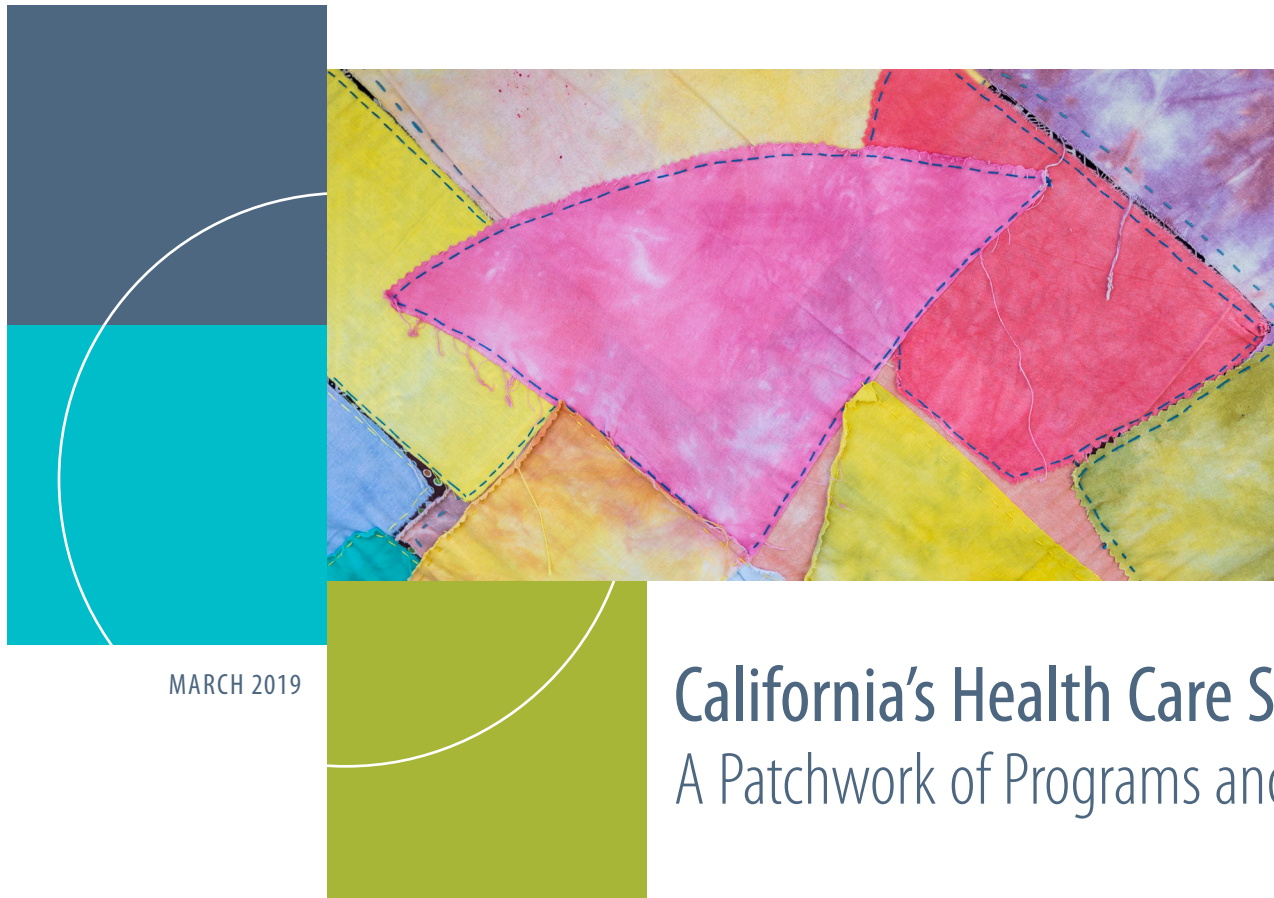


CALIFORNIA Health Care Almanac



MARCH 2019

California's Health Care Safety Net: A Patchwork of Programs and Providers

Executive Summary

The health care safety net is a patchwork of programs and providers that serves low-income Californians. The implementation of the Patient Protection and Affordable Care Act (ACA) in 2014 has transformed the safety-net landscape, largely through expansion of the Medi-Cal program. Most legal residents of the state earning less than 138% of the federal poverty level are now eligible for health care coverage through Medi-Cal. Many Californians earning more than this threshold have gained subsidized insurance through Covered California, California's health insurance exchange.

This coverage expansion has affected programs and providers as well as patients. For example, far fewer patients rely on county programs for the medically indigent relative to the pre-ACA period, as more people now have access to health insurance. Meanwhile, many providers have experienced increases in demand for their services.

California's Health Care Safety Net: A Patchwork of Programs and Providers presents data on the providers and programs that compose California's system for providing health care to people with low incomes.

KEY FINDINGS INCLUDE:

- Both the number of Federally Qualified Health Center (FQHC) organizations and the number of patients seen by them increased by 37% between 2013 and 2017. FQHCs saw 4.7 million patients in 2017, with Medi-Cal providing the majority of the funding for these patients.
- Many FQHCs are relatively small: The median clinic had about \$14 million in revenue in 2017 and saw about 14,000 patients.
- Nonprofit hospitals remained the cornerstone of the state's hospital network in the study period, providing 62% of all hospital inpatient days and 72% of outpatient visits. Meanwhile, city/county hospitals provided a disproportionate share of services to Medi-Cal patients and those served by county indigent programs.
- Since 2013, the median operating margin improved for most hospital types. However, the median operating margin for city/county and district hospitals remained negative.

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Defining Safety-Net Programs and Providers

The Programs

Safety-net programs, which typically use income to determine eligibility, include the following:

- **State.** Medi-Cal, Restricted-Scope Medi-Cal, and Children's Health Insurance Program (CHIP)
- **County indigent.** Also known as Medically Indigent Adult (MIA) programs
- **Episodic.** Breast and Cervical Cancer Treatment Program; Child Health and Disability Prevention Program; Family Planning, Access, Care and Treatment (PACT); and California Children's Services
- **Low-income, nongovernment insurance.** Kaiser Permanente Child Health Program

The Providers

The safety net includes health care providers that by legal mandate or explicit mission provide care for a proportionately greater share of poor and uninsured patients:

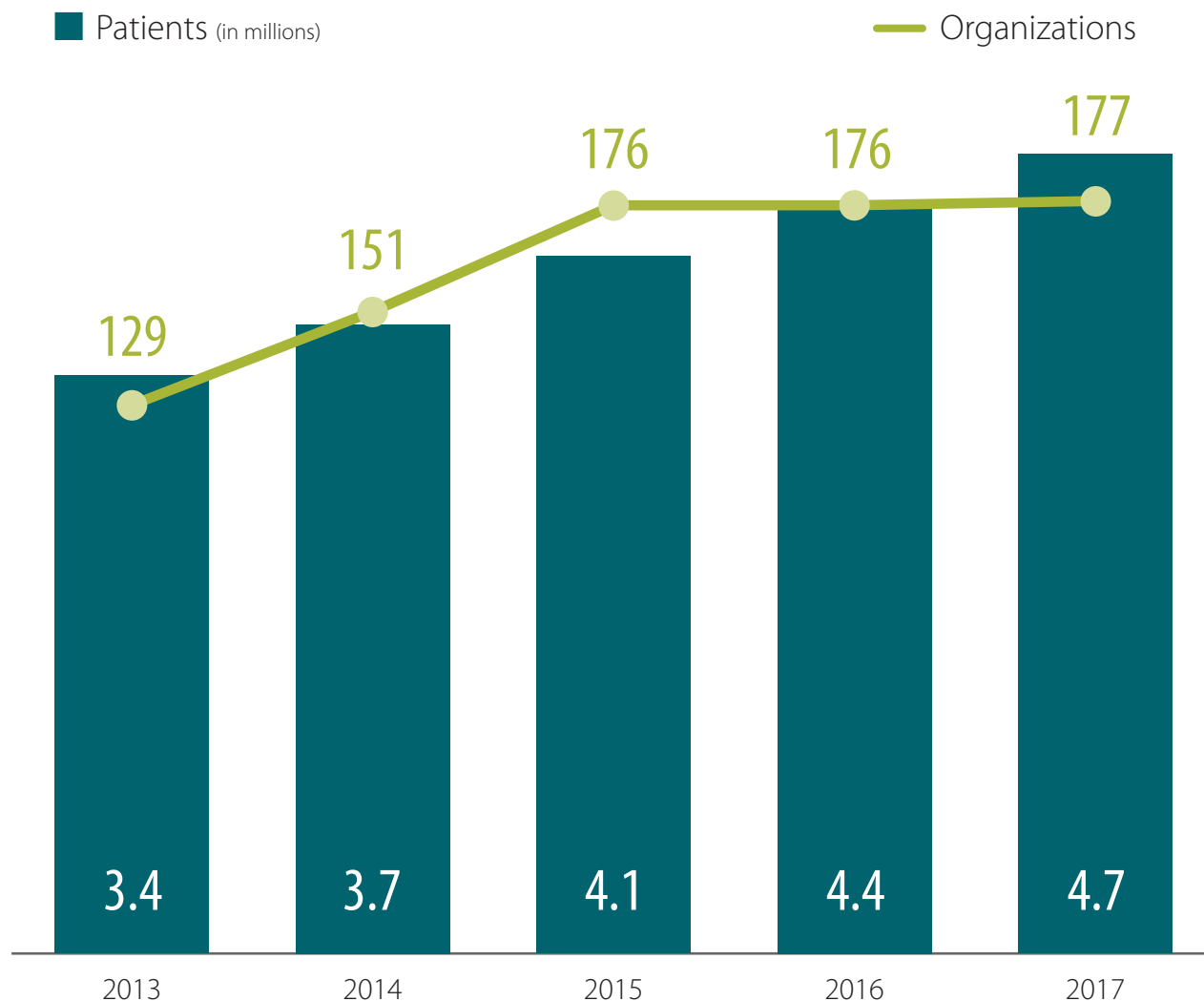
- **Hospitals.** City/county, nonprofit, investor, and district hospitals with county or Medi-Cal contracts and/or designated as critical access or disproportionate share (DSH)
- **Clinics.** Federally Qualified Health Centers (FQHCs), FQHC Look-Alikes, community clinics, county clinics, free clinics, and other non-FQHC clinics
- **Private doctors.** Contracted care and charity care

The safety net is comprised of diverse health care programs and providers.

Note: See Glossary on page 24 for more detailed information.

Federally Qualified Health Centers

Patients and Organizations, California, 2013 to 2017



Note: Data do not include FQHC Look-Alikes.

Sources: Blue Sky Consulting Group analysis of the Uniform Data System (2015–17), Health Resources and Services Administration (HRSA), bphc.hrsa.gov; and Data Warehouse (2016–17), HRSA, data.hrsa.gov.

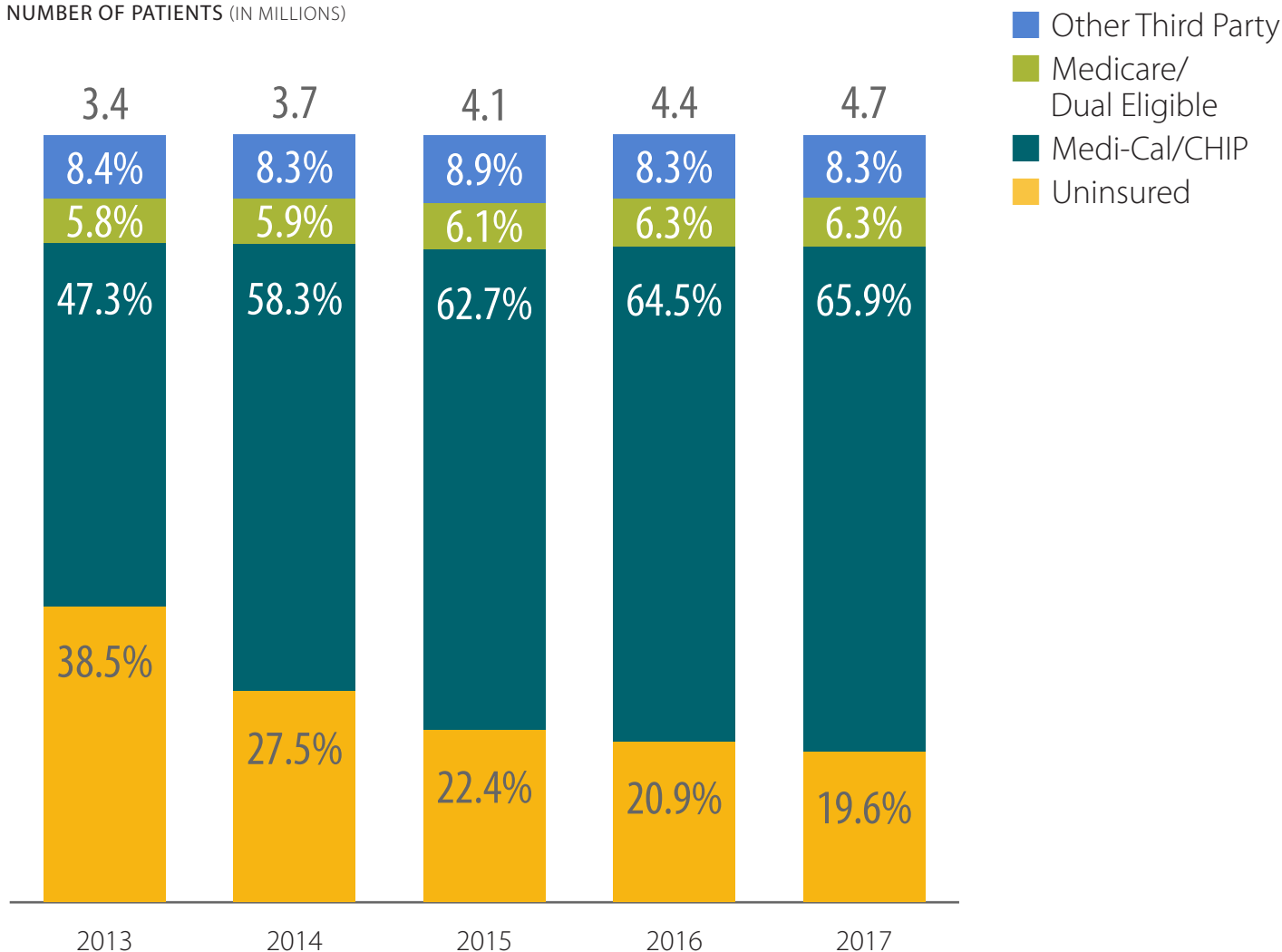
California's Health Care Safety Net

Federally Qualified Health Centers

Since 2013, the number of Federally Qualified Health Centers in California, and the number of patients seen by them, has risen steadily. Both increased by 37% between 2013 and 2017.

Federally Qualified Health Center Patients by Payer, California, 2013 to 2017

NUMBER OF PATIENTS (IN MILLIONS)



California's Health Care Safety Net
Federally Qualified Health Centers

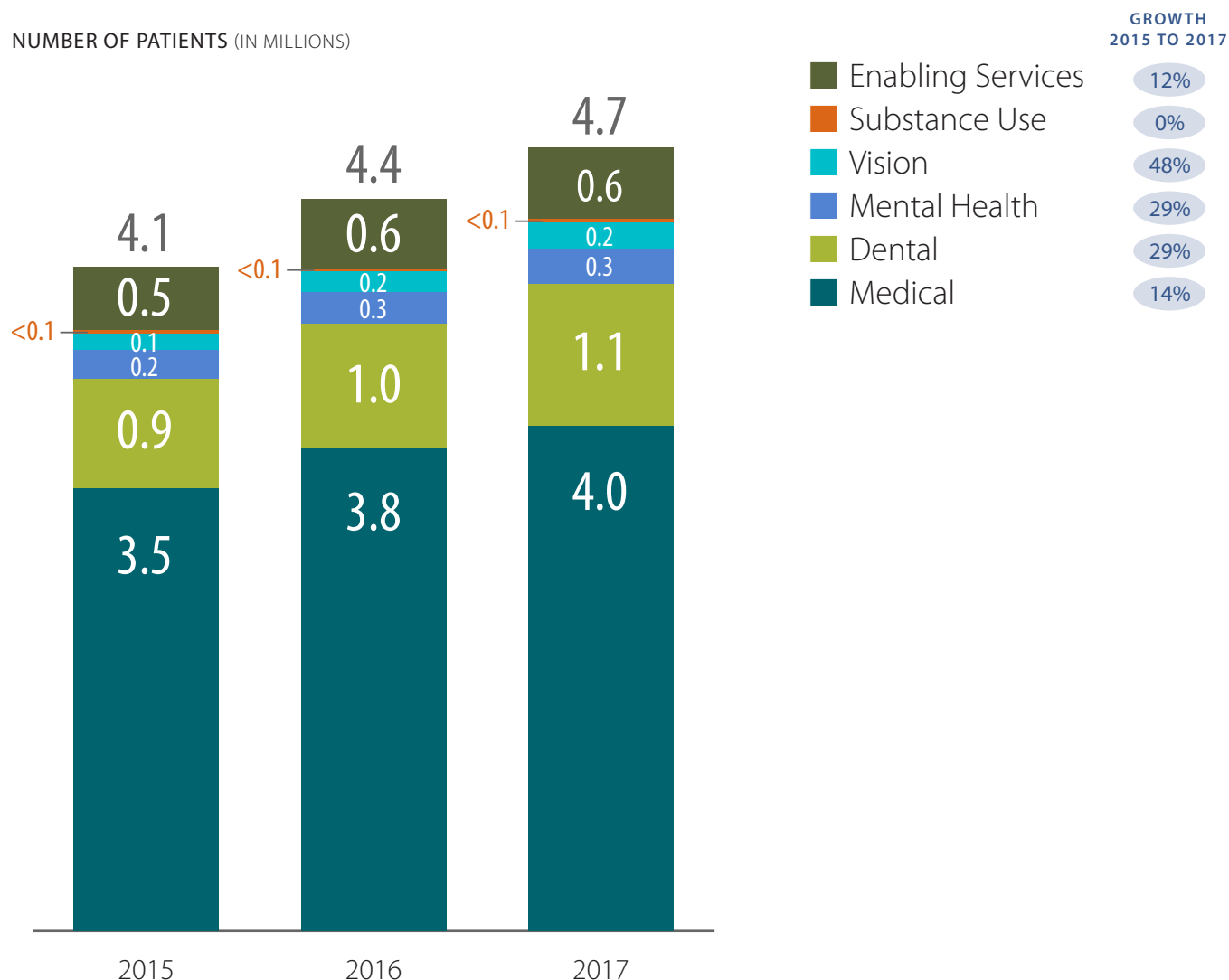
Between 2013 and 2017, the number of patients seen at Federally Qualified Health Centers increased from 3.4 million to 4.7 million. At the same time, the patient mix seen at these clinics also changed, with the share of Medi-Cal patients increasing from 47% of patients in 2013 to 66% in 2017.

Notes: Data do not include FQHC Look-Alikes. *CHIP* is the Children's Health Insurance Program. Segments may not total 100% due to rounding.
Source: Blue Sky Consulting Group analysis of the Uniform Data System (2015–17), Health Resources and Services Administration, bphc.hrsa.gov.

Federally Qualified Health Center Patients

by Service Type, California, 2015 to 2017

NUMBER OF PATIENTS (IN MILLIONS)



Notes: Data do not include FQHC Look-Alikes. *Growth* is the change in number of primary care patients from 2015 to 2017. *Enabling services* include case management, patient/community education, eligibility assistance, transportation, interpretation, and other services. Segments may not match totals due to rounding.

Source: Blue Sky Consulting Group analysis of the Uniform Data System (2015–17), Health Resources and Services Administration, bphc.hrsa.gov.

California's Health Care Safety Net
Federally Qualified Health Centers

With the exception of substance use services, Federally Qualified Health Centers have experienced growth in the number of patients in all service types.

Federally Qualified Health Center Patients

Selected Populations, California, 2017

PERCENTAGE OF TOTAL PATIENT POPULATION

Agricultural Workers or Dependents

10%

Homeless

7%

Low-Income Housing Residents

5%

Students

3%

Veterans

1%

Notes: Data do not include FQHC Look-Alikes. The categories are not mutually exclusive — that is, a person could be included in multiple categories (e.g., veterans and low-income housing residents).

Source: Blue Sky Consulting Group analysis of the Uniform Data System (2017), Health Resources and Services Administration, bphc.hrsa.gov.

California's Health Care Safety Net

Federally Qualified Health Centers

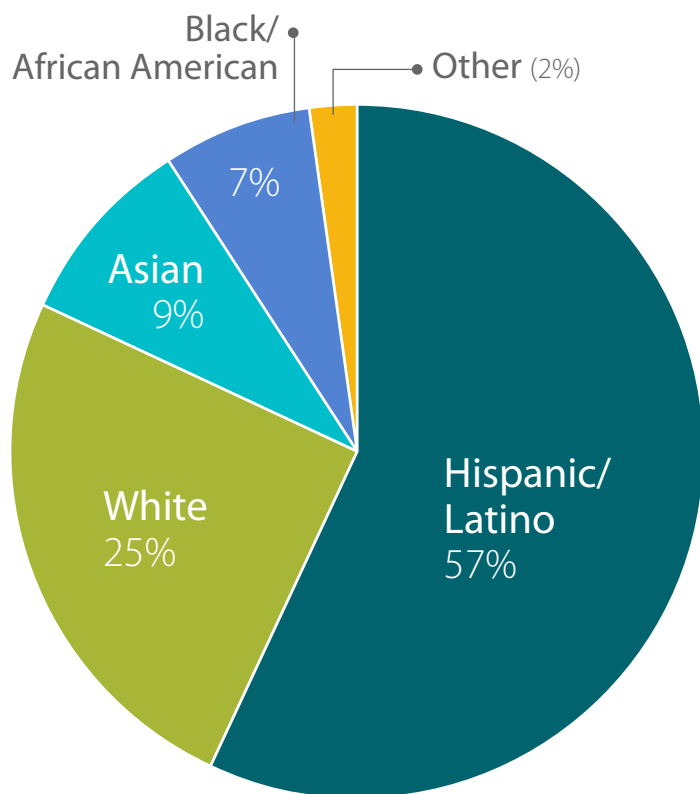
One in 10 patients served by Federally Qualified Health Centers was an agricultural worker or dependent, 7% were homeless, and 5% lived in low-income housing.

Federally Qualified Health Center Patients by Race/Ethnicity and Income, California, 2017

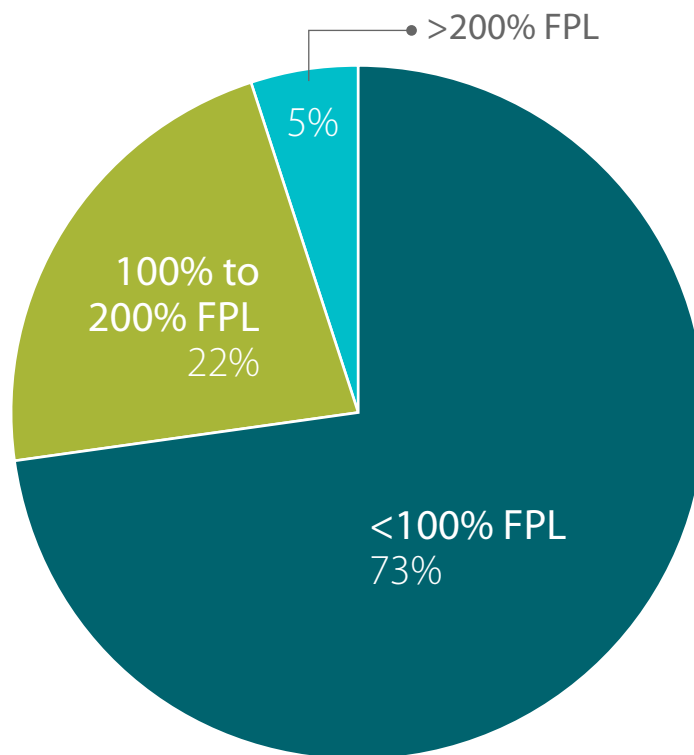
California's Health Care Safety Net
Federally Qualified Health Centers

Of those patients whose race/ethnicity and income were known, the majority served by Federally Qualified Health Centers (FQHCs) were poor (73% earned less than 100% of the federal poverty level). Fifty-seven percent of FQHC patients were Hispanic/Latino.

Race/Ethnicity



Federal Poverty Level



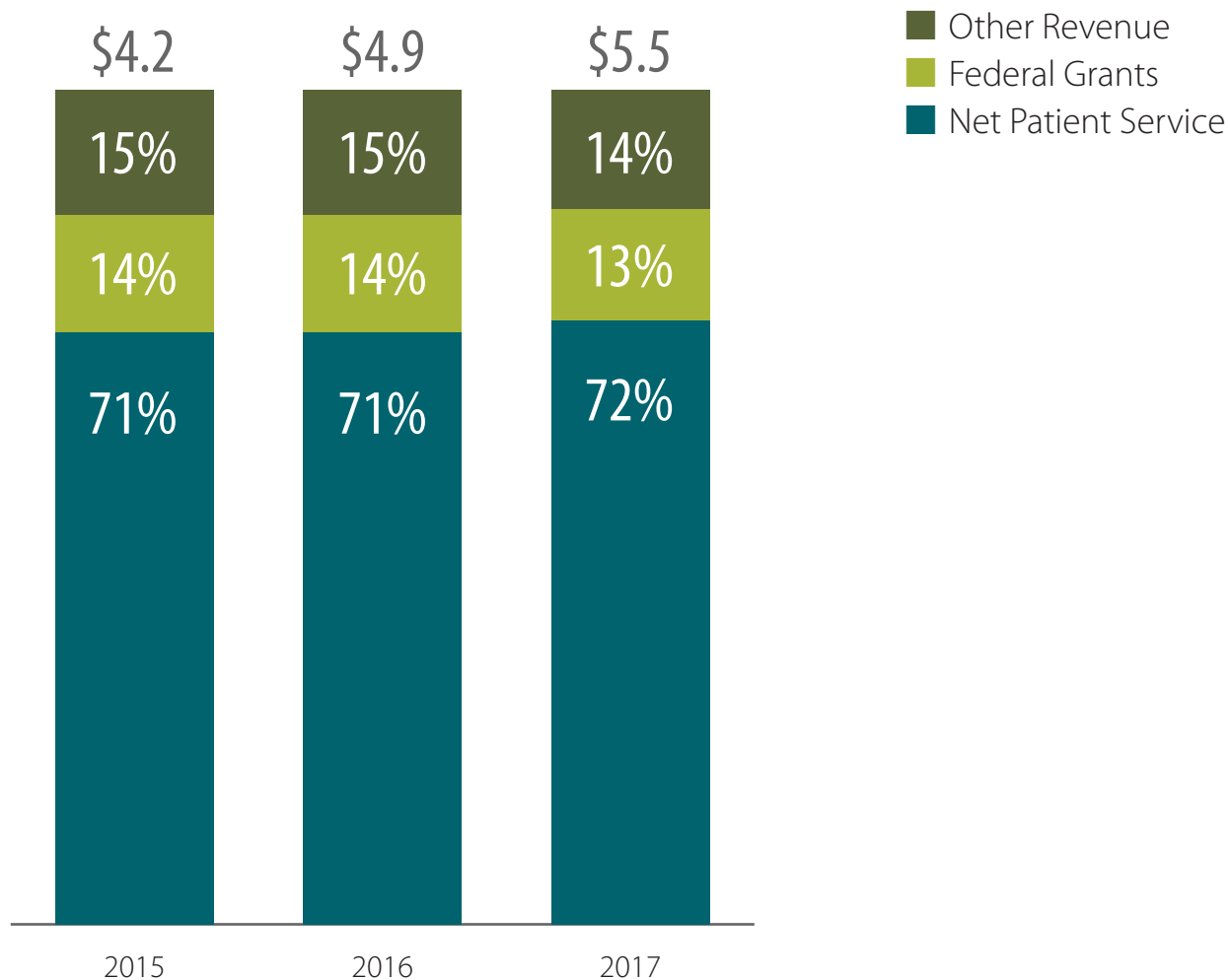
Notes: Data do not include FQHC Look-Alikes. *White*, *Black/African American*, *Asian*, and *other* exclude those reported as Hispanic/Latino. Data excludes population for which race/ethnicity (18%) and income (19%) were unknown. The *federal poverty level* (FPL) in 2017 was \$12,060 for a single person and \$24,600 for a family of four.

Source: Blue Sky Consulting Group analysis of the Uniform Data System (2017), Health Resources and Services Administration, bphc.hrsa.gov.

Federally Qualified Health Center Revenue

by Source, California, 2015 to 2017

TOTALS (IN BILLIONS)



Notes: Data do not include FQHC Look-Alikes. *Other revenue* includes nonfederal grants and contracts and nonpatient related revenue. Segments may not total 100% due to rounding.

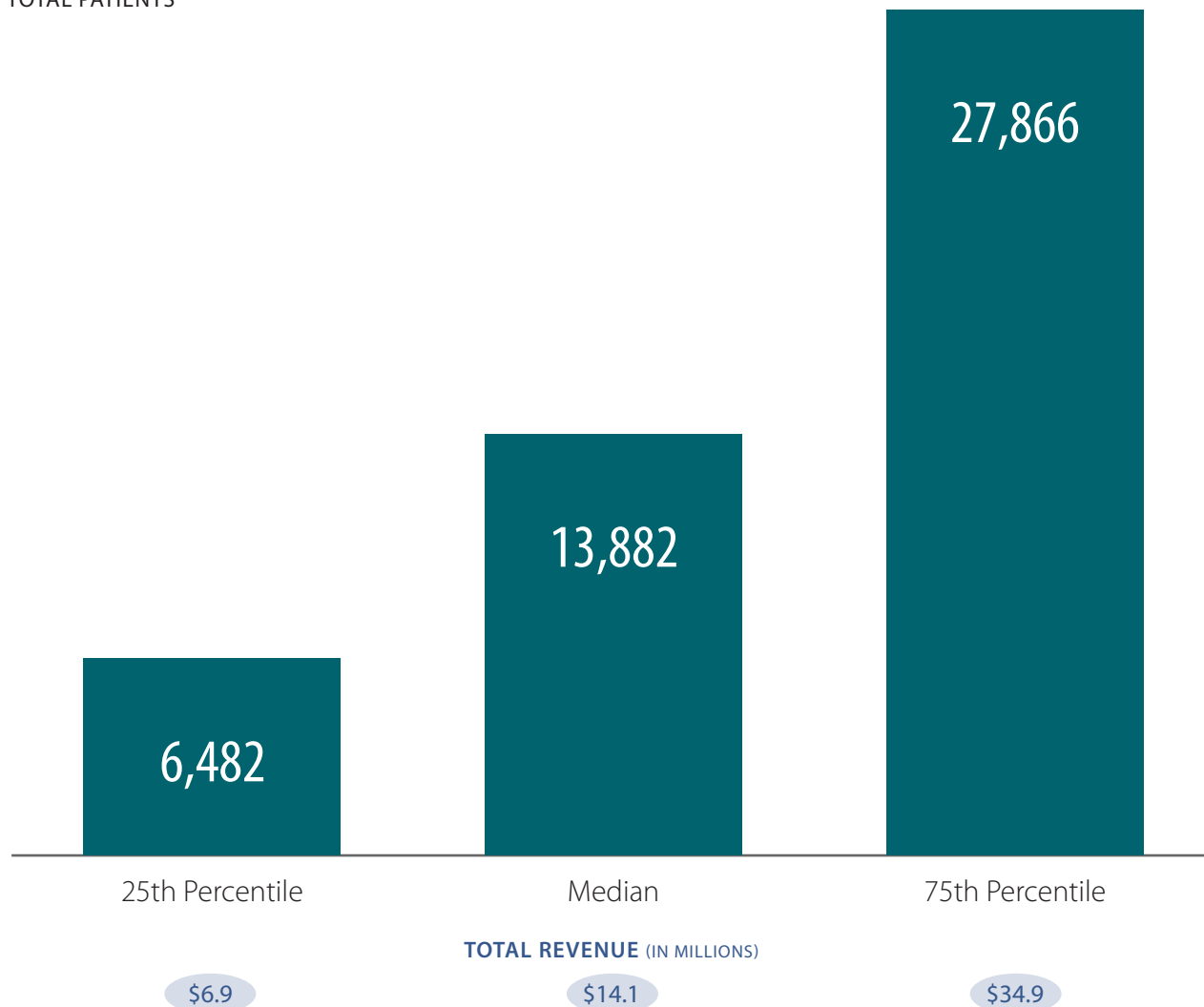
Source: Blue Sky Consulting Group analysis of the Uniform Data System (2015–17), Health Resources and Services Administration, bphc.hrsa.gov.

While the number of Federally Qualified Health Center patients (see page 4) and the overall amount of revenue increased from 2015 to 2017, the proportion of revenue from each major source remained largely the same.

Federally Qualified Health Center Percentile Rankings

by Total Patients and Total Revenue, California, 2017

TOTAL PATIENTS



Note: Data do not include FQHC Look-Alikes.

Source: Blue Sky Consulting Group analysis of the Uniform Data System (2017), Health Resources and Services Administration, bphc.hrsa.gov.

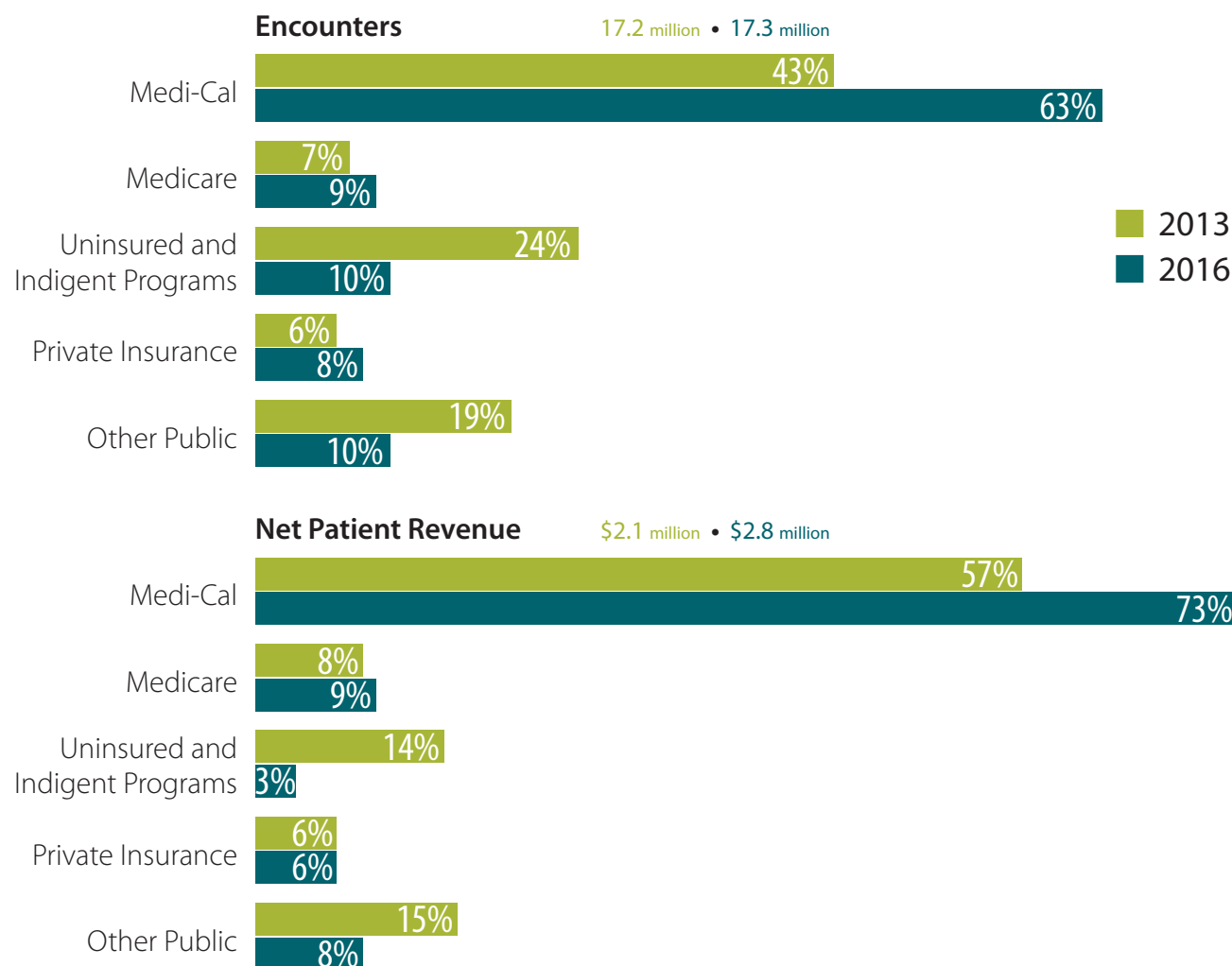
California's Health Care Safety Net

Federally Qualified Health Centers

Federally Qualified Health Centers at the median had 13,882 patients and \$14.1 million in annual revenue.

Community Clinic Visits and Net Patient Revenue

by Payer, California, 2013 and 2016



Notes: Includes Federally Qualified Health Centers (FQHCs), FQHC Look-Alikes, and other clinic types. Excludes clinics with no patient encounters and dental clinics (those where >90% of procedures are dental services). Uninsured and indigent coverage are combined due to data-reporting inconsistencies, and include self-pay / sliding scale, free, and county indigent program patients. *Other public* includes Alameda Alliance for Health, Family Pact, and all other payers. Excludes county clinics. Bars within eac group may not total 100% due to rounding.

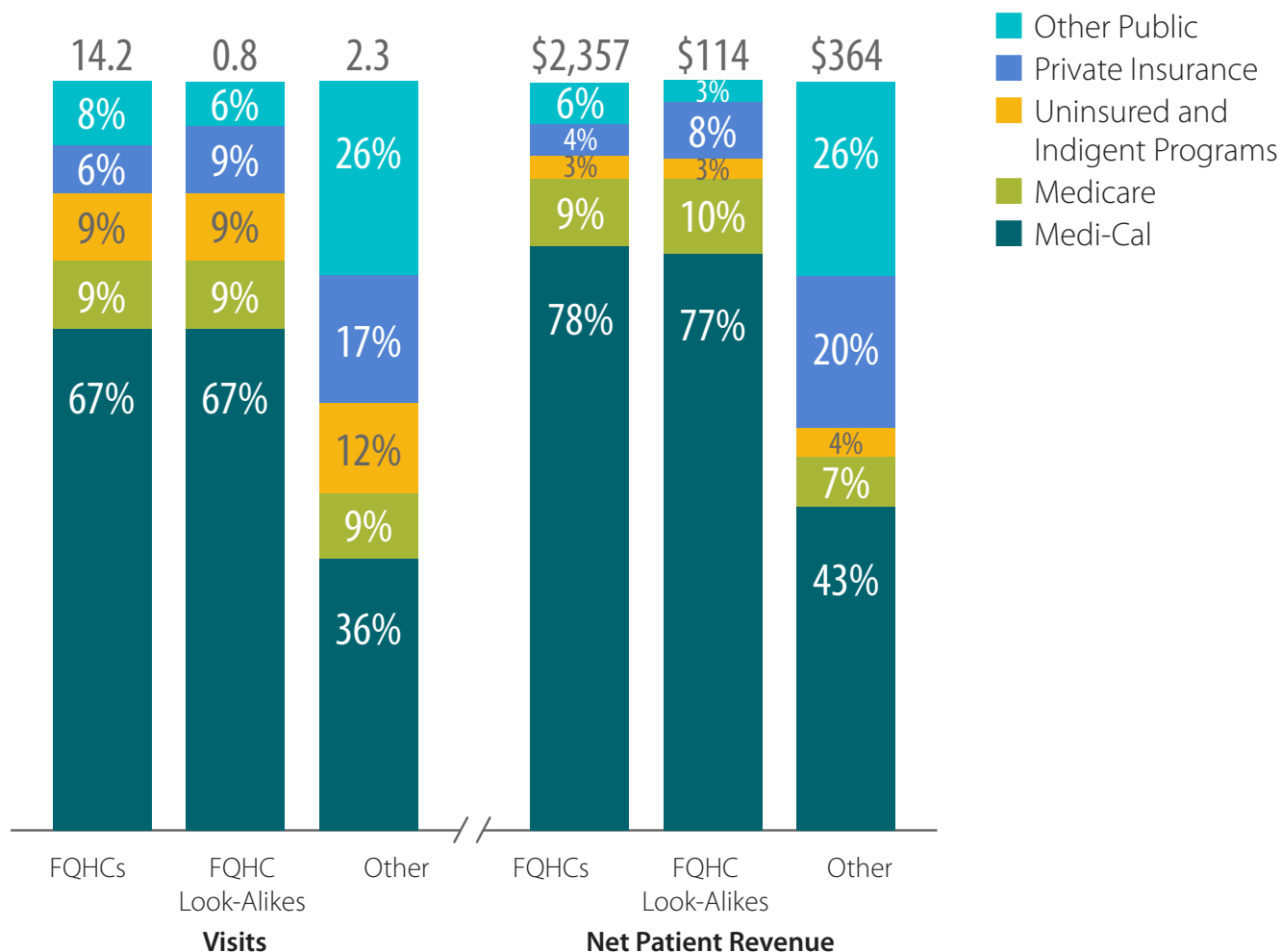
Source: Blue Sky Consulting Group analysis of 2013 Pivot Table – Primary Care Clinic Utilization Data and 2016 Pivot Table – Primary Care Clinic Utilization Data, Office of Statewide Health Planning and Development, data.chhs.ca.gov.

Community clinics experienced significant growth in Medi-Cal visits and net patient revenue since the implementation of the Affordable Care Act in 2014. The percentage of Medi-Cal visits increased from 43% in 2013 to 63% in 2016. Both the proportion of visits and revenue from uninsured/indigent program patients declined, as more patients enrolled in Medi-Cal.

Community Clinic Visits and Net Patient Revenue

by Payer and Clinic Type, California, 2016

TOTALS (IN MILLIONS)



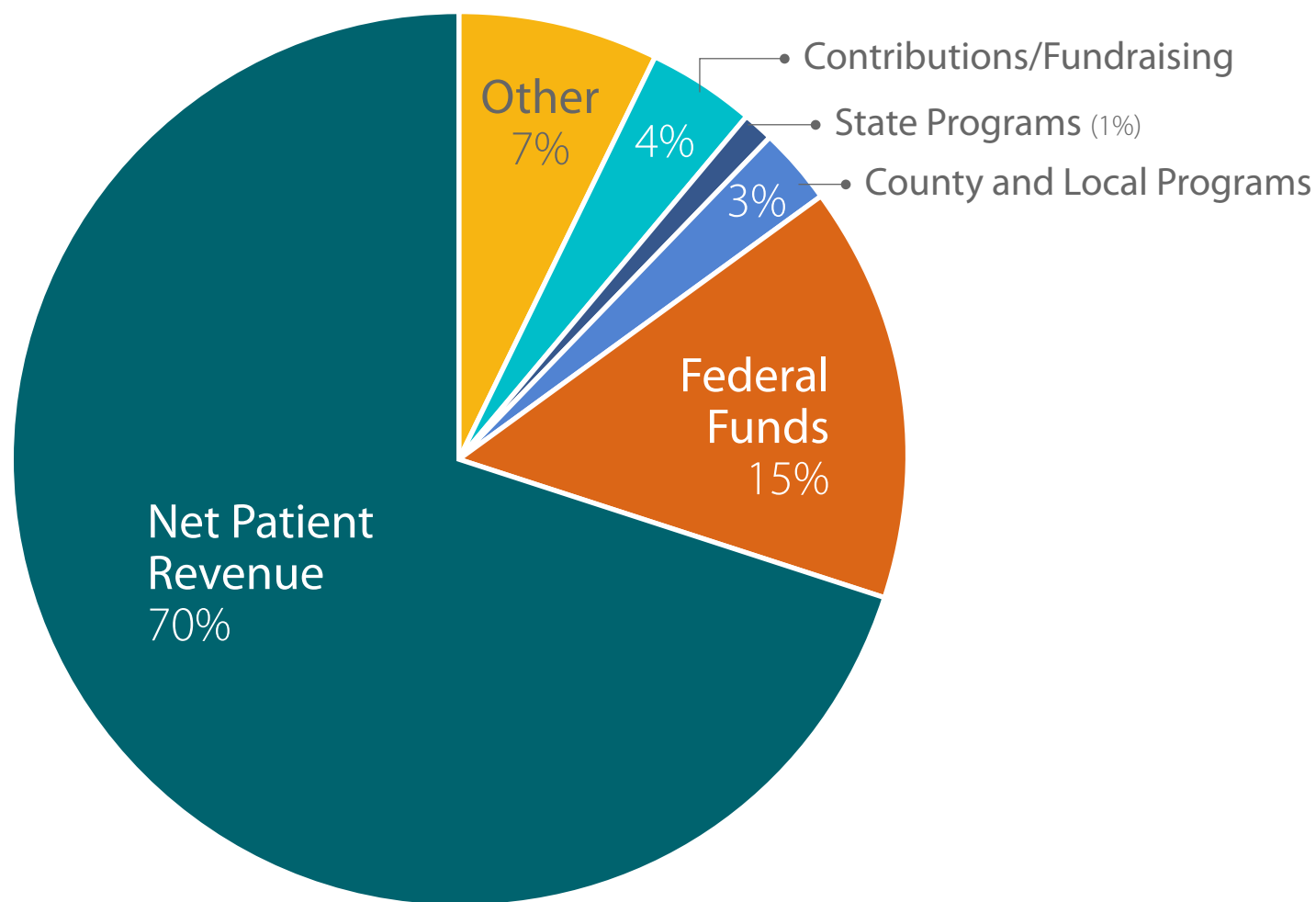
For Federally Qualified Health Centers (FQHCs) and FQHC Look-Alike clinics, Medi-Cal patients contributed the most revenue and made up the most visits. Other clinics relied more on other public programs and private insurance.

Notes: Excludes clinics with no patient encounters and dental clinics (those where >90% of procedures are dental services). Uninsured and indigent coverage are combined due to data-reporting inconsistencies, and include self-pay / sliding scale, free, and county indigent program patients. *Other public* includes Alameda Alliance for Health, Family Pact, and all other payers. Excludes county clinics. Segments may not total 100% due to rounding.

Source: Blue Sky Consulting Group analysis of 2016 Pivot Table — Primary Care Clinic Utilization Data, Office of Statewide Health Planning and Development, data.chhs.ca.gov.

Community Clinic Total Revenue

by Source, California, 2016



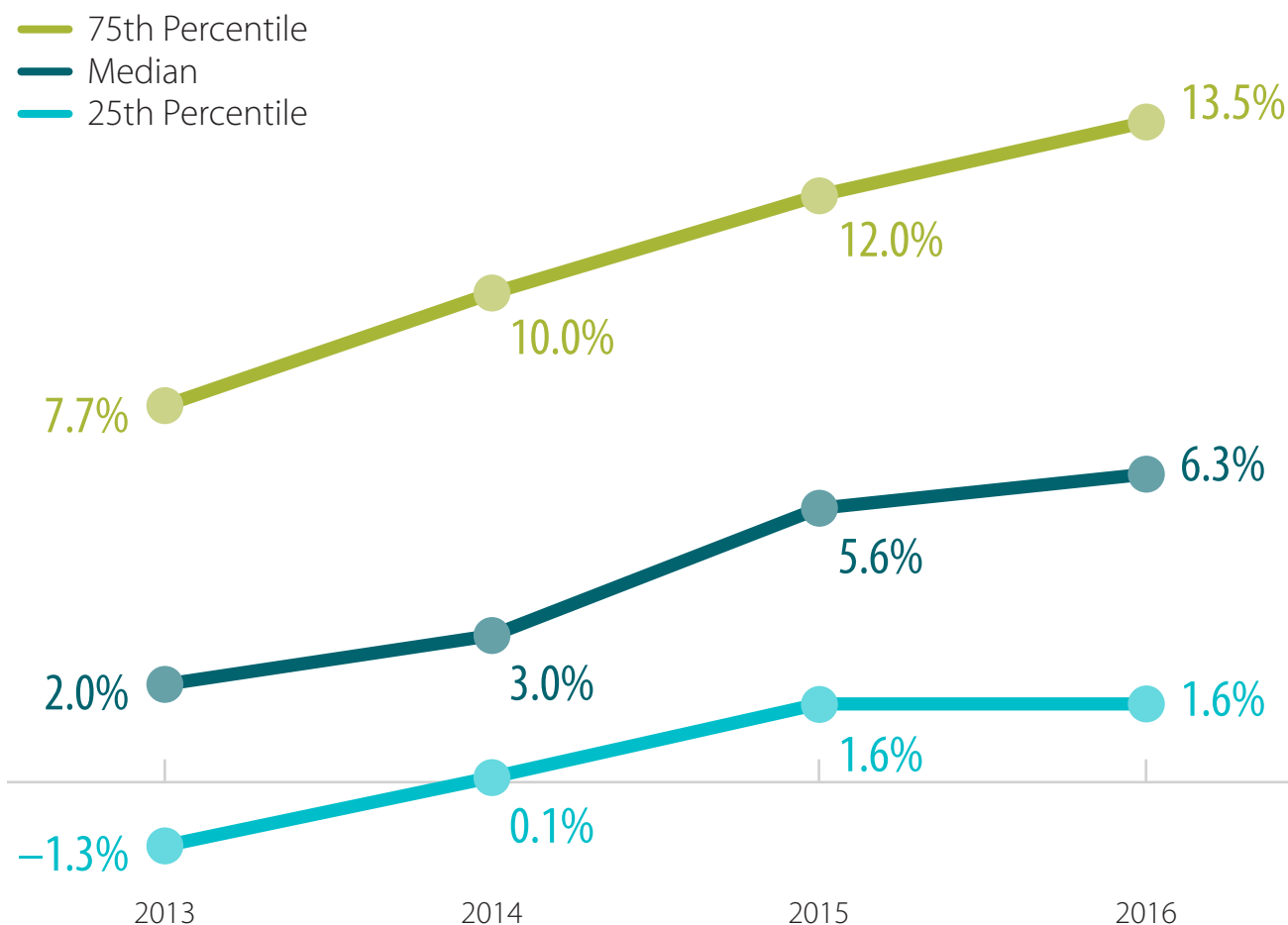
Notes: Includes Federally Qualified Health Centers (FQHCs), FQHC Look-Alikes, and other clinic types. Excludes clinics with no patient encounters and dental clinics (those where >90% of procedures are dental services). Uninsured and indigent coverage are combined due to data-reporting inconsistencies, and include self-pay / sliding scale, free, and county indigent program patients.

Source: Blue Sky Consulting Group analysis of 2016 Pivot Table — Primary Care Clinic Utilization Data, Office of Statewide Health Planning and Development, data.chhs.ca.gov.

Net patient revenue made up the majority of total revenue for community clinics. County and local programs, state programs, and contributions/fundraising combined made up just 8% of the total revenue for these clinics.

Community Health Center Operating Margins

by Quartile, California, 2013 to 2016



Since 2013, operating margins have increased for community health centers. While community health centers in the lowest quartiles experienced zero or negative operating margins in 2013, by 2016 all quartiles had positive operating margins.

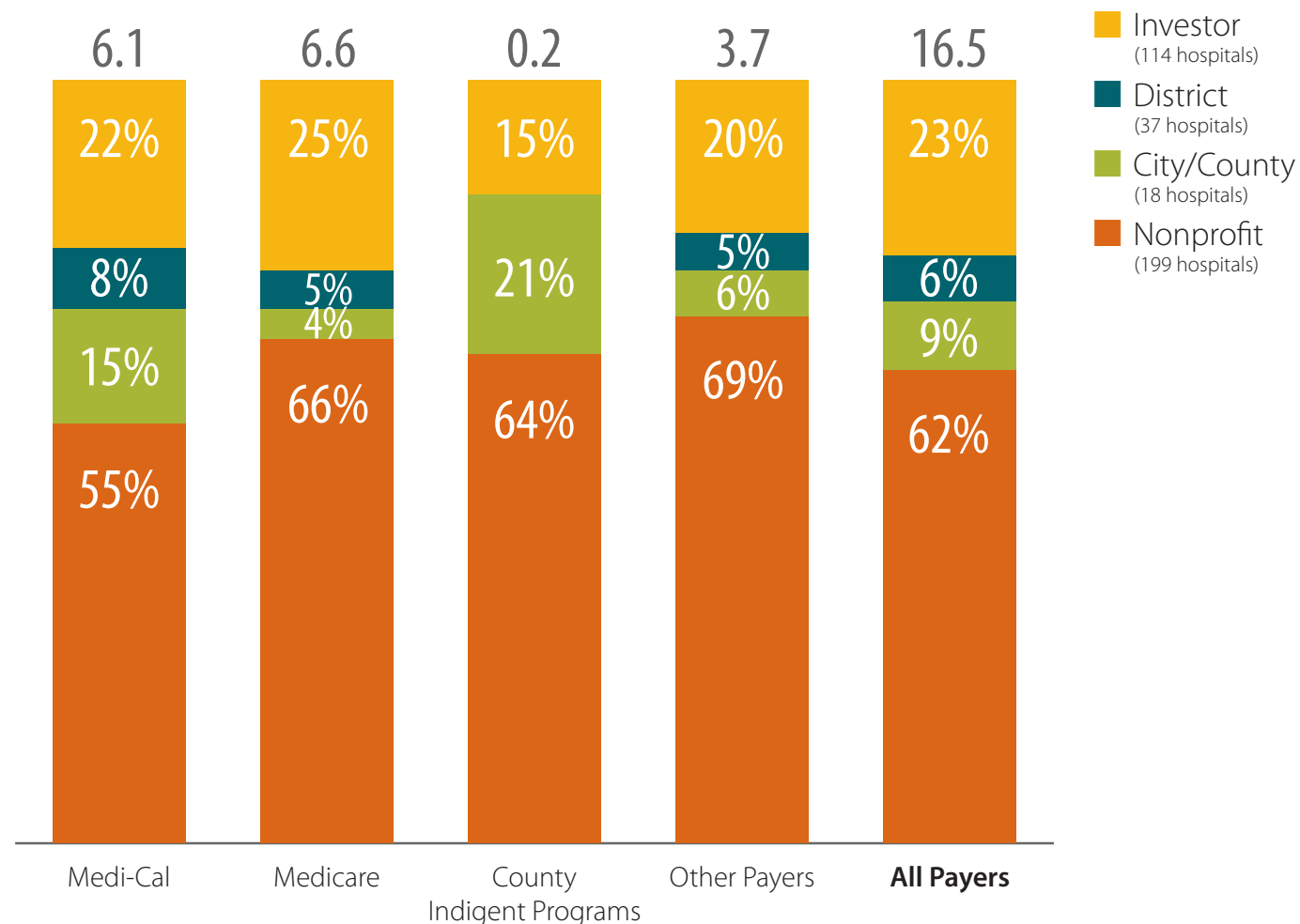
Notes: Data are based on audited financial statements of Federally Qualified Health Centers (FQHCs) and FQHC Look-Alikes as reported by fiscal year. *Operating margins* are calculated as operating income divided by revenue.

Source: *California Community Health Centers: Financial and Operational Performance Analysis, 2013–2016*, Capital Link, 2018, www.caplink.org (PDF).

Inpatient Hospital Days

by Hospital Ownership Type and Payer, California, 2017

TOTALS (IN MILLIONS)



Notes: Total number of inpatient days noted at top of bar. Data are only for hospitals classified as comparable and thus do not include state and Kaiser hospitals or facilities classified as psychiatric or long-term care. *Other payers* includes private insurance, hospital-provided charity care, self-pay, and all other payers not included elsewhere. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation.

Source: Blue Sky Consulting Group analysis of 2017 Pivot Table — Hospital Annual Selected File (September 2018 Extract), Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

California's Health Care Safety Net

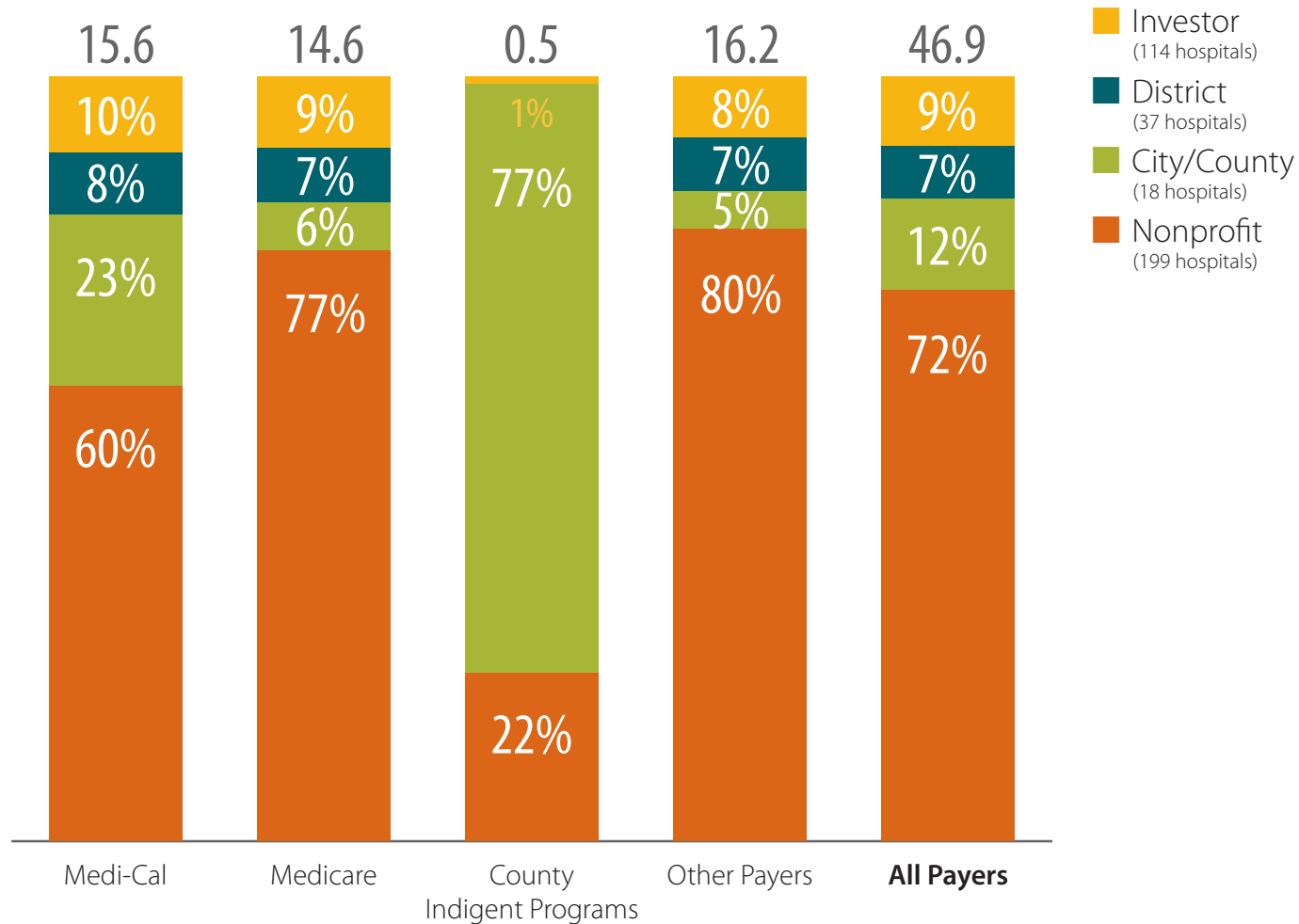
Hospitals

City/county hospitals are often the safety-net hospital in their community. The state's 18 city/county hospitals provided just 9% of all inpatient days, but provided 15% of Medi-Cal inpatient days. City/county hospitals also provided a large share of the care of the relatively small number of inpatients served by county indigent programs. The majority of hospitals in the state were nonprofit. These hospitals accounted for 62% of inpatient days in 2017.

Outpatient Hospital Visits

by Hospital Ownership Type and Payer, California, 2017

TOTALS (IN MILLIONS)



Notes: Total number of outpatient visits noted at top of bar. Data are only for hospitals classified as comparable and thus do not include state and Kaiser hospitals or facilities classified as psychiatric or long-term care. *Other payers* includes private insurance, hospital-provided charity care, self-pay, and all other payers not included elsewhere. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation. Segments may not total 100% due to rounding.

Source: Blue Sky Consulting Group analysis of 2017 *Pivot Table — Hospital Annual Selected File (September 2018 Extract)*, Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

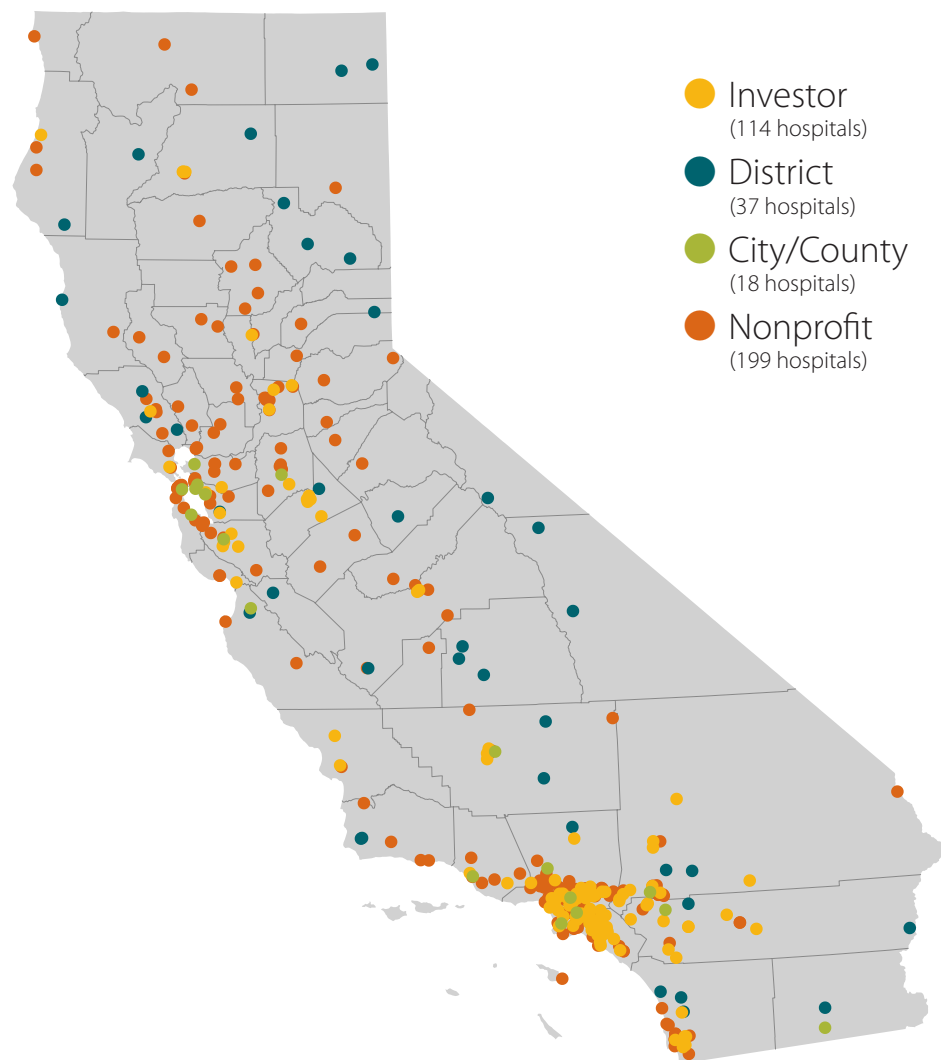
California's Health Care Safety Net

Hospitals

Nearly one in four, or 3.5 million, hospital outpatient visits by enrollees in Medi-Cal occurred at a city/county hospital.

Hospital Locations

by Ownership Type, California, 2017



Notes: Data are only for hospitals classified as comparable and thus do not include state and Kaiser hospitals or facilities classified as psychiatric or long-term care. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation.

Source: Blue Sky Consulting Group analysis of 2017 *Pivot Table — Hospital Annual Selected File (September 2018 Extract)*, Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

California has nearly 400 hospitals. Many of these hospitals are located in urban areas, where most of the state's population is located.

Change in Inpatient Days and Outpatient Visits

by Hospital Ownership Type and Payer, California, 2013 to 2017

	INVESTOR	DISTRICT	CITY/COUNTY	NONPROFIT
Inpatient Days				
Medi-Cal	40%	– 14%	32%	18%
Medicare	1%	– 18%	40%	4%
County Indigent Programs	– 73%	– 98%	– 87%	– 67%
Other Payers	– 2%	– 17%	– 12%	– 14%
Outpatient Visits				
Medi-Cal	73%	25%	58%	39%
Medicare	– 8%	– 3%	43%	7%
County Indigent Programs	– 92%	– 99%	– 76%	– 85%
Other Payers	– 15%	– 15%	– 20%	– 12%

California's Health Care Safety Net Hospitals

Since the implementation of the Affordable Care Act in 2014, most hospital types have experienced an uptick in inpatient days paid for by Medi-Cal. All hospital types saw an increase in Medi-Cal outpatient visits. County indigent programs paid for significantly fewer days and visits in all hospital types during this period.

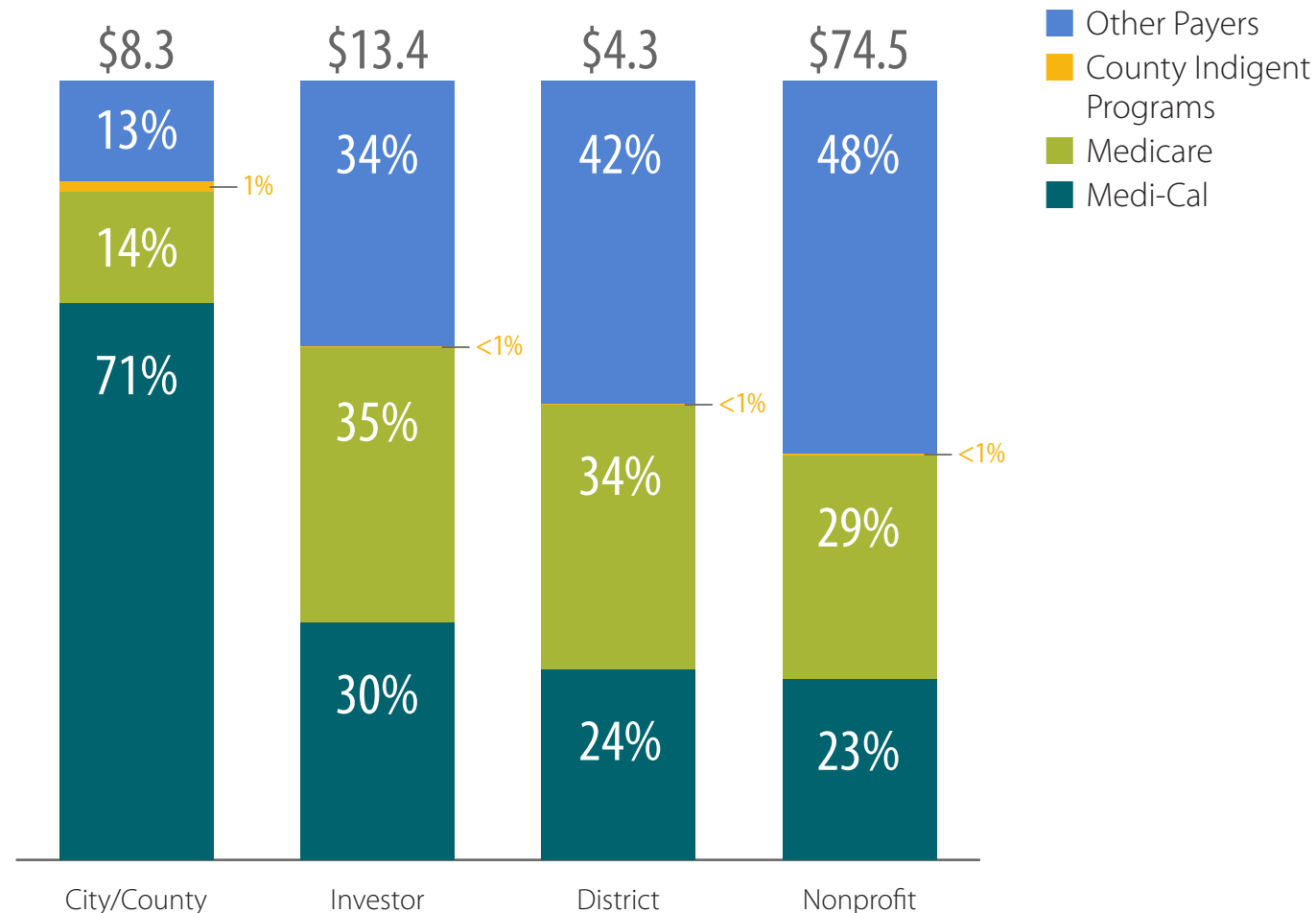
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Source: Blue Sky Consulting Group analysis 2013 Pivot Table — Hospital Annual Selected File and 2017 Pivot Table — Hospital Annual Selected File (September 2018 Extract), Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

Net Patient Revenue

by Payer and Hospital Ownership Type, California, 2017

TOTALS (IN BILLIONS)



Notes: Data are only for hospitals classified as comparable by the Office of Statewide Health Planning and Development (OSHPD) and thus do not include state and Kaiser hospitals or facilities classified as psychiatric or long-term care. *Other payers* includes private insurance, hospital-provided charity care, self-pay, and all other payers not included elsewhere. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation. Segments may not total 100% due to rounding.

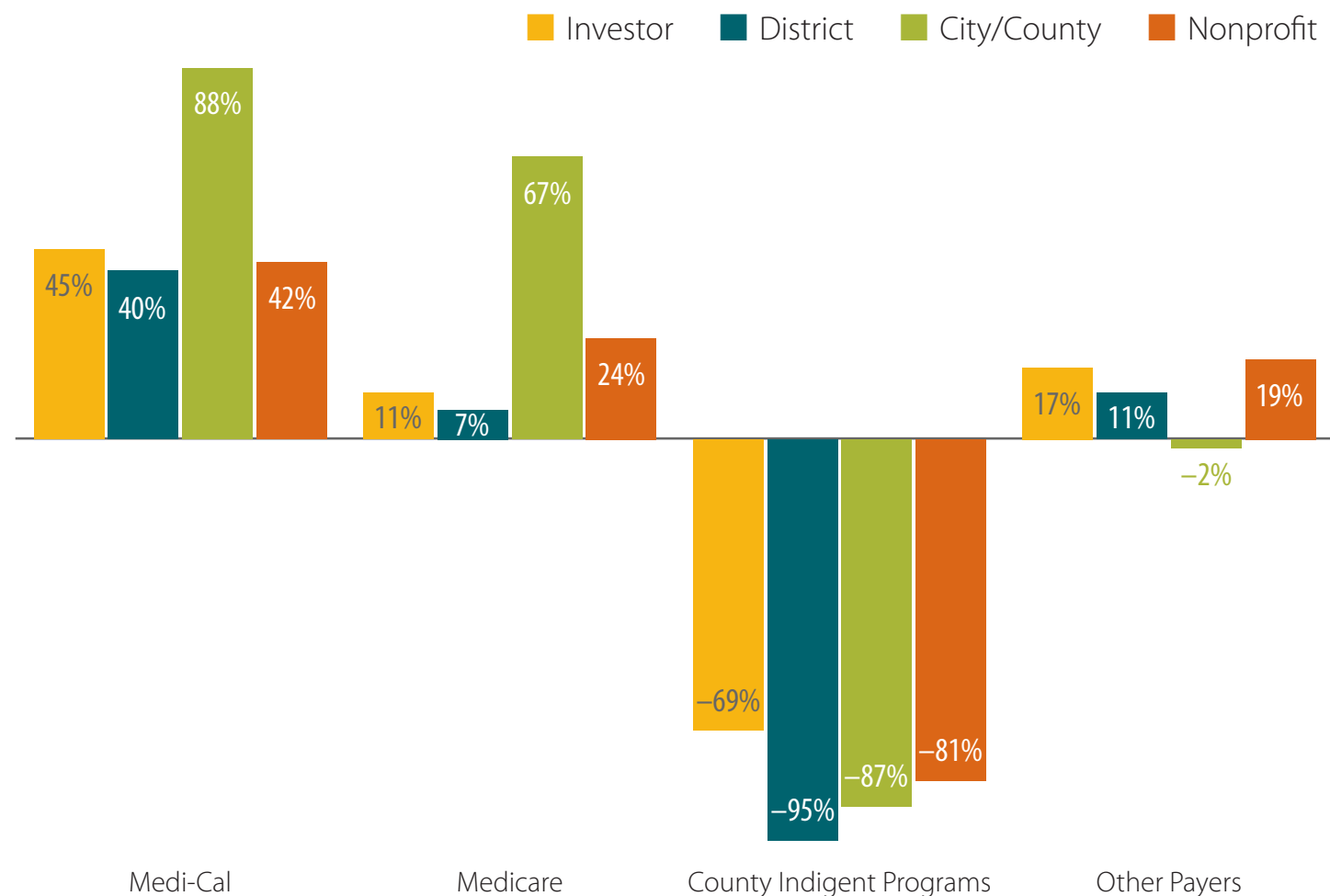
Source: Blue Sky Consulting Group analysis of 2017 *Pivot Table — Hospital Annual Selected File (September 2018 Extract)*, Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

California's Health Care Safety Net Hospitals

City/county hospitals were heavily reliant on Medi-Cal as a source of revenue, whereas other hospitals received a higher percentage of net patient revenue from Medicare and other payers (including privately insured patients).

Change in Net Patient Revenue

by Hospital Ownership Type and Payer, California, 2013 to 2017



All hospital types experienced an increase in net patient revenue from Medi-Cal and Medicare between 2013 and 2017. Fewer individuals received care paid for by county indigent programs, resulting in a decrease in net patient revenue from this source.

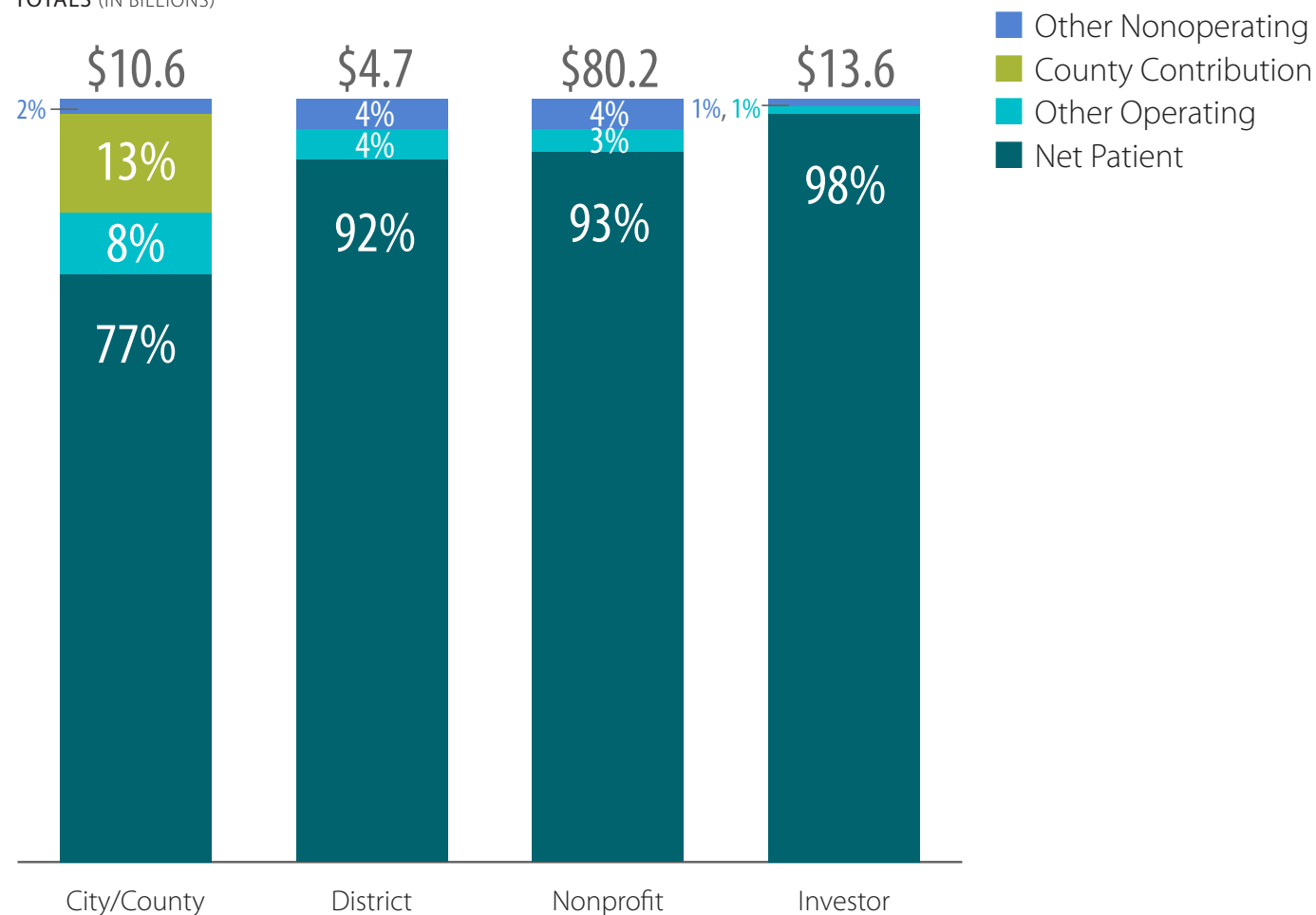
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Source: Blue Sky Consulting Group analysis 2013 Pivot Table — Hospital Annual Selected File and 2017 Pivot Table — Hospital Annual Selected File (September 2018 Extract), Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

Total Revenue Sources

by Hospital Ownership Type, California, 2017

TOTALS (IN BILLIONS)



Notes: *Other nonoperating* includes revenue not related to the provision of health care services, such as investment income and unrestricted contributions. *Other operating* includes revenue generated by health care operations from nonpatient care services, such as cafeteria and supplies sold to nonpatients. *Net patient* includes gross patient revenue plus capitation premium revenue less deductions from revenue such as provisions for bad debts and contractual adjustments. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation.

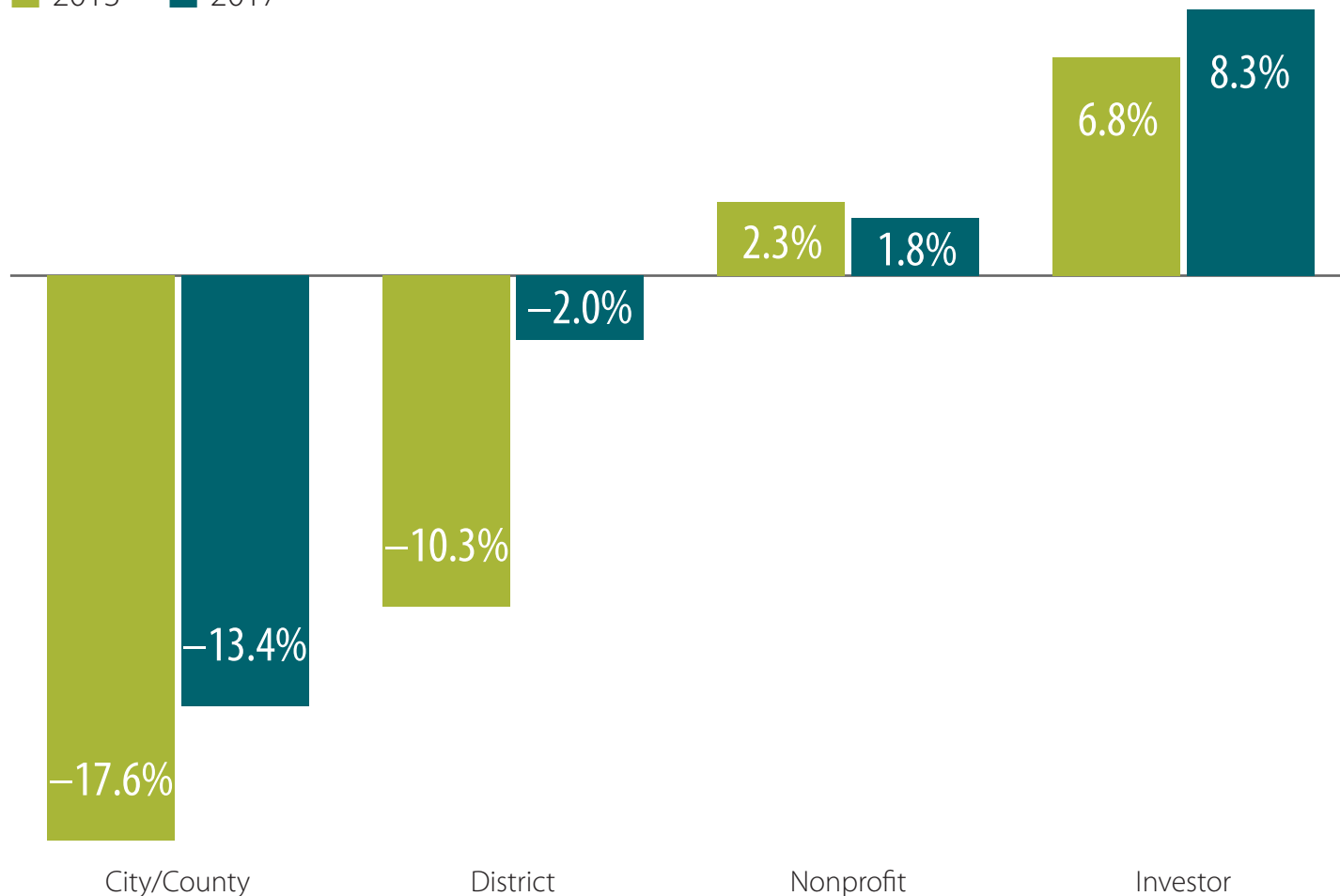
Source: Blue Sky Consulting Group analysis of 2017 *Pivot Table — Hospital Annual Selected File (September 2018 Extract)*, Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

Net patient revenue was the largest revenue source for all hospital types. County funds were an important source of revenue for city and county hospitals, accounting for 13% of their total revenue.

Median Operating Margin

by Hospital Ownership Type, California, 2013 and 2017

■ 2013 ■ 2017



Notes: *Operating margin* equals net income from operations divided by operating revenue (net patient revenue plus other operating revenue). The operating margin does not take into account nonoperating revenue or expenses. Margin calculations include disproportionate share hospital funds. Hospital data are only on hospitals classified as comparable and thus do not include state and Kaiser hospitals, or facilities classified as psychiatric or long-term care. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation.

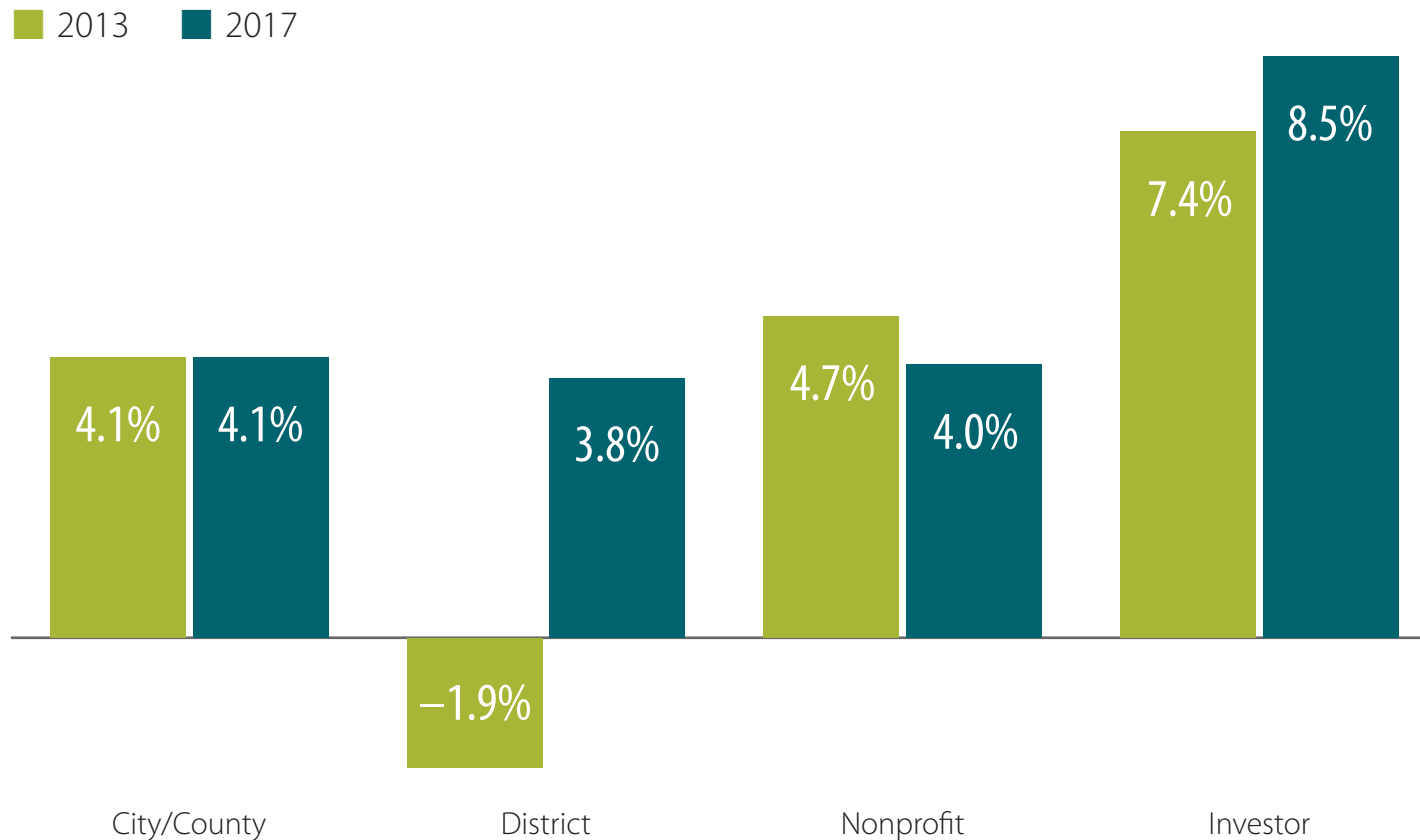
Source: Blue Sky Consulting Group analysis 2013 Pivot Table — Hospital Annual Selected File and 2017 Pivot Table — Hospital Annual Selected File (September 2018 Extract), Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

California's Health Care Safety Net Hospitals

Between 2013 and 2017, the median operating margin improved for most hospital types. The median operating margin for city/county and district hospitals remained negative.

Median Net Income Margin

by Hospital Ownership Type, California, 2013 and 2017



California's Health Care Safety Net

Hospitals

The median net income margins improved for district and investor-owned hospitals and remained stable for city/county hospitals between 2013 and 2017.

Notes: *Net income margin* equals total net income divided by total revenue (total operating revenue plus nonoperating revenue). Margin calculations include disproportionate share hospital funds. Hospital data are only on hospitals classified as comparable and thus do not include state and Kaiser hospitals, or facilities classified as psychiatric or long-term care. *Investor* hospitals are operated by an investor-individual, investor-partnership, or investor-corporation.

Source: Blue Sky Consulting Group analysis 2013 *Pivot Table — Hospital Annual Selected File* and 2017 *Pivot Table — Hospital Annual Selected File (September 2018 Extract)*, Office of Statewide Health Planning and Development, November 5, 2018, data.chhs.ca.gov.

Glossary

County Indigent Programs. Programs serving medically indigent adults as required by Welfare and Institutions Code § 17000: “Every county and every city and county shall relieve and support all incompetent, poor, indigent persons, and those incapacitated by age, disease, or accident, lawfully resident therein, when such persons are not supported and relieved by their relatives and friends, by their own means, or by state hospitals or other state or private institutions.”

Episodic Programs

- **The Breast and Cervical Cancer Treatment Program** provides cancer treatment to eligible low-income California residents diagnosed with breast and/or cervical cancer who are in need of treatment.
- **The Child Health and Disability Prevention Program** is a preventive program that delivers periodic health assessments and services to low-income children and youth in California.
- **The Family Planning, Access, Care, and Treatment Program** provides comprehensive family planning services to eligible (incomes of less than 200% of the federal poverty level) men and women.
- **California Children’s Services (CCS)** is a state program for children up to 21 years old with certain diseases or health problems. CCS provides diagnostic and treatment services, medical case management, and physical and occupational therapy services.

Disproportionate Share Hospital (DSH). A Medi-Cal supplemental payment program established to reimburse hospitals for some of the uncompensated care costs associated with furnishing inpatient hospital services to Medi-Cal beneficiaries and uninsured people. The types of hospitals and/or health facilities that are eligible to participate in the DSH program consist of general acute care hospitals, acute psychiatric hospitals, and psychiatric health facilities.

Federally Qualified Health Center (FQHC). Community-based health care providers that receive funds from the Health Resources and Services Administration Health Center Program to provide primary care services in underserved areas. They must meet a stringent set of requirements, including providing care on a sliding fee scale based on ability to pay and operating under a governing board that includes patients. The defining legislation for FQHC (under the Consolidated Health Center Program) is § 1905(l)(2)(B) of the Social Security Act.

FQHC Look-Alike. Community-based health care providers that meet the requirements of the Health Resources and Services Administration Health Center Program but do not receive Health Center Program funding. They provide primary care services in underserved areas on a sliding fee scale based on ability to pay, and they operate under a governing board that includes patients.

ABOUT THIS SERIES

The California Health Care Almanac is an online clearinghouse for data and analysis examining the state’s health care system. It focuses on issues of quality, affordability, insurance coverage and the uninsured, and the financial health of the system with the goal of supporting thoughtful planning and effective decisionmaking. Learn more at www.chcf.org/almanac.

Explore the full *California’s Health Care Safety Net Almanac* series at www.chcf.org.

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