



CHCF Regional Market Report: Inland Empire

December 9, 2020



Regional Market Reports — Project Overview

- Studies of seven large, diverse regional markets to:
 - Examine the structure and performance of local health care systems
 - Identify common themes and emerging issues that influence how Californians receive health care
- Markets in 2020 study are Central Valley, Humboldt/Del Norte, Los Angeles, Riverside/San Bernardino, Sacramento Area, San Diego, and the San Francisco Bay Area
- Series of seven webinars between Nov. 2020 and Feb. 2021 to share results
- Consulting team includes Katrina Connolly, Caroline Davis, Len Finocchio, Matt Newman, James Paci, and Jill Yegian

Panelists



Matt Newman



Dr. Takashi M. Wada



Dolores L. Green



Jodie Wingo



Inland Empire: Increasing Medi-Cal Coverage Spurs Safety-Net Growth

Matthew Newman and James Paci, Blue Sky
Consulting Group

December 9, 2020

Approach and Information Sources

Regional market study tells the story of the health care landscape and developments over the last five years

Interviews with 21 regional leaders representing:

- Health plans
- Health care providers
- County governments
- Community leaders

Analysis of:

- Quantitative data from surveys, census, and other sources
- Industry reports, journal articles, and news stories

Context: project launched prior to COVID-19

- Interviews conducted January–August 2020

Team effort: coauthor James Paci, contributions from Blue Sky Consulting Group team



Market Background: Riverside and San Bernardino Counties

Race/Ethnicity
Region vs. State Average, 2018

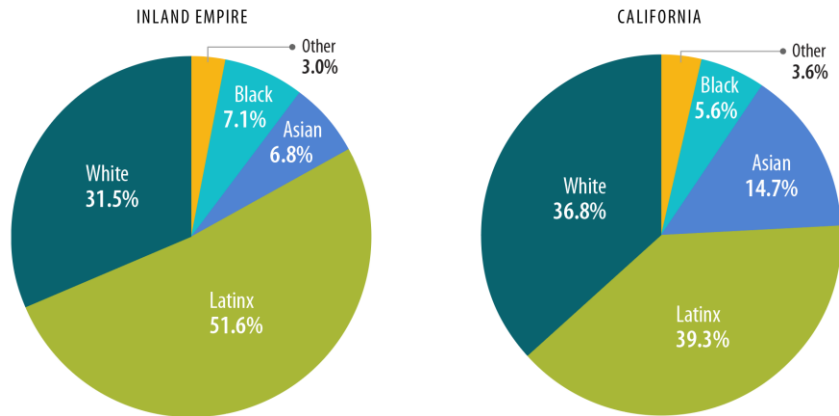
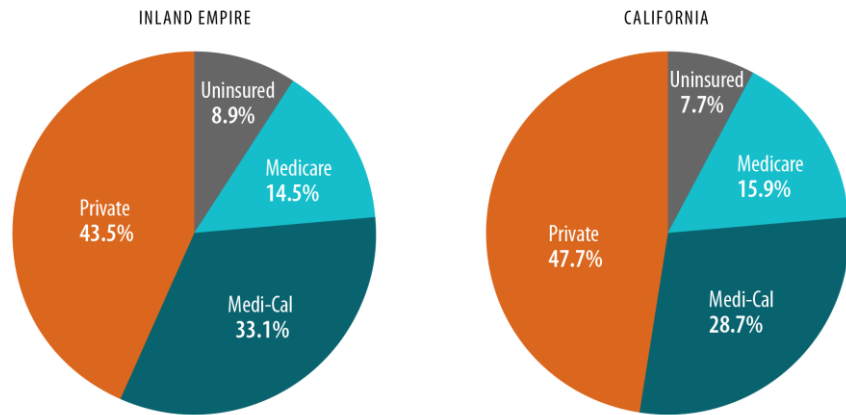


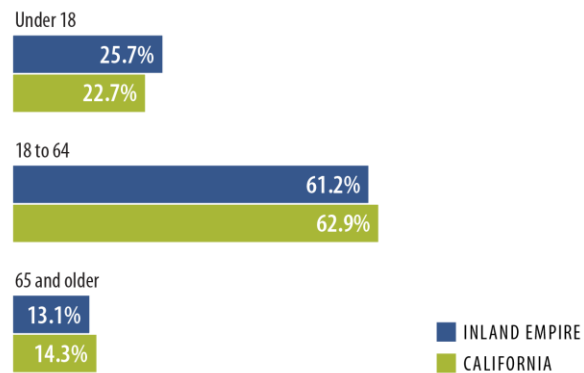
TABLE 1. Demographic Characteristics
Inland Empire vs. California, 2018

	Inland Empire	California
POPULATION STATISTICS		
Total population	4,622,361	39,557,045
Five-year population growth	5.5%	3.2%
ECONOMIC INDICATORS		
Below 100% federal poverty level (FPL)	13.7%	12.8%
100% to 199% FPL	19.9%	17.1%
Household income \$100,000+	30.5%	38.0%
Median household income	\$65,512	\$75,277
Unemployment rate	4.5%	4.2%
Able to afford median-priced home* (2019)	44.9%	31.0%

Health Insurance
Region vs. State Average, 2019



Age of Population
Region vs. State Average, 2018



The Inland Empire is:

- A fast-growing region that is home to more than 4.5 million people
- Divided geographically between more urban west and more rural east
- More affordable than many parts of California

Compared to California overall, population is:

- Younger
- More Latinx
- Less likely to have high incomes or go to college
- Less likely to have private insurance

Source: Regional Market Almanac, 2020: Riverside/San Bernardino – [Quick Reference Guide](#).

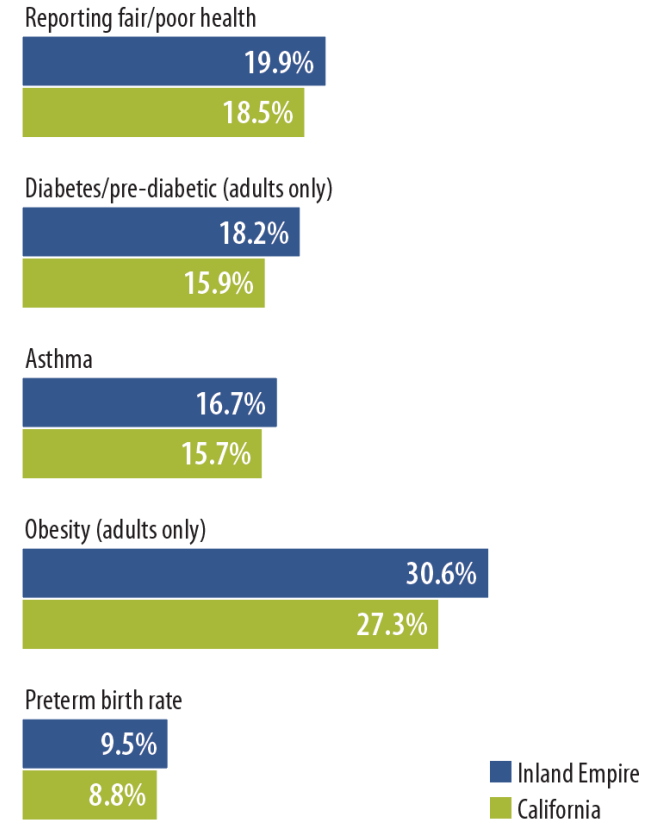
Inland Empire Residents Report Poorer Health Relative to Californians Generally

Compared to California overall, population is more likely to:

- Report fair/poor health
- Have diabetes
- Have asthma
- Be obese
- Have a preterm birth

The population also is more likely to report psychological distress and has a somewhat higher suicide rate compared to Californians generally

FIGURE 1. Physical Health Indicators
Inland Empire vs. California, 2018



Sources: "AskCHIS," UCLA Center for Health Policy Research; "Preterm and Very Preterm Live Births," California Department of Public Health. Both sources accessed June 1, 2020.

Health Insurance Coverage in the Region Is Dominated by Two Players

- Kaiser Permanente covers roughly 1 in 4 residents, primarily in the commercial sector
 - Kaiser also covers 40% of customers on the state's health insurance exchange (Covered California) and nearly one-third of Medicare Advantage enrollees
- The Inland Empire Health Plan (IEHP), the region's largest Medi-Cal managed care plan, covers 9 in 10 Medi-Cal enrollees, or about 1 in 4 residents across the region
 - IEHP's 1.3 million members and 6,000 network providers make it a dominant force in the region, facilitating implementation of quality improvement initiatives
 - IEHP's influence is tempered to some extent by the decentralized nature of the provider landscape

Provider Trends: Smaller Independent Practices Are Common

- Compared to other parts of the state, the Inland Empire has a relatively large number of independent practices and small medical groups
- This landscape is evolving in the face of financial pressures and retirements
- Many newly trained providers prefer an employment relationship with a larger organization
- As a result, many providers have joined Federally Qualified Health Centers (FQHCs), larger medical groups, or Kaiser

Provider Trends: Dramatic Growth in Federally Qualified Health Centers

- FQHCs have seen dramatic growth over the past several years, with encounters per capita increasing 137% since 2014 as many new sites opened throughout the region
- Nevertheless, encounters per capita are just half the statewide average, suggesting there is still room for FQHC expansion
- Clinic operating margins have held steady, despite the increase in care for patients with Medi-Cal coverage

TABLE 5. Federally Qualified Health Centers
Inland Empire vs. California, 2014 to 2018

	INLAND EMPIRE		CALIFORNIA	
	2018	Change from 2014*	2018	Change from 2014*
Patients per capita	0.07	91%	0.15	29%
Encounters per capita	0.26	137%	0.51	35%
Operating margin	-5.7%	0%	2.1%	-1%

*Reflect the percentage change in patients/encounters per capita, and the absolute change in margins.

Notes: Includes FQHC Look-Alikes, community health centers that meet the requirements of the Health Resources and Services Administration Health Center Program but do not receive Health Center Program funding. Patients may be double counted if they visit more than one health center.

Source: "Primary Care Clinic Annual Utilization Data," California Office of Statewide Health Planning and Development, accessed June 1, 2020.

Provider Trends: Hospital Finances Improve, Market Still Unconsolidated

- Region is home to 38 hospitals:
 - Includes 12 independent hospitals accounting for 30% of discharges
 - Remaining hospitals are part of smaller local systems or larger state or national networks
- Measures of market share show that region is less concentrated than most other parts of CA
- Some hospitals dominate their local submarket
- Financial performance of region's hospitals has improved over past several years
- However, some hospitals have closed pediatric units in response to financial pressures and a move toward treatment in a more specialized setting

TABLE 6. Hospital Performance (Acute Care)

Inland Empire vs. California, 2018

	Inland Empire	California
Beds per 100,000 population	158	178
Operating margin*	2.3%	4.4%
Paid FTEs per 1,000 adjusted patient days*	15	15
Total operating expenses per adjusted patient day*	\$3,088	\$4,488

*Excludes Kaiser.

Note: *FTE* is full-time equivalent.

Source: "Hospital Annual Utilization Report & Pivot Tables," California Office of Statewide Health Planning and Development, accessed June 1, 2020.

Use of Data to Drive Performance Still Evolving

- Region's health information exchange (HIE), Manifest MedEx, has made important inroads in establishing connections, particularly among hospitals and larger health centers, clinics, and providers
- Several initiatives have sought to increase utilization, including:
 - Financial incentives from IEHP for hospital participation
 - New data sources continue to be added, including claims data from health plans
 - IEHP-funded effort to incentivize independent practices to migrate to one of a small set of cloud-based EHR systems that would be integrated with Manifest MedEx
- However, use of Manifest MedEx remains limited:
 - Many smaller providers do not participate
 - Use of system is often not integrated with EHR systems or daily practice
 - Many providers have adopted their own systems for collecting, using, and sharing information

Health Workforce Shortage a Major Challenge

Challenges:

- Significant health workforce shortages, including physicians, nurses, behavioral health providers
- Especially difficult in more remote eastern regions
- Difficult to compete with more geographically desirable locations elsewhere in Southern California

Multiple responses:

- IEHP Network Expansion Fund helps pay salaries for new providers
- Practices leveraging personal networks to aid in recruiting
- Higher physician salaries compared to surrounding areas
- New and expanding medical schools may ease shortage in coming years

TABLE 7. Physicians: Inland Empire vs. California, 2020

	Inland Empire	California	Recommended Supply*
Physicians per 100,000 population [†]	125.3	191.0	—
▶ Primary care	41.5	59.7	60–80
▶ Specialists	83.3	130.8	85–105
▶ Psychiatrists	8.2	11.8	—
% of population in HPSA (2018)	29.6%	28.4%	—

*The Council on Graduate Medical Education (COGME), part of the US Department of Health and Human Services, studies physician workforce trends and needs. COGME ratios include doctors of osteopathic medicine (DOs) and are shown as ranges above.

[†] Physicians with active California licenses who practice in California and provide 20 or more hours of patient care per week. Psychiatrists are a subset of specialists.

Sources: Healthforce Center at UCSF analysis of Survey of Licensees (private tabulation), Medical Board of California, January 2020; and Health Professional Shortage Area (HPSA) data from *Shortchanged: Health Workforce Gaps in California*, California Health Care Foundation, July 15, 2020.

COVID-19

Key metrics through fall 2020:

- More cases and deaths than statewide
- Unemployment almost tripled
- CARES Act funding per capita just 2/3rds of statewide average through August
- Expected increase in Medi-Cal enrollment starting to materialize

Early provider experience:

- Significant financial pressure on many providers, especially those relying on fee for service; capitation eases strain
- Concern about health plan incentive payments for 2021 if quality goals not achieved due to pandemic
- Rapid and potentially lasting pivot to telehealth

TABLE 8. COVID-19 Impacts: Inland Empire vs. California

	Inland Empire	California
UNEMPLOYMENT RATE		
▶ Pre-pandemic (FEBRUARY 2020)	4.0%	4.3%
▶ Mid-pandemic (OCTOBER 2020)	9.0%	9.3%
MEDI-CAL ENROLLMENT		
▶ Percentage change (FEBRUARY TO OCTOBER 2020)	3.8%	4.0%
CARES ACT, PER CAPITA (AUGUST 2020)		
▶ Provider Relief Funds	\$92	\$148
▶ High Impact Funds	\$16	\$16

Sources: "COVID-19 Cases," California Open Data Portal; "Employment by Industry Data," State of California Employment Development Department; "Month of Eligibility, Dual Status, by County, Medi-Cal Certified Eligibility," California Health and Human Services, Open Data; and "HHS Provider Relief Fund," Centers for Disease Control and Prevention. CARES Act data accessed August 31, 2020; all other data accessed September 30, 2020.

Issues to Track

- How will the physician landscape evolve?
- Will the hospital market move toward consolidation in the face of increasing cost pressures?
- Will FQHC expansion continue?
- Will Manifest MedEx, the region's HIE, make inroads with providers, especially smaller physician practices?
- What will result from the region's strategy of growing its own physicians through the opening of multiple new medical schools?
- How severe will the economic consequences of COVID-19 be for the region?
How will safety-net services and initiatives fare in an era of budget cuts?