.2pp
Payer 2	35.5%	36.2%	2.0%	0.7pp
Payer 3	34.9%	35.1%	0.5%	0.2pp
Payer 4	34.4%	34.8%	1.3%	0.5pp
Payer 5	15.4%	15.8%	2.2%	0.3pp
Payer 6	29.7%	31.3%	5.4%	1.6pp
Payer 7	34.0%	28.5%	-16.3%	-5.5pp
Payer 8	32.9%	30.2%	-8.0%	-2.6pp
Payer 9	32.0%	33.1%	3.6%	1.1pp
Payer 10	32.4%	31.4%	-3.1%	-1.0pp
Payer 11	30.2%	31.4%	3.9%	1.2pp
Payer 12	37.9%	28.8%	-24.0%	-9.1pp
Payer 13	38.1%	39.0%	2.3%	0.9pp
Market Average	31.5%	32.4%	2.9%	0.9pp

Takeaways and Next Steps

- In this analysis, OHCA used HPD data to build upon findings from its baseline report that featured aggregated total medical expense (TME) data.
- OHCA's baseline report documented that, from 2022 to 2023, total medical expense per member per year (TME PMPY) increased by 5.0% in the commercial market with variation across payers ranging from -0.2% to 19.8%.
- We explored three potential factors that may contribute to the spending growth and found that, from 2022 to 2023,
 - There was no significant change in the average age of members
 - The share of members utilizing medical services decreased by 5.3% on average
 - The share of members with chronic condition diagnosis increased by 2.9% on average
- However, there was substantial variation in these metrics across payers. Future analyses could explore the extent to which prices and intensity of utilization explain growth in TME PMPY.
- In terms of next steps, OHCA seeks to develop short cost driver issue briefs that build upon its statutorily required reports and to publish them on the OHCA website.