



CHCF



CHCF Regional Market Report: Los Angeles

January 29, 2021

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 Humboldt/Del Norte, Inland Empire, Los Angeles, Sacramento, San Diego, San Francisco Bay Area, and the San Joaquin Valley
- Series of seven webinars between November 2020 and March 2021 to share results
- Consulting team includes Jill Yegian, Katrina Connolly, Caroline Davis, Len Finocchio, Matt Newman, and James Paci

Panelists



Jill Yegian, PhD



John Baackes



Christina Ghaly, MD



Louise McCarthy



Tom Priselac



CHCF

Los Angeles: Vast and Varied Health Care Market Inches Toward Consolidation

Jill M. Yegian, PhD, Yegian Health Insights,
and Affiliate, Blue Sky Consulting Group

Katrina Connolly, PhD, Senior Consultant,
Blue Sky Consulting Group

January 29, 2021



Approach and Information Sources

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

Interviews with 30 regional leaders representing:

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

Analysis of:

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

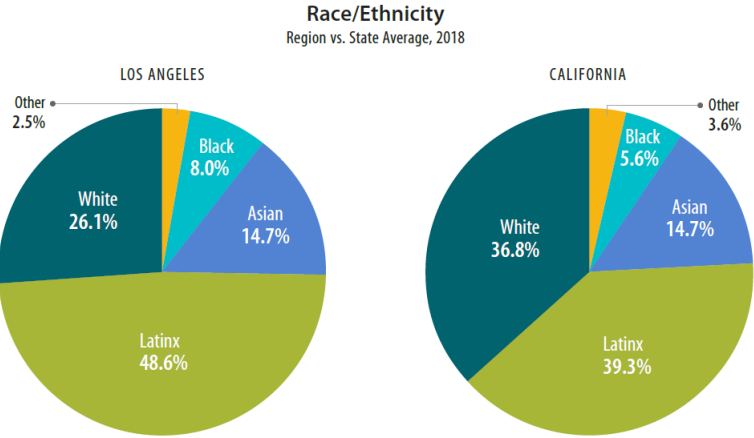
Context: Project launched prior to COVID-19 pandemic.

- Interviews conducted January–October 2020.

Team effort: Co-author Katrina Connolly, contributions from Blue Sky Consulting Group team



Market Background: Los Angeles County

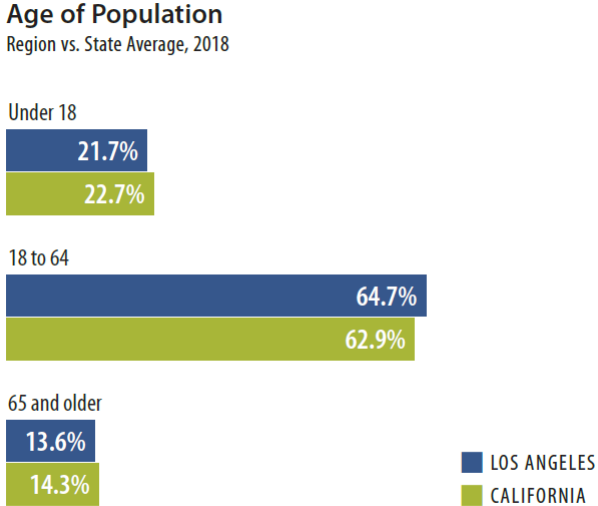
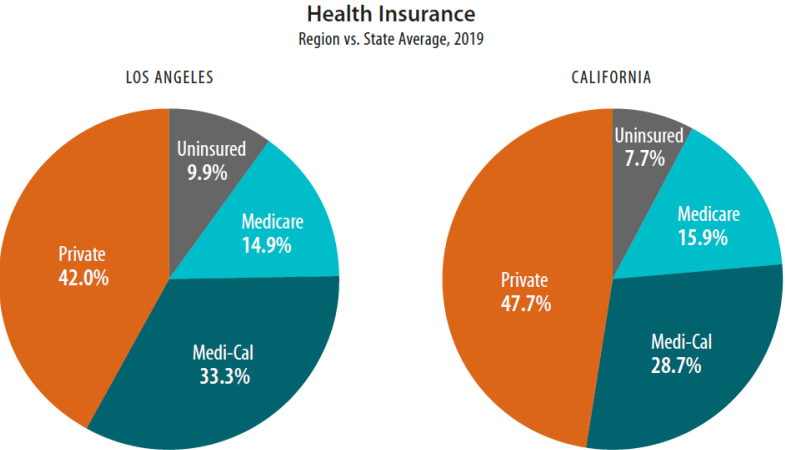


Population Statistics, 2018

	Los Angeles	California
Total population (in millions)	10.106	39.557
Five-year population growth	0.9%	3.2%

Economic Indicators, 2018

	Los Angeles	California
Below 100% FPL	14.1%	12.8%
100% to 199% FPL	19.7%	17.1%
Unemployment rate	4.7%	4.2%
Able to afford median-priced home	27.3%	31.0%



Los Angeles County is:

- Home to one-quarter of all Californians: 10 million people
- The second-most densely populated area in the country
- Varied in terrain: 88 cities, sparsely populated desert, mountains, valleys, coast

Compared to California overall, population is:

- Slower-growing
- More Latinx, less White
- Lower income
- More likely to be enrolled in Medi-Cal
- More likely to be uninsured
- More likely to be foreign born
- Less likely to have a high school diploma or college degree

Source: Regional Market Almanac, 2020: Los Angeles County – [Quick Reference Guide](#).

Stark Variation on Economic and Health Care Indicators

Los Angeles Service Planning Areas (SPAs) vary dramatically in geography, demographics, health status, and access to health care.

Compared to SPAs 4 and 5, SPA 6 (South) residents tend to have:

- Lower incomes
- Worse health status
- More difficulty obtaining doctor appointments
- More diabetes diagnoses

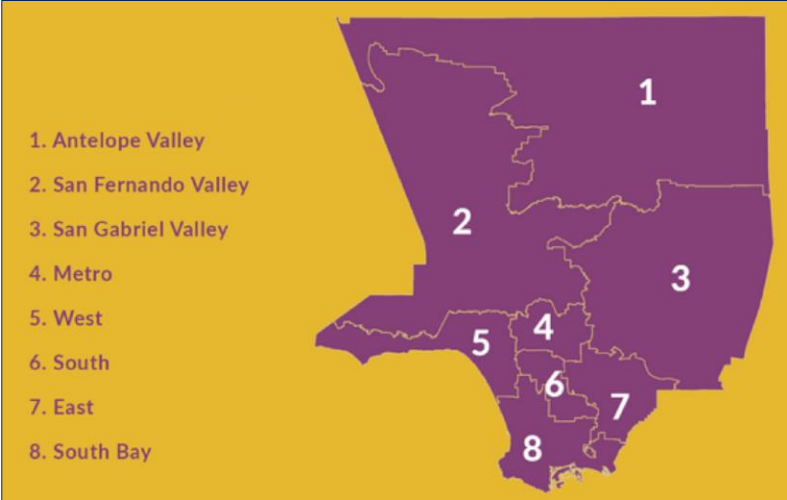


TABLE 2. Selected Indicators, Los Angeles County Service Planning Areas vs. California, 2018

	Metro (SPA 4)	West (SPA 5)	South (SPA 6)	Los Angeles County
Population	1,148,000	653,000	1,029,000	10,094,000
Density (population per square mile)*	12,331	3,096	13,312	2,472
Below 100% federal poverty level	19.9%	9.5% [†]	40.7%	18.8%
Household income > \$135,000	20.0%	32.9%	6.6% [†]	19.0%
Homeless/1,000 population [‡]	12.4	6.7	8.1	4.9
Always/usually get doctor appointment within two days	66.5%	68.5%	49.5%	63%
Excellent/very good health	48.8%	63.7%	38.6%	51.3%
Diagnosed with diabetes	9.8%	8.1% [†]	16.3%	11.0%
Leading cause of premature death (2017)	Coronary heart disease	Drug overdose (unintentional)	Homicide	Coronary heart disease

Medi-Cal Managed Care and Covered California

LA County has ~30% of the state's Medi-Cal enrollment.

- 3.8 million in 2019, up 340,000 since 2014

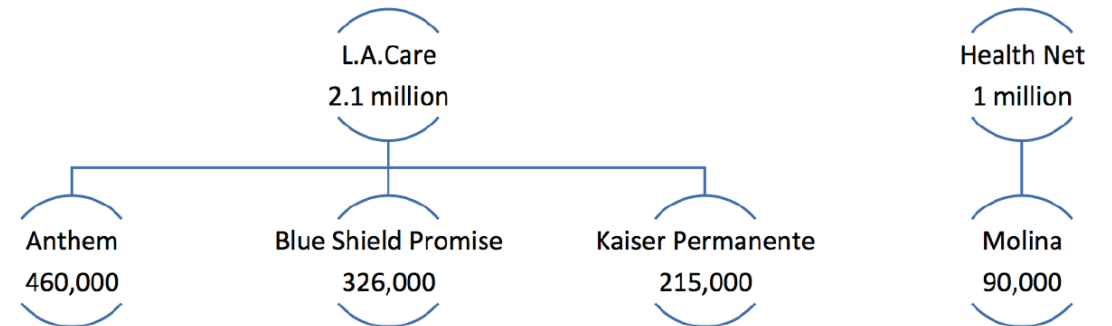
Medi-Cal Managed Care: Two-Plan Model

- L.A. Care (local initiative) and Health Net (commercial plan) enroll ~3.1 million members.
- “Partner” plans are delegated full risk for members from the two leads.
- LA County's DHS has full-risk arrangements for ~300,000 members from both plans.
- All plans delegate professional risk to medical groups or IPAs for most members.

Covered California enrollment reached ~420,000 in March 2020.

- Partner plans compete with lead plans and with each other in Covered California.
- L.A. Care is the only Medi-Cal managed care local initiative participating in Covered California.
 - With over 80,000 members, the 4th largest plan statewide

FIGURE 2. Medi-Cal Managed Care Health Plans and Partners
Los Angeles County, 2020



Some Consolidation, but Market Remains Competitive

Overview

- Six largest health systems account for about half of acute inpatient discharges.
- Only two systems spread across (nearly all) the county: Kaiser and LACDHS.
- Los Angeles has the least concentrated hospital market of all 58 counties.

“Inching” Toward Consolidation

- Cedars-Sinai Health System is affiliated with Torrance Memorial, Huntington.
- Providence has merged with St. Joseph, is focused on building regional provider networks.
- UCLA Health is expanding ambulatory care sites.
- Optum has acquired DaVita HealthCare Partners.

TABLE 8. Largest General Acute Care Hospital Systems, by Share of Inpatient Discharges, Los Angeles County, 2018

	Number of Hospitals	Number of Inpatient Beds	Inpatient Discharges
Kaiser Foundation Hospitals	7	2,376	11.3%
Cedars-Sinai Health System*	4	2,076	10.6%
Providence St. Joseph Health	6	1,663	9.2%
County of Los Angeles	4	1,595	6.7%
Dignity Health (CommonSpirit)	4	1,212	5.8%
PIH Health*	3	1,037	4.4%
Total of six health systems	28	9,959	48%
Total of all hospitals†	84	20,607	100%

* Includes affiliations made after 2018.

† Excludes Community Hospital Long Beach, which closed in 2018.

Source: “Hospital Annual Financial Data - Selected Data & Pivot Tables,” California Office of Statewide Health Planning and Development, accessed June 1, 2020.

FQHCs Pursue Shared Mission Through Diverse Approaches

Significant and growing role as safety-net providers

- Massive scale: >60 FQHCs (>350 sites) serve 1.7 million patients.
- Recent growth: Between 2014 and 2018, health center sites increased by 27%, patients by 33%.
- Primarily Medi-Cal, uninsured: Across FQHCs in 2018, 61% of patients covered by Medi-Cal, 29% uninsured.

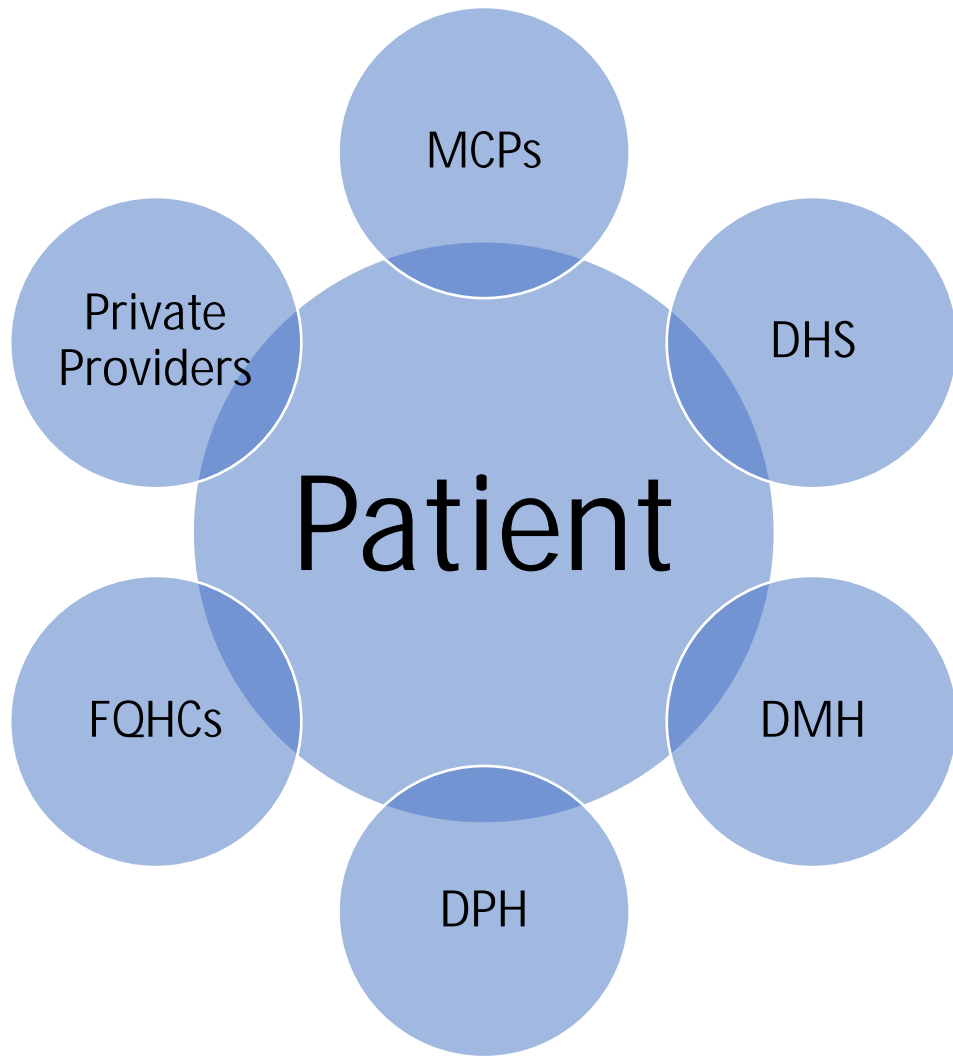
FQHCs:

- Provide primary care services for 140,000 uninsured people enrolled in LACDHS's My Health LA program
- Struggle to ensure adequate access to specialty care
- Have focused on building capacity in HIT, quality improvement, data analytics, team-based care, social determinants of health
- Rapid and successful pivot to telehealth during pandemic, concerns about the future of reimbursement

"If you overlay a map of clinics and a map of COVID-19 inequities, they line up — and the economy will make it worse."

– Interviewee, LA Regional Market Study

Coordination, Access Challenging for Patients, Providers in Medi-Cal



Specialty Care

“Medi-Cal rates are low, bureaucracy is high”

– Interviewee, LA Regional Market Study

Behavioral Health

“You couldn’t design something less user-friendly to consumers”

– Interviewee, LA Regional Market Study

Note: *DHS* is Los Angeles Co. Department of Health Services; *DMH* is Los Angeles Co. Department of Mental Health; *DPH* is Los Angeles Co. Department of Public Health; *FQHCs* is Federally Qualified Health Centers; *MCPs* is managed care plans.

COVID-19

Key Metrics Through August

- Infection rate about one-third higher than the state; death rate 75% higher than statewide.
- Unemployment rate increased 3.5 times; almost 50% higher than statewide.
- Expected increase in Medi-Cal enrollment had not (yet) materialized.

Emerging Experience

- Growth in telehealth is pandemic's "silver lining."
- Disproportionate effect on Black and Latinx populations.
- Project Roomkey (transitioning to Homekey) for those experiencing homelessness and at increased risk due to the pandemic.
- Resurgence of the pandemic in late fall creates new challenges.

TABLE 9. COVID-19 Impacts: Los Angeles County vs. California, August 2020

	Los Angeles	California
UNEMPLOYMENT RATE		
▶ Pre-pandemic (FEBRUARY 2020)	4.6%	4.3%
▶ Mid-pandemic (AUGUST 2020)	16.6%	11.4%
MEDI-CAL ENROLLMENT		
▶ Percentage change (FEBRUARY TO AUGUST 2020)	-0.1%	1.0%
CARES ACT, PER CAPITA (AUGUST 2020)		
▶ Provider Relief Funds	\$180	\$148
▶ High Impact Funds	\$34	\$16

Sources: "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

- Will health system affiliations and network expansions gather steam, or have the prime candidates already affiliated? How will the pandemic affect market consolidation?
- Will expansion of provider networks among large health systems and physician organizations result in the erosion of independent physician practice in Los Angeles?
- How will risk-bearing arrangements evolve? Will health system direct-to-employer contracting take hold?
- Will physical and behavioral health services become more integrated, particularly for patients with complex needs?
- Will access to specialty care improve, for both Medi-Cal enrollees and those who are uninsured?
- How will the pandemic-related recession affect the Los Angeles County budget and the county's ability to provide health care and social services to residents, including those experiencing homelessness?