CALIFORNIA
HEALTH CARE ALMANAC
REGIONAL MARKETS ISSUE BRIEF JULY 2009
CALIFORNIA HEALTHCARE FOUNDATION

Riverside/San Bernardino: Sprawling Area, Economic Woes Create Access Challenges

Riverside/San Bernardino Market Background

The more than 4 million residents of Riverside/San Bernardino represent about 11 percent of the state's total population (see Table 1 on page 2). The area's population has grown rapidly—34 percent in the past decade, versus 14 percent for the state overall—as people moved to the area in search of lower housing costs, especially from neighboring Los Angeles County. The local population is ethnically diverse, with higher proportions of African Americans and Latinos than California as a whole, and roughly comparable levels of household income, poverty, and high school educational attainment.

The recession and housing market collapse have hit the region doubly hard. Many people have lost their homes; Riverside/San Bernardino ranks among the areas with the highest home foreclosure rates in the country. In part because many residents were employed in housing construction and development, the area's unemployment rate of 11.8 percent in January 2009 was higher than the statewide rate of 10.6 percent. Likewise, local residents are more likely to be uninsured than the California average but slightly less likely to be covered by Medi-Cal or other public programs. Residents' self-reported health status is about average for California.

The Riverside/San Bernardino area has a larger blue-collar workforce than the neighboring counties of Los Angeles, Orange, and San Diego. The largest employers are local governments, hospitals, and universities. A significant number of residents work in the agricultural sector, and many of these workers are reportedly undocumented immigrants. Labor unions are strong in the market's public and hospital sectors.

Hospitals Engage in 'Gentle' Competition

Geography fragments the Riverside/San Bernardino health care market, in part because three nearly contiguous mountain ranges create a number of relatively isolated health care communities within the region, each with two or three small- to mid-sized community hospitals. Most of the hospitals—including the largest hospitals in the area—are concentrated in major population centers in northwestern Riverside County (Riverside, Moreno Valley, and Corona) and southwestern San Bernardino County (Ontario, San Bernardino, Fontana, Colton, Loma Linda, and Redlands).

Kaiser Permanente (Kaiser) is a dominant provider in these areas of the market. Its major facilities include the large, aging Fontana Medical Center and the Riverside Medical Center in the City of Riverside. Kaiser is increasing its presence in Ontario with its recent construction of a new 224-bed hospital, adding to an existing ambulatory surgery center and medical office building; and in Moreno Valley with its 2008 purchase of Moreno Valley Community Hospital from the financially ailing government health care district, Valley Health System.[1]

Riverside/San Bernardino is also home to Loma Linda University Adventist Health Sciences Center, whose campus is the center for tertiary and quaternary care in the two-county region. The campus includes Loma Linda University

Medical Center, one of the area's largest non-Kaiser hospitals, and Loma Linda University Children's Hospital, the area's only children's hospital.

A number of hospitals in Riverside/San Bernardino compete with Loma Linda and with each other for many of the more lucrative specialty referrals, particularly cardiac care and orthopedics; these include Riverside Community Hospital, the primary community hospital serving northwest Riverside County; St. Bernardine Medical Center, the primary community hospital serving southwest San Bernardino County; and Redlands Community Hospital in San Bernardino County. Riverside County Regional Medical Center and Arrowhead Regional Medical Center, the two county hospitals, also provide tertiary services. Loma Linda is the local provider for particularly complex services, including cancer care and heart transplants, but it competes with hospitals elsewhere in the state for these high-end specialty referrals.

Hospitals in Riverside/San Bernardino are financially vulnerable with slim operating margins that are comparable to those of California's hospitals overall (1.3 percent on average versus 1.2 percent statewide). The more profitable hospitals in the market are those with a substantial volume of commercially insured or Medicare patients, enabling them to offset Medi-Cal's relatively low payment rates and uncompensated care. An exception to this is the profitable Loma Linda, which balances a comparably higher percentage of Medi-Cal patients with an otherwise good payer mix. Loma Linda's financial performance, however, is reportedly declining.[2] All hospital respondents

Table 1. Demographic and Health System Characteristics: Riverside/San Bernardino vs. California

POPULATION STATISTICS	Riverside/ San Bernardino	California
Total population	4,081,371	36,553,215
Population growth, 1997–2007	33.9%	13.6%
Population growth, 2002–2007	16.1%	4.1%
AGE OF POPULATION		
Persons under 5 years old	7.6%	7.3%
Persons under 18 years old	29.7%	26.9%
Persons 18 to 64 years old	60.9%	62.5%
Persons 65 years and older	9.4%	10.6%
RACE/ETHNICITY		
White non-Latino	42.0%	43.3%
African American non-Latino	7.1%	5.8%
Latino	42.9%	36.1%
Asian non-Latino	5.3%	11.8%
Other race non-Latino	2.7%	3.1%
Foreign-born	20.9%	25.7%
Limited/no English, adults	30.5%	35.2%
EDUCATION, ADULTS 25 AND OLDER		
High school degree or higher	81.5%	82.9%
College degree or higher	24.5%	35.7%
HEALTH STATUS		
Fair/poor health status	15.0%	15.8%
Diabetes	8.5%	7.8%
Asthma	13.0%	13.6%
Heart disease, adults	6.3%	6.3%
ECONOMIC INDICATORS		
Below 100% federal poverty level	14.8%	15.7%
Below 200% federal poverty level	35.2%	33.5%
Household income above $50,000	50.9%	51.1%
Unemployment rate, January 2009	11.8%	10.6%
HEALTH INSURANCE, ALL AGES		
Private insurance	58.7%	59.1%
Medicare	7.7%	8.5%
Medi-Cal and other public programs	18.5%	19.3%
Uninsured	15.1%	13.2%
SUPPLY OF HEALTH PROFESSIONALS, 2008		
Physicians per 100,000 population	110	174
Primary care physicians per 100,000 population	40	59
Dentists per 100,000 population	47	69
HOSPITALS		
Staffed community, acute care hospital beds per 100,000 population, 2006	142	182
Hospital concentration, 2006 (Herfindahl index)	542	1,380
Operating margin including net Disproportionate Share Hospital payments	1.3%	1.2%
Occupancy rate for licensed beds	64.0%	59.0%
Average length of stay (days)	4.3	4.5
Paid full-time equivalents per 1000 adjusted patient days	15.0	15.7
Total operating expense per adjusted patient day	$2,110	$2,376

Notes: All estimates pertain to 2007 unless otherwise noted.

Sources: U.S. Census Bureau, Population Estimates, 2007; California Health Interview Survey, 2007; State of California Employment Development Department, Labor Market Information Division, "Monthly Labor Force Data for Counties: January 2009 — Preliminary, March 2008 Benchmark," March 5, 2009; California HealthCare Foundation, "Fewer and More Specialized: A New Assessment of Physician Supply in California," June 2009; UCLA Center for Health Policy Research, "Distribution and Characteristics of Dentists Licensed to Practice in California, 2008," May 2009; American Hospital Association Annual Survey Database, Fiscal Year 2006; California Office of Statewide Health Planning and Development, Healthcare Information Division — Annual Financial Data, 2007.

reported increased volume of low-income patients (Medi-Cal, uninsured, and underinsured) and expressed concern about this trend's negative financial impact, which may worsen if the recession deepens and more residents lose their jobs and health insurance.

Competition among Riverside/San Bernardino hospitals was generally viewed by respondents as "gentle," which they attributed to two key factors that have expanded the potential pool of patients. First, rapid population growth—at least until the recession—has meant that hospitals could increase their volumes and revenues without taking patients from their competitors. Second, respondents noted that residents often seek care in neighboring Los Angeles, Orange, and San Diego counties, due to factors such as the proximity of care in these counties to residents' places of work; the well-regarded reputations of large tertiary and quaternary facilities in these other markets; and Loma Linda's high costs of care. To the extent that hospitals are able to increase volume by capturing some of this outmigration, it can be done without taking patients from other local providers.

Hospitals Seek to Capture More Volume

To better position themselves to capture additional patient volume, hospitals are seeking tighter alignment with physicians, developing comprehensive care systems, and expanding overall capacity. For example, Loma Linda—historically confined to its own campus, receiving referrals from others but not reaching outward—is now engaged in initiatives to partner with outlying physician practices and hospitals to increase its referral base and provide additional care alternatives in the market. Kaiser is constructing a new 314-bed tertiary care facility on its Fontana campus, signaling a change in its practice of outsourcing much of its tertiary and quaternary care services, such as open-heart surgery.

Some hospitals are engaged in construction projects near their existing facilities to expand capacity and services, and to retrofit facilities that do not comply with the state's seismic requirements. Other hospitals are acquiring or building facilities in outlying areas to expand their geographic reach. Generally, Kaiser's aggressive expansion efforts in recent years have caused concern for non-Kaiser hospitals, which are pursuing their own expansion efforts, in part, to protect their share of the non-Kaiser market.

While the area appears to have adequate inpatient capacity—aided by a recession-induced drop in volume—by no means does it have too many beds, as most hospitals are considered critically important to the area. According to some respondents, when hospital capacity is pressured, it is not necessarily the result of insufficient beds, but rather a lack of staff, particularly nurses who are in short supply. The area's nursing shortage reportedly is exacerbated by state-mandated nurse staffing ratios.

Hospital emergency departments (EDs) are busy, if not overburdened, with respondents reporting EDs frequently on diversion. The emergency management agencies in San Bernardino and Riverside counties moved to a system in January 2009 in which no hospital goes on diversion because of full EDs; diversions are allowed for trauma or internal disasters, such as equipment failure. Arrowhead Regional Medical Center has implemented a triage strategy for ED patients; the "upfront rapid medical evaluation program" has physician assistants, family physicians, and emergency physicians "float" in the ED to assure patients are seen quickly. Riverside County Regional Medical Center recently began to implement a similar model.

Physician Shortage Creates Opportunities for Cooperation

Many primary care physicians and specialists in Riverside/San Bernardino practice in solo or small group practices, although there is some movement to single- or multi-specialty group practice arrangements. Other physicians are affiliated with multi-specialty independent practice associations (IPAs), which offer participating physicians increased leverage in contracting with commercial and Medicare health plans.

Kaiser is the largest employer of physicians in the region, with approximately 800 physicians who are part of the multi-specialty Permanente Medical Group. The second largest physician employer is the multi-specialty group affiliated with Loma Linda University, which has about 600 physicians. A handful of smaller multi-specialty groups and IPAs, each with about 100 to 200 affiliated physicians, are viewed as important, including Choice Medical Group, Beaver Medical Group, Riverside Medical Clinic, and Riverside Physician Network. Several large single-specialty groups also operate in the market.

Respondents characterized local physicians as fairly cooperative with each other, likely because of a physician shortage in this area with its large and, at least until recently, growing population. For example, several Riverside County respondents reported that some primary care physicians and specialists in the community share on-call responsibilities. Physician groups in southwest San Bernardino County are starting to expand to areas in Riverside County where competition is limited. For example, Beaver Medical Group and Loma Linda University Faculty Practice Plan have a joint venture with Loma Linda University Medical Center and Redlands Community Hospital to expand into northern Riverside County.

The delegated capitation model — where a medical group receives fixed per-patient, per-month payments for a specified set of services from health plans and assumes financial risk for delivering care to enrollees — is still prevalent among the market's large multi-specialty groups and IPAs. However, the long-term sustainability of the capitated payment model is unclear as enrollment shifts from HMO to PPO products. Most multi-specialty groups and IPAs represent physicians in commercial and Medicare HMO contracting activities; physicians contract with commercial insurers for PPO enrollees either independently or through their affiliated medical groups. While independent physicians in the community have historically taken their fair share of less profitable Medi-Cal patients, they may be less willing to do so with the ongoing recession and threats of further rate cuts, which come on the heels of delayed payments in summer 2008 because of delays finalizing the state budget.

The Riverside/San Bernardino area has a significant shortage of primary care and specialist physicians. Among the six markets studied, the area has the lowest supply of physicians: 110 physicians per 100,000 people compared with 174 statewide; and 40 primary care physicians per 100,000 people versus 59 statewide. The shortage may be mitigated, at least in part, by the outmigration of residents seeking care in neighboring counties.

Recruiting physicians to the area is difficult because the area has a high cost of living, but fewer cultural amenities than places like Los Angeles. As one respondent explained, "We are in southern California [and we get the] high costs [of living], but not the attractiveness of Newport Beach [or] San Diego, and the [good] payer mix that comes along with that." The physician shortage in Riverside/San Bernardino is expected to worsen as physicians retire, and there are not enough younger physicians to replace them. On the other hand, the economic downturn may have shifted this tide, at least temporarily, as physicians forestall retirement and take on-call coverage to alleviate revenue declines. Also, physicians from out of state reportedly are seeking the stability of employment within the Kaiser system, which because of its large presence in Riverside/San Bernardino has brought new physicians to the market.

Hospitals have used a number of strategies to respond to the physician shortage, including the use of physician assistants and nurse practitioners. Some hospitals also use hospitalists to ensure round-the-clock coverage, as opposed to relying on specialists for call coverage. Additionally, Kaiser provides extra training for family physicians to enable them to handle certain medical problems — some dermatology care, for example — where specialists are in short supply.

Perhaps the most important development concerning physician supply is University of California (UC) Riverside's plan to expand its existing two-year medical school (the last

two years are completed at UCLA) to a four-year school. This plan could compete with the area's only existing four-year program at Loma Linda University. Many respondents were optimistic about the new medical school's potential to recruit physicians, but others questioned the new school's utility as a recruitment tool if medical residency slots are not also added to the area. The first class is scheduled to enter in 2012, barring delays resulting from the state's ongoing budget crisis.

Despite the physician shortage, hospitals and physicians in Riverside/San Bernardino compete with each other as they pursue cost-saving and revenue-increasing strategies. Physicians and hospitals both perceive that the other has the upper hand in their relationships. For example, physicians believe hospitals are the "keeper of the money," while hospital respondents report being pressured by physicians to pay substantial fees for on-call coverage. Physicians and hospitals continue to vie for outpatient surgery and ancillary services—particularly imaging—as physicians draw volume away from hospitals to physician-owned facilities. However, some of these facilities have proved unprofitable, leading to physician-hospital joint ventures.

Health Plans Struggle to Retain Enrollment

According to respondents, the health plan market is more concentrated than it was 20 to 30 years ago, as a result of many mergers and acquisitions. The leading commercial health plans in Riverside/San Bernardino are Kaiser, Anthem Blue Cross, Aetna, Blue Shield of California, UnitedHealthcare, and Health Net. Inland Empire Health Plan, the local Medi-Cal managed care public plan, also has a strong presence in the market overall.

Kaiser has become more of a major player in the market; respondents described it as working to improve services and meet purchaser demands as well as expand its physical infrastructure locally. As one respondent said, "Kaiser is everywhere—like grass, like gravity…They replaced the old and turned the battleship…I'm very impressed." Anthem Blue Cross is valued for its PPO products, although some respondents believed Blue Cross lost market share during the transition to Anthem. UnitedHealthcare's presence in Riverside/San Bernardino, particularly in the small group market, initially increased with its purchase of PacifiCare. However, difficulties in claims administration and customer service during the transition reportedly led United to lose market share. Aetna has reportedly become more aggressive in the small group market in southern California in the last several years, expanding its focus from the large group market. Blue Shield remains competitive in the area, particularly with public employers.

As with providers, the major pressures facing health plans in Riverside/San Bernardino are financial, stemming from the recession and the collapse of the housing market. According to one respondent, "With the housing boom there was a surge of [health plan] membership in Riverside/San Bernardino through the 1990s, and it has created a [wave] of disenrollment with the recession." The expansive geography of the market also challenges plans' ability to maintain adequate provider networks in the rural, outlying areas of the two counties. Plans are pressured by purchasers to contain premium costs in the face of escalating provider costs. These issues have played out in what was described as "contentious" contract negotiations between plans and providers. In the words of one respondent, "Health plans are drawing a line in the sand with providers; providers are dropping [out of] networks and canceling contracts."

Respondents viewed health plans' competitive strategies as largely indistinguishable from one another. The most prominent strategy is to offer health and wellness programs, including online health risk assessments, wellness and nutrition activities, and 24-hour nurse lines. Some self-insured purchasers are pushing plans to demonstrate a return on investment for these programs. Public employers in the market appear to have more aggressive wellness and disease management programs than private firms; these employers see a greater potential for a return on investment in part

because of a more stable and tenured workforce. For example, Riverside County has hired a full-time physician and nurse educators to run a disease management center focused on diabetes and a diabetes clinic for county government staff.

Several plans in Riverside/San Bernardino, including Health Net, Aetna, and Blue Shield, reportedly offer "narrow-network" products that exclude provider systems with rates that are viewed as too high. These networks are based largely on price, not quality, with plans getting deeper discounts from providers in exchange for a larger volume of patients. The viability of narrow networks, however, may be limited because of the paucity of providers in the region, especially outside the core population centers of San Bernardino and Riverside counties. Also, Loma Linda University Medical Center is among the more expensive providers but is seen as a "must-have" in plan networks, making it difficult to construct a lower-cost narrow network that is attractive to employers.

Another challenge is that local public employers generally are not interested in narrow networks, as their employees and the unions prefer broad, inclusive networks and are willing to pay for them. One exception is Riverside County, which runs its own health plan, Exclusive Care, which includes a relatively narrow network of providers including the county hospital, county clinics, and a select group of private physicians as well as three additional hospitals in Palm Springs to ensure geographic access throughout the county. Exclusive Care, which is available to all public agencies in the county, offers lower premiums, copayments, and deductibles than the county's commercial offerings and has been growing in popularity among employees.

Health plans are making advances in information technology and communication, trying to "out-tech" each other by offering the best electronic information. Examples include enabling enrollee access to medical records and prescriptions online, and plans mining claims data to identify gaps in care. Respondents often noted that Kaiser in particular has made significant gains in the development of its electronic health record system and other technological capabilities.

Employers Downsize Health Benefits

Riverside/San Bernardino's business community is characterized by many small, blue-collar employers. In response to the recession, a number of employers have downsized, further reducing the limited leverage they have with health plans in the market. Even large public employers, like the two counties, have seen their leverage decrease, with some health plans reportedly becoming less transparent in their pricing and less willing to offer multi-year rate guarantees.

Few large private employers are headquartered in Riverside/San Bernardino, and those that are tend to be in manufacturing and agricultural industries. Many do not offer generous health benefits because they are competing against some companies with "zero-benefit cost in their product." Given the prevalence of high-turnover jobs, some employers have instituted plan designs that include long waiting periods to be eligible for benefits, aiming to combat high medical care use by short-term employees.

HMO products remain popular in Riverside/San Bernardino with the exception of the more rural areas of the market. In these less-populated areas, PPO products are favored because many residents need to get some of their care out of network. Although some respondents did not report seeing an enrollment shift from HMOs to PPOs, data show a decrease in commercial HMO enrollment between 2000 and 2006 from 55.4 percent to 46.1 percent in Riverside County and from 58.3 percent to 52.5 percent in San Bernardino County. (In 2006 for California as a whole, commercial HMO penetration was 46 percent and overall HMO penetration was 47 percent.)[3] Similar to other areas of the state, HMO premiums are rising at a much higher rate than premiums for PPOs and other products.

Small employers in Riverside/San Bernardino are reportedly focused on low-cost coverage options and greater

simplicity, often reducing coverage and making mid-year plan revisions to decrease the employer contribution. Most small firms offer the same ten to 15 "cookie-cutter plans," often including an HMO option, but with higher copayments for physician office visits, typically $30 to $50. For PPO products, annual deductibles generally range from $250 at the low end to about $3,000.

Plans are moving toward consumer-directed health plans (CDHPs): high-deductible plans linked to a health savings account (HSA) or a health reimbursement arrangement (HRA), most notably Kaiser.[4] After experiencing membership losses in some of its traditional HMO products, Kaiser is pushing its HSA-compatible HMO plan. Some respondents, however, are skeptical that Kaiser has the infrastructure to effectively manage this type of plan. CDHPs are slowly making their way into the offerings of large and small private-sector employers as another cost-saving strategy; a few public school districts are offering CDHPs, although take up is reportedly low.

Strong Political Support for the Safety Net

As in all of California, counties are required to be the provider of last resort for medically indigent residents who are ineligible for public insurance. Riverside and San Bernardino counties fulfill this mandate primarily by operating their own health care systems and managing the Medically Indigent Services Program (MISP) for legal residents with incomes below 200 percent of the federal poverty level and who are not eligible for full Medi-Cal benefits.

According to respondents, the main safety-net providers are reasonably strong and financially sound. But compared to other markets in California, Riverside/San Bernardino has fewer safety-net hospitals and clinics, especially given the expansive geographic area and dispersed population. A number of respondents attributed this to state allocations that provide Riverside and San Bernardino counties with disproportionately less realignment funding and resources than other California counties.[5] The safety net also appears to be less coordinated than in other markets; for example, no community clinic association exists, and respondent interviews revealed a level of unfamiliarity and limited collaboration among the different safety-net providers.

The safety net in Riverside/San Bernardino is anchored by two county hospitals, Riverside County Regional Medical Center (Riverside County) and Arrowhead Regional Medical Center (San Bernardino County). Each county has several other hospitals that provide safety-net services. The fact that both counties have maintained their own hospitals, which are major tertiary care centers as well as mainstays of the safety net, is viewed as evidence of the strong political support these hospitals receive. Riverside County's Board of Supervisors supported the building of a new hospital facility ten years ago, expanding its ED, and has provided funding to build or replace four public health service centers. Supervisors also supported the acquisition of an electronic health record (EHR) system by Riverside County Regional Medical Center. In both counties, the MISP programs are run within the county hospitals. The strong political support for the county hospitals, according to some respondents, also is an important reason the MISP programs have not been the target of budget cuts.

In 1998, Riverside County Regional Medical Center (RCRMC) moved from the city of Riverside to a new, seismically compliant facility with 362 inpatient beds in Moreno Valley, some 20 miles away. RCRMC also has a 77-bed inpatient psychiatric facility which remains in Riverside. RCRMC has training programs for nursing students, medical residents, and allied health professionals. Respondents identified other key safety-net hospitals in Riverside County, including John F. Kennedy Memorial Hospital and Parkview Community Hospital Medical Center, which took on more prominent safety-net roles in Riverside when RCRMC moved to Moreno Valley. Additionally, several hospitals located in the more rural areas of the county serve as important access points for their respective communities.

The Riverside County Department of Public Health is the largest provider of primary care safety-net services. Within the county, it operates approximately a dozen family care centers with federally qualified health center (FQHC) "look-alike" status. FQHC status provides direct federal funding and enhanced Medi-Cal rates, and FQHC "look-alike" status provides just the enhanced Medi-Cal rates. These family care centers are integrated with traditional public health services like public health nursing and maternal and child health programs.

A few independent FQHCs also operate in Riverside County. Community Health Systems, Inc. has three clinics in Riverside County and one in San Bernardino County. The Riverside Community Health Foundation, which was created by the conversion of Riverside Community Hospital to for-profit status in 1997, is the landlord for two of these clinics and helps cover some of the costs. Borrego Community Health Foundation is a San Diego-based FQHC with three clinic sites in Riverside County. In addition to primary care services, Borrego has been aggressive in recruiting specialists, apparently because of its ability to pay competitive salaries. Clinicas de Salud del Pueblo, an FQHC that started as an outgrowth of the farm workers movement in the 1950s, is based in Imperial County but has three clinic sites in Riverside.

In San Bernardino County, Arrowhead Regional Medical Center (ARMC) is the main safety-net hospital. ARMC, with 373 inpatient beds in a seismically sound facility built in 1999, is the region's only burn center and has 22 outpatient clinics — including nine specialty clinics — on its main campus, as well as three family health centers located elsewhere in the community. ARMC is one of the few hospitals in the United States to house both allopathic and osteopathic medical residency programs; in fact, the hospital has 42 different health professional training programs. Other hospitals in San Bernardino County that are important providers of care for low-income residents, include Loma Linda University Medical Center, which serves the largest portion of Medi-Cal patients (29 percent) in the county, according to 2006 data; Community Hospital of San Bernardino; and St. Bernardine Medical Center.[6]

Additionally, the San Bernardino Department of Public Health operates nine public health clinics across the county. Although these have been operating as traditional public health clinics, providing such services as health education and health and nutrition services through the Women, Infants, and Children (WIC) program, the county is working to integrate formerly standalone services with some primary care and behavioral health services. The county's goal is to develop a "one-stop" system in which clients can receive most primary care services at a single site, including county-provided public health services, as well as medical care from private physicians working in the same facility.

San Bernardino County also has a variety of community clinics, ranging from the county's public health clinics to free clinics. Inland Behavioral and Health Services is a multi-site FQHC that started out as a behavioral health treatment center. Medical care is now its main business line, but it also provides outpatient substance abuse and mental health treatment and serves clients in its homeless project. The Social Action Community Health System, a three-clinic system owned by Loma Linda University, offers comprehensive primary care services within the city of San Bernardino; services are provided, in part, by medical, behavioral health, and pharmacy students.

Access Challenges for Low-Income Residents

Overall, demand for safety-net services has been increasing in Riverside/San Bernardino. Most respondents attributed the increase to the recession as formerly insured people, whether working or not, are now without coverage. Evidence of this trend includes, for example, a significant increase in Riverside County's MISP population from 2007 to 2008. Not only is this leading to greater demand, but it is also changing the face of safety-net clients and the types of services needed. As one respondent stated, "When you walk into clinic waiting

rooms, as opposed to two to three years ago [when you saw mostly destitute individuals], you see families in there now."

The expansive land area of the two counties and their isolated, diverse populations pose major access challenges. Large numbers of undocumented immigrants, mostly Latino, work in the fields, and the living conditions for many of these workers are poor; many reportedly live in labor camps and illegal trailer parks without electricity or running water. Respondents generally characterized the safety net in Riverside/San Bernardino as having limited capacity to meet these challenges in the face of a depressed economy and a steady erosion of private providers willing to care for low-income people.

Some respondents suggested that community hospital capacity for low-income patients has eroded in recent years. They noted, for example, the 2008 sale of Moreno Valley Community Hospital to Kaiser, which is not a major safety-net provider. Respondents expressed concern that the safety net may erode further if the financial environment does not soon change.

Inpatient and specialty care for low-income residents who are able to access one of the two county hospitals is reportedly good, as both have patient-friendly financial policies, a comprehensive array of services, and relatively new facilities. Access to specialty care for low-income residents is very difficult outside of the county hospitals, especially in the rural central and eastern parts of Riverside and San Bernardino counties. Respondents cited some pediatric subspecialties, cardiology, gastroenterology, neurology, urology, ophthalmology, dermatology, oncology for women, podiatry, and psychology as specific specialties with a shortage either of supply or willingness to serve low-income patients. Dental care for low-income people is largely limited to community health centers and Loma Linda University's School of Dentistry because few private dentists treat this population.

Several initiatives to strengthen services, expand access, and extend outreach to hard-to-reach populations are underway in Riverside/San Bernardino. Clinicas de Salud del Pueblo uses telemedicine to expand access to specialty care. The Riverside Community Health Foundation has initiated several efforts to improve access and health status in its service area, the city of Riverside, including a Health Executive Exchange that brings 60 public- and private-sector leaders together to discuss issues and possible solutions concerning the region's health system. Respondents also noted the leadership of the Riverside mayor who has been active in health promotion efforts, including a Youth Violence Prevention Taskforce and a Healthy Cities initiative. Overall, however, initiatives tend to focus on population centers. The region as a whole has few community-wide efforts to improve access and coordinate care.

Increased Demand for Medi-Cal

Approximately 19 percent of the residents of Riverside and San Bernardino counties are enrolled in Medi-Cal or Healthy Families, similar to the state average. Respondents reported that the percentage is increasing, primarily because of the poor economy. San Bernardino County, for instance, has approximately 95,000 Medi-Cal enrollees, with 9,000 new applications per month, which represents an approximate 10 percent increase over the prior year. The increase in applications is putting additional pressure on county Medi-Cal offices, which are simultaneously facing budget cuts. Nevertheless, both counties' Medi-Cal offices are focused on outreach and enrollment, sending eligibility workers to local hospitals, health centers, and other county services sites. Personnel at the county hospitals are reportedly aggressive about getting eligible patients enrolled in Medi-Cal to ensure reimbursement.

Riverside and San Bernardino jointly operate a two-plan Medi-Cal managed care model, which provides enrollees a choice of a public or private health plan. According to respondents, both counties were "miraculously" able to come together and create, through a Joint Powers Agreement, a public plan called the Inland Empire Health Plan (IEHP).

IEHP is governed by a board with representatives from each county's board of supervisors. The board does not include providers, which reportedly is positive because it minimizes "petty politics." IEHP is the dominant plan with approximately 75 percent of the Medi-Cal managed care enrollees and 30 percent of the Healthy Families enrollees. IEHP's total enrollment of approximately 371,000 members makes it one of the larger health plans in the overall market. Molina Healthcare is the private Medi-Cal plan offering in both counties.

Access to specialists and limited administrative capacity in small physician offices are two of the primary issues confronting IEHP. Although primary care is generally adequate, specialists who are willing to treat Medi-Cal patients are in short supply, and specialists who do accept Medi-Cal often are international medical graduates, which reportedly can lead to cultural issues between physicians and patients. Additionally, the majority of IEHP network physicians are solo practitioners who lack adequate administrative and peer-review infrastructure that, according to an IEHP respondent, sometimes contributes to poor patient care quality, especially for patients with complex conditions. To help mitigate these structural deficiencies, IEHP developed an electronic health record system for enrollees, which doctors can access electronically to view their patients' prescriptions and medical histories.

IEHP and Molina have similar provider payment arrangements, offering capitation to primary care physicians and IPAs, fee-for-service payments to specialists, and per diems to hospitals. Although IEHP used to contract primarily through IPAs, its second largest participating IPA went bankrupt in 2001, and it has since moved to direct contracting with individual physicians and groups.

To further promote patient care quality, IEHP, and Molina to a lesser extent, have developed pay-for-performance programs. IEHP reportedly distributes $14 million per year to physicians who meet prescribed performance standards. For some physicians, these payments can represent 20 to 30 percent of their gross revenues. Other efforts such as the development of a disease registry that aim to "externally place structure on a physician's office," as one respondent put it, were considered a "dismal failure" because physicians' offices lacked the necessary support staff to implement the measures.

Issues to Track

Riverside/San Bernardino encompasses an expansive geographic area, fragmenting the local health care system and creating access challenges for local residents. The recession has had a significant impact on the area, and the number of unemployed and uninsured residents is rising. Riverside/San Bernardino has a significant shortage of physicians, and recruiting physicians to the area is difficult. Health plans are struggling to maintain enrollment given the economic downturn, and employers are seeking relief from high health care costs through less costly coverage options and increased patient cost sharing. Political support for the safety net is strong, but the safety net is challenged to meet the growing demand for services. The following are among the key issues to track:

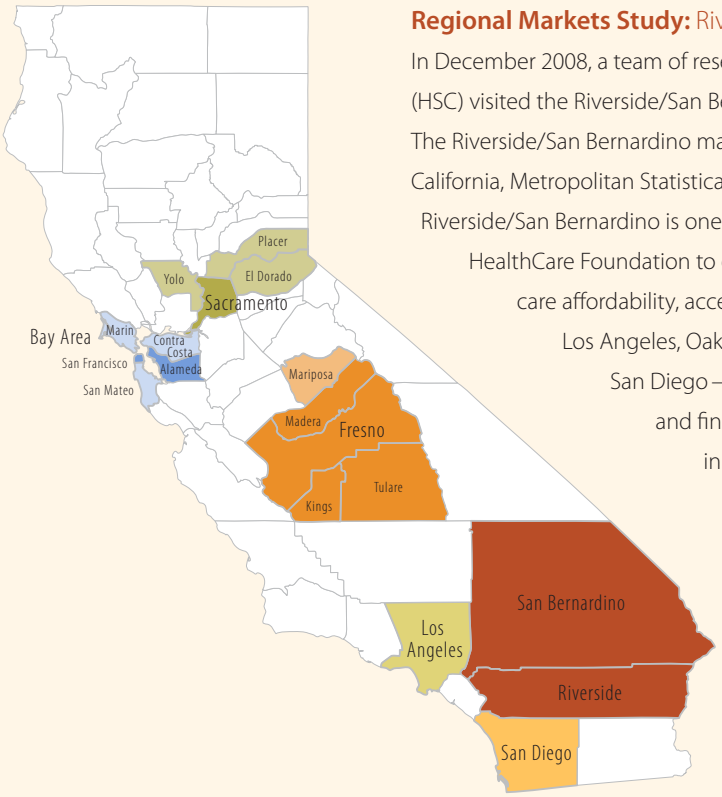
- How will the recession affect the Riverside/San Bernardino health care system? Will the two county-owned hospitals continue to have financial stability in the face of the ongoing recession and public budget cuts? Will demand for Medi-Cal coverage continue to increase, and will the health care system be able to meet that demand?
- Will physician shortages grow — particularly among those willing to serve low-income residents — and how successful will efforts be to address these shortages?
- Will provider expansion strategies, such as those of Kaiser and Loma Linda, continue? How will this affect residents' access to care and the outmigration of care to neighboring

counties? What will be the response of other providers in the market?

- How will health plans respond to declining membership? Will the prevalence of CDHPs increase in the face of economic pressures? Will employers continue to downsize health benefits or eliminate them altogether?

ENDNOTES

1. Government health care districts are governed by an elected body separate from the local government and have the authority to impose property taxes to pay for the operation of the hospital. Because the district board is responsible to the community, the hospital often provides services for the underserved.
2. "Fitch Rates Loma Linda University Medical Center's (California) $95MM Bonds 'BBB+'; Outlook to Stable," *Business Wire* (October 2, 2008).
3. Cattaneo & Stroud, Inc., *2006 California Statewide HMO & Special Programs Enrollment Study,* Burlingame, CA (2008).
4. HSAs are tax-favored accounts that must be linked to health plans with minimum deductibles of $1,100 for self-only coverage and $2,200 for family coverage in 2008. HRAs are accounts funded and owned by the employer; no companion health plan is required. HRA contributions are not subject to business income tax, and unused funds revert to the employer when the employee retires or leaves the company.
5. Realignment funds, derived from sales tax and vehicle license fees, were allocated to the counties when the state shifted responsibility for health and social services to the county governments. The formula for distribution of the funds was based on historical spending levels and is not updated each year based on overall population and population in poverty.
6. Kim, Ansony, *2007 Overview of the Uninsured: San Bernardino County September 2008,* Insure the Uninsured Project (September 2008).



Regional Markets Study: Riverside/San Bernadino

In December 2008, a team of researchers from the Center for Studying Health System Change (HSC) visited the Riverside/San Bernardino region to study that market's local health care system. The Riverside/San Bernardino market encompasses the Riverside-San Bernardino-Ontario, California, Metropolitan Statistical Area, which includes Riverside and San Bernardino counties.

Riverside/San Bernardino is one of six markets being studied on behalf of the California HealthCare Foundation to gain important insights into regional characteristics in health care affordability, access, and quality. The six markets included in the study — Fresno, Los Angeles, Oakland/San Francisco, Riverside/San Bernardino, Sacramento, and San Diego — reflect a range of economic, demographic, health care delivery, and financing conditions in California. Forty-eight interviews of leaders in the Riverside/San Bernardino health care market were conducted to inform this report.

► ACCESS THE ENTIRE REGIONAL MARKETS SERIES HERE.

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ABOUT THE FOUNDATION

The **California HealthCare Foundation** is an independent philanthropy committed to improving the way health care is delivered and financed in California. By promoting innovations in care and broader access to information, our goal is to ensure that all Californians can get the care they need, when they need it, at a price they can afford. For more information, visit **www.chcf.org**.

California Health Care Almanac is an online clearinghouse for key data and analysis examining the state's health care system. For more information, go to **www.chcf.org/topics/almanac**.

Table A. Demographic and Health System Characteristics: Six Selected Regions vs. California (SUPPLEMENT TO THE *CALIFORNIA HEALTH CARE ALMANAC REGIONAL MARKETS* ISSUE BRIEF SERIES)

POPULATION STATISTICS	Fresno	Los Angeles	Riverside/ San Bernardino	Sacramento	San Diego	San Francisco Bay Area	California
Total population	1,634,325	9,878,554	4,081,371	2,091,120	2,974,859	4,203,898	36,553,215
Population growth, 1997–2007	21.6%	8.4%	33.9%	26.3%	9.2%	6.6%	13.6%
Population growth, 2002–2007	9.0%	0.7%	16.1%	8.3%	2.3%	0.6%	4.1%
AGE OF POPULATION							
Persons under 5 years old	8.7%*	7.4%	7.6%	6.8%	7.4%	6.4%	7.3%
Persons under 18 years old	30.6%*	27.8%	29.7%	26.4%	26.7%	22.2%	26.9%
Persons 18 to 64 years old	60.3%*	62.0%	60.9%	62.4%	62.7%	65.9%	62.5%
Persons 65 years and older	9.1%*	10.2%	9.4%	11.1%	10.6%	11.9%	10.6%
RACE/ETHNICITY							
White non-Latino	37.4%*	28.7%	42.0%	59.7%	53.7%	46.2%	43.3%
African American non-Latino	4.0%*	8.4%	7.1%	6.4%	5.3%	8.3%	5.8%
Latino	50.8%*	47.6%	42.9%	18.9%	29.0%	20.8%	36.1%
Asian non-Latino	5.3%*	13.1%	5.3%	10.4%	8.7%	20.4%	11.8%
Other race non-Latino	2.6%*	1.8%	2.7%	4.6%	3.3%	4.2%	3.1%
Foreign-born	20.4%*	33.8%	20.9%	15.1%	20.3%	27.5%	25.7%
Limited/no English, adults	41.3%*	38.7%	30.5%	28.5%	26.1%	27.6%	35.2%
EDUCATION, ADULTS 25 AND OLDER							
High school degree or higher	71.9%*	78.2%	81.5%	89.9%	87.6%	89.7%	82.9%
College degree or higher	22.2%*	32.8%	24.5%	38.3%	40.6%	49.4%	35.7%
HEALTH STATUS							
Fair/poor health status	19.8%*	18.4%	15.0%	12.3%	12.3%	12.5%	15.8%
Diabetes	10.5%*	8.8%	8.5%	6.5%	6.3%	7.0%	7.8%
Asthma	16.7%*	11.8%	13.0%	18.5%	12.8%	14.6%	13.6%
Heart disease, adults	6.4%*	6.2%	6.3%	6.5%	6.4%	5.5%	6.3%
ECONOMIC INDICATORS							
Below 100% federal poverty level	24.0%*	20.8%	14.8%	11.6%	11.0%	11.0%	15.7%
Below 200% federal poverty level	45.1%*	41.2%	35.2%	25.7%	26.4%	22.4%	33.5%
Household income above $50,000	39.7%*	44.3%	50.9%	54.9%	56.7%	61.6%	51.1%
Unemployment rate, January 2009	15.5%	10.8%	11.8%	10.4%	8.6%	8.4%	10.6%
HEALTH INSURANCE, ALL AGES							
Private insurance	46.8%*	52.8%	58.7%	66.8%	63.9%	69.3%	59.1%
Medicare	7.0%*	7.2%	7.7%	9.4%	8.8%	9.6%	8.5%
Medi-Cal and other public programs	30.5%*	23.8%	18.5%	15.1%	14.9%	13.4%	19.3%
Uninsured	15.7%*	16.1%	15.1%	8.6%	12.5%	7.8%	13.2%
SUPPLY OF HEALTH PROFESSIONALS, 2008							
Physicians per 100,000 population	118	176	110	191	187	239	174
Primary care physicians per 100,000 population	45	58	40	63	60	79	59
Dentists per 100,000 population	43	64	47	74	70	89	69
HOSPITALS							
Staffed community, acute care hospital beds per 100,000 population, 2006	173	214	142	146	171	211	182
Hospital concentration, 2006 (Herfindahl index)	702	310	542	2,178	1,468	1,176	1,380
Operating margin including net Disproportionate Share Hospital payments	3.0%	–5.3%	1.3%	7.1%	5.3%	3.4%	1.2%
Occupancy rate for licensed beds	67.9%	58.5%	64.0%	70.7%	67.4%	56.4%	59.0%
Average length of stay (days)	4.4	4.8	4.3	4.3	4.4	4.9	4.5
Paid full-time equivalents per 1000 adjusted patient days	15.0	16.0	15.0	17.3	14.9	15.9	15.7
Total operating expense per adjusted patient day	$1,883	$2,245	$2,110	$2,731	$2,182	$2,934	$2,376

Notes: All estimates pertain to 2007 unless otherwise noted. Fresno region includes Fresno, Kings, Madera, Mariposa and Tulare counties. Sacramento region includes El Dorado, Placer, Sacramento, and Yolo counties. San Francisco Bay region includes Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties.

*Estimate does not include Mariposa County because the California Health Interview Survey public-use dataset does not report separate estimates for very small counties such as Mariposa.

Sources: U.S. Census Bureau, Population Estimates, 2007; California Health Interview Survey, 2007; State of California Employment Development Department, Labor Market Information Division, "Monthly Labor Force Data for Counties: January 2009 — Preliminary, March 2008 Benchmark," March 5, 2009; California HealthCare Foundation, "Fewer and More Specialized: A New Assessment of Physician Supply in California," June 2009; UCLA Center for Health Policy Research, "Distribution and Characteristics of Dentists Licensed to Practice in California, 2008," May 2009; American Hospital Association Annual Survey Database, Fiscal Year 2006; California Office of Statewide Health Planning and Development, Healthcare Information Division — Annual Financial Data, 2007.