CALIFORNIA
Health Care Almanac

California Health Care Foundation

REGIONAL MARKETS SERIES

FEBRUARY 2021

San Diego: Competing, Collaborating, and Forging Ahead with Population Health

Summary of Findings

The San Diego County market for health services has long been dominated by four health systems: Kaiser Permanente; Sharp HealthCare; Scripps Health; and University of California, San Diego (UCSD) Health. Both Kaiser and Sharp historically have embraced capitated (fixed per-member, per-month) payments where they assume financial risk for patient care, a trend now taking hold at Scripps and UCSD. While they compete for patients and market share, providers in the region also collaborate on community-wide issues, including access to care and more recently the COVID-19 pandemic. Despite significant gains in health coverage, access to care for lower-income people, especially for behavioral health services, remains a challenge. The region has higher average incomes and lower unemployment rates than the statewide population. However, almost 1 in 4 of San Diego County's nearly 3.3 million residents is covered by Medi-Cal, and 1 in 10 residents lives in poverty.

The region has experienced a number of changes since the previous study in 2015–16 (see page 21 for more information about the Regional Markets Study). Key developments include:

- **Health care coverage expansion continues.** The 2014 Medi-Cal expansion under the federal Affordable Care Act (ACA) and the strong (pre-pandemic) economy helped increase the share of San Diegans with health insurance. More than half of residents have private insurance coverage, and Medi-Cal now covers almost a quarter of the population. Kaiser remains the dominant insurer in the region, reportedly covering 20% of the population.
- **Hospital sector remains stable and consolidated.** Overall, the region's hospital sector remains stable, with no changes in ownership in recent years. Both UCSD Health and Kaiser opened new hospitals in 2016 and 2017, respectively, and Kaiser announced plans in early 2020 to build a third hospital in the northern part of the county.
- **Medical groups focus on growth.** As health systems embrace and expand population health strategies, they have increased affiliations with medical groups and independent practice associations (IPAs). For UCSD Health and Scripps, expanding their regional footprints and building out their provider networks is particularly important as they pursue more risk-based insurance contracts. Medical groups also have grown as new physicians and independent physicians nearing retirement opt for employment instead of running their own practices.
- **Federally Qualified Health Centers (FQHCs) thrive.** San Diego's 14 FQHCs provide critical access to safety-net services across more than 100 sites in the region. Following the 2014 Medi-Cal eligibility expansion, encounters, or

patient visits, per capita increased by 40%. Looking to the future, two FQHCs have developed Programs of All-Inclusive Care for the Elderly (PACE) to serve their patients with complex needs as they become eligible for Medicare.

- **County moves to improve access to mental health and substance use disorder (SUD) services.** Access to behavioral health care is a critical need in the region, and the county has launched an initiative to create a behavioral health "hub-and-network" system to connect individuals with community-based care and care coordinators following hospital discharge to reduce readmissions.

- **Regional health information exchange (HIE) is at a crossroads.** San Diego's regional HIE serves providers in both San Diego and Imperial Counties. While the region has invested significant resources in the HIE and it enjoys strong support, the system does not have the functionality many participants would like and remains underused. As the major health systems coalesce around two electronic health record (EHR) systems —adopting either Epic or Cerner — the HIE needs to demonstrate its ongoing value to the health care community.

Market Background

Covering about 4,200 square miles in the southwestern tip of California, San Diego County is home to 3.3 million people, mostly clustered along the 50-mile-long coast, leaving a large swath of rural and less populated desert area stretching east to Imperial County. Orange and Riverside Counties border the region to the north. The region's economic hub is the city of San Diego, where 1.4 million people live. The backbone of the local economy includes the military — the Navy, Marines, and Coast Guard all have a significant presence in the county — as well as international trade, manufacturing, and tourism spurred by sunny, warm year-round weather.[1] San Diego is the state's second-largest county by population, and the region's five-year population growth, at 4.1% in 2018, was slightly higher than the statewide average of 3.2% (see Table 1).

TABLE 1. Demographic Characteristics
San Diego County vs. California, 2018

	San Diego	California
POPULATION STATISTICS		
Total population	3,343,364	39,557,045
Five-year population growth	4.1%	3.2%
AGE OF POPULATION, IN YEARS		
Under 18	21.6%	22.7%
18 to 64	64.4%	62.9%
65 and older	14.0%	14.3%
RACE/ETHNICITY		
Latinx	34.0%	39.3%
White, non-Latinx	45.2%	36.8%
Black, non-Latinx	4.7%	5.6%
Asian, non-Latinx	12.0%	14.7%
Other, non-Latinx	4.2%	3.6%
BIRTHPLACE		
Foreign-born	22.7%	25.5%
EDUCATION		
High school diploma or higher	87.3%	83.7%
College degree or higher	46.5%	42.2%
ECONOMIC INDICATORS		
Below 100% federal poverty level (FPL)	11.4%	12.8%
100% to 199% FPL	15.9%	17.1%
Household income $100,000+	39.6%	38.0%
Median household income	$79,079	$75,277
Unemployment rate	3.3%	4.2%
Able to afford median-priced home (2019)	28.0%	31.0%
HEALTH STATUS		
Fair/poor health	17.2%	18.5%
Diagnosed with diabetes	9.8%	10.1%
Has asthma	15.7%	15.7%
Has heart disease	7.4%	6.8%

Sources: "County Population by Characteristics: 2010–2019," Education by County, FPL by County, Income by County, US Census Bureau; "AskCHIS," UCLA Center for Health Policy Research; "Employment by Industry Data: Historical Annual Average Data" (as of August 2020), Employment Development Dept., n.d.; and "Housing Affordability Index - Traditional," California Association of Realtors. All sources accessed June 1, 2020.

San Diego is less racially and ethnically diverse than the state as a whole, with a predominantly White population. The percentage of foreign-born residents in San Diego remains lower than California overall and declined from 25.6% in 2014 to 22.7% in 2018, similar to the statewide trend.

San Diego residents, as a whole, have more education, higher incomes, lower poverty, and lower unemployment rates than the statewide population. Nonetheless, more than one in four residents in the region lives in a household earning less than 200% of the federal poverty level, or $50,200 for a family of four in 2018.[2] Before the COVID-19 pandemic, socioeconomic indicators improved slightly from 2014 to 2018 for both the county and the state. Housing affordability, however, continues to create challenges in San Diego, as in many other regions in the state. Only 28% of San Diego County residents can afford a median-priced house, a slight improvement from 2014, when this figure was 25%. Though San Diego County has more economic advantages compared with California generally, socioeconomic disparities persist within the county. In general, the northern regions of the county, particularly the La Jolla area, tend to be more affluent than the central city and southern regions. The area around downtown San Diego has the highest rate of poverty in the county.[3] The region's health status indictors are similar to statewide averages — for example, 17.2% of San Diegans reported being in fair or poor health in 2018, compared with 18.5% statewide, while 7.4% reported having heart disease, compared with 6.8% statewide.

Health Insurance Coverage Increases in San Diego

The number of San Diegans without health insurance has fallen in recent years (see Table 2). Medi-Cal now covers almost a quarter of the population, or more than 700,000 people, and the share of residents without insurance was 8.0% in 2019. Medicare coverage grew slightly to 15.9% in 2019, reflecting the aging of the population and mirroring state trends. The share of San Diegans with private health insurance held steady in recent years with more than half of San Diegans (53.9%) covered by private insurance.[4]

TABLE 2. Trends in Health Insurance, by Coverage Source
San Diego County vs. California, 2015 and 2019

	SAN DIEGO		CALIFORNIA	
	2015	2019	2015	2019
Medicare*	14.3%	15.9%	14.4%	15.9%
Medi-Cal	22.9%	22.2%	29.1%	28.7%
Private insurance†	53.9%	53.9%	47.8%	47.7%
Uninsured	8.8%	8.0%	8.6%	7.7%

*Includes those dually eligible for Medicare and Medi-Cal.

† Includes any other insurance coverage (excluding Medicare and Medi-Cal).

Source: Calculations made by Blue Sky Consulting Group using data from the US Census Bureau, the Centers for Medicare & Medicaid Services, and the California Department of Health Care Services.

Kaiser Dominates Commercial, Medicare Markets

Kaiser reportedly covers one in five San Diegans through health maintenance organization (HMO) products in the commercial and Medicare Advantage (MA) markets and to a much lesser degree in Medi-Cal, making Kaiser the largest insurer in the region. Kaiser's model — a health plan taking full financial risk for all patients coupled with an integrated delivery system of Kaiser-owned hospitals and affiliated physicians — relies on population health strategies that stress prevention and care coordination to avoid costly hospital stays. Already the region's dominant insurer, Kaiser continues to seek opportunities for growth and is widely viewed as the main competition for other health plans and systems in the region. As one market observer commented, "Kaiser keeps everyone up at night."

Two of San Diego's other large regional health systems, Sharp HealthCare and Scripps Health, both hold Knox-Keene licenses and operate health plans. The regional Sharp Health Plan (SHP) primarily offers HMO products to individuals and small and midsized employers, as well as in the MA market. SHP also reportedly covers about a third of the California Public Employees' Retirement System (CalPERS) members in the region. SHP offers purchasers four different HMO networks with progressively broader choice of providers. In 2018, SHP's total commercial coverage reached almost

people.[5] SHP is consistently recognized for quality of care and member satisfaction. In 2019, the health plan received a rating of 4.5 out of 5 from the National Committee for Quality Assurance, tied with Kaiser for highest overall rating among California health plans in the commercial market.[6]

Launched in 2016, Scripps Health Plan covers only Scripps employees, offering both an HMO and an exclusive provider organization product with a customized network. Rather than expanding product offerings to the broader employer market and the Covered California market, as some expected, Scripps is using its Knox-Keene license to explore other models — for example, partnering with Qualcomm to serve as the accountable care organization (ACO) for the company's local employees. Under this arrangement, Scripps contracts directly with Qualcomm in a value-based arrangement built on a fee-for-service (FFS) payment structure. Scripps must meet quality targets and manage the total cost of care for enrollees. While Scripps provides the ACO, UnitedHealthcare (United) serves as a third-party administrator and processes claims. United also offers a national provider network for Qualcomm employee dependents living outside of San Diego and coverage of services, such as behavioral health and physical therapy, not delivered by Scripps.[7]

While many respondents indicated that the HMO model continues to enjoy strong support in the region, health insurers are expanding narrow-network preferred provider organization (PPO) product offerings in response to employer demands to control costs. More generally, market observers commented on the downward pressure on premiums across the commercial market resulting from the growth of narrow-network products. Reflecting market pressure and an overall shift toward value-based products, Scripps, on the provider side, has moved away from FFS payment in recent years in the commercial sector and has reembraced risk-based, or capitated, payments. Under this approach, for example, Scripps aligned with Blue Shield to introduce the health plan's narrow-network HMO product, Trio, to the San Diego market.

Covered California Enrollment Declines

Enrollment in Covered California, the state's health insurance marketplace, has decreased slightly, from 6.5% of the San Diego population in 2015 to 5.7% in 2019. Compared with the state overall, San Diego's Covered California 2019 premiums were lower; but, consistent with the statewide trend, premiums increased significantly in San Diego from 2015 to 2019 (see Table 3). In 2019, Kaiser enrolled more than a quarter (28%) of Covered California's San Diego enrollees. Health Net (22%) and SHP (16%) were the next largest health plans in terms of enrollment.

TABLE 3. Covered California Premiums and Enrollment
San Diego County vs. California, 2015 and 2019

	SAN DIEGO		CALIFORNIA	
	2015	2019	2015	2019
Monthly premium* (Silver Plan on the exchange for a 40-year-old individual)	$320	$433	$312	$454
Population enrolled				
► Percentage	6.5%	5.7%	3.0%	3.1%
► Number	215,580	189,000	1,190,590	1,233,360

*The monthly premium for the Silver plan for Los Angeles is a weighted average of the premiums for Rating Regions 15 and 16 by enrollment.

Sources: Blue Sky Consulting Group analysis of data files from "Active Member Profiles: March 2019 Profile" (as of May 31, 2020) and "2019 Covered California Data: 2019 Individual Product Prices for All Health Insurance Companies," Covered California.

Region Continues to Embrace Medicare Managed Care

Historically, San Diego Medicare beneficiaries have embraced managed care, with enrollment divided almost evenly between original Medicare (51%) and MA (48%) — higher than the 44% of beneficiaries enrolled in MA across California. More than 30 MA plans are offered in San Diego, with four health insurers covering over 75% of enrollees: Kaiser (35%), United (27%), SCAN Health Plan (9%), and Blue Shield of California (8%). In addition, SHP participates in MA, covering 2% of enrollees in the region.[8]

Four organizations also participate in PACE, including two FQHCs, Family Health Centers of San Diego and San Ysidro Health. PACE serves people aged 55 and older who are certified to need nursing home care but who can reside safely in the community with supportive services. Most PACE

enrollees are eligible for both Medicare and Medicaid, with enrollees eligible only for Medicare paying a premium for the long-term care portion of the PACE benefit. PACE providers are paid on a capitated basis. As of August 2020, more than 2,200 people were enrolled in PACE in San Diego.[9]

Seven Health Plans Offer Medi-Cal Managed Care Coverage

San Diego participates in the Medi-Cal Geographic Managed Care (GMC) Model, in which the state contracts with multiple private health plans to cover eligible Medi-Cal managed care enrollees. Seven health plans serve the more than 700,000 Medi-Cal enrollees in San Diego. As shown in Table 4, Community Health Group, a local plan, and Molina Healthcare, a national plan, together cover two-thirds of enrollees. Blue Shield entered the Medi-Cal market with the purchase of Care1st Health Plan in 2015. The newest health plans to enter the San Diego market are Aetna and United, which joined when the state expanded the GMC model in 2016. With the exception of Aetna and United, which are still building membership in the region, Kaiser has the lowest enrollment. This reflects Kaiser's strategy to limit Medi-Cal enrollment to individuals who were Kaiser members within the six months before qualifying for Medi-Cal or who have an immediate family member who is a Kaiser member.

Several respondents noted the challenges of working with multiple Medi-Cal health plans — each with different priorities and initiatives — for the same population. Beginning in 2021, the state intends to recontract with all private Medi-Cal health plans statewide, a process known as "reprocurement." Implementation is scheduled for 2024. Market observers across California expect the state will reduce the number of Medi-Cal plans in San Diego, which would be welcome news for many providers. As one respondent commented, "We're used to navigating this, but having a few less [plans] would be nice."

San Diego is also one of seven counties across the state participating in Medi-Cal's Coordinated Care Initiative, which includes California's pilot for individuals eligible for both Medicare and Medi-Cal, known as Cal MediConnect (CMC). CMC tests the integration of Medicare and Medi-Cal benefits, including long-term care services, under a single health plan. Of the seven Medi-Cal health plans offering coverage in the region, only four — Community Health Group, Molina, Health Net, and Blue Shield Promise — participate in CMC. CMC is scheduled to expire at the end of 2022, and the state has stated that, rather than continue the pilot, all health plans statewide will be required to operate a dual-eligible special needs plan and offer the Medi-Cal long-term care benefit. Implementation of these changes will occur on a rolling basis between 2023 and 2027.

TABLE 4. Medi-Cal Enrollment, by Plan
San Diego County, August 2020

	Members*	Percentage of Total Enrollment†
Aetna	14,908	2.0%
Blue Shield Promise Health Plan (Care 1st Health Plan)	92,593	12.7%
Community Health Group	268,745	36.8%
Health Net	70,504	9.7%
Kaiser Permanente	51,433	7.0%
Molina Healthcare	214,833	29.4%
UnitedHealthcare	17,101	2.3%
Total San Diego Enrollment	**730,117**	**100%**

*Includes Cal MediConnect enrollees.

† Figures do not sum due to rounding.

Source: California Health & Human Services Agency Open Data Portal, "Medi-Cal Managed Care Enrollment Report," accessed September 8, 2020.

Four Large Health Systems Continue to Dominate Hospital Sector

San Diego's long-consolidated hospital sector remains stable, with four major health systems dominating the market and accounting for nearly 75% of acute inpatient discharges.[10] No mergers or acquisitions have occurred in recent years, but both Kaiser and UCSD Health opened new hospitals. San Diego has a total of 21 licensed hospital facilities, 17 of which are considered general acute care facilities.[11] While the four major health systems continue to thrive financially, San

Diego's two district hospitals, as well as other hospitals, face ongoing financial challenges.

Major hospitals and systems in the region include the following:

Sharp HealthCare. Sharp operates four acute care facilities: Sharp Memorial Hospital (including Sharp Mary Birch Hospital for Women & Newborns, operating under Memorial's license), with 832 acute beds; Sharp Grossmont Hospital, with 443 acute beds; Sharp Chula Vista Medical Center, with 243 acute beds; and Sharp Coronado Hospital, with 59 acute beds. Sharp is the largest system measured by inpatient discharges, accounting for 28% of San Diego's acute inpatient discharges in 2018. In addition to Sharp Mary Birch Hospital, the nonprofit system operates two additional specialty hospitals: Sharp Mesa Vista hospital, an inpatient psychiatric facility with 158 licensed beds; and Sharp McDonald Center, an inpatient SUD treatment facility with 16 licensed beds.

Scripps Health. The second-largest system, Scripps operates four acute care hospitals on five campuses: Scripps Mercy Hospital, with campuses in downtown San Diego and Chula Vista and 619 acute beds; Scripps Memorial Hospital La Jolla, with 432 acute beds; Scripps Memorial Hospital Encinitas, with 163 acute beds; and Scripps Green Hospital in La Jolla, with 173 acute beds. Scripps accounted for 25% of acute inpatient discharges in 2018.[12] The nonprofit system operates one of the two Level I adult trauma centers in the county, at Scripps Mercy's downtown campus, and more than 30 outpatient centers and clinics across the county.

UCSD Health. The only academic medical center in the region, UCSD Health operates two hospital campuses with a total of 756 acute beds — UC San Diego Medical Center, in the Hillcrest neighborhood near downtown San Diego, and Jacobs Medical Center in La Jolla, which opened in 2016, on UCSD's Thornton campus.[13] UCSD Health operates the only burn unit in the region and the region's other Level I adult trauma center at its Hillcrest campus. In 2018, UCSD Health accounted for 11% of acute inpatient discharges in San Diego County.

Kaiser. Kaiser's two hospitals in the region have 544 licensed acute beds, Kaiser Permanente San Diego Medical Center and Zion Medical Center, and accounted for 9% of acute inpatient discharges in 2018. Kaiser's focus on preventive care and population health likely explains, at least in part, its relatively low share of acute inpatient discharges in the market. Kaiser outsources some inpatient services to other systems, including cardiac surgery to Scripps and inpatient care to Palomar Health, a district hospital in the northern part of the county. Kaiser's Southern California Permanente Medical Group employs approximately 7,800 physicians across Southern California, including San Diego, Kern, Los Angeles, Kern, Riverside, and San Bernardino Counties.[14]

Other inpatient providers in the region include the sole pediatric facility, Rady Children's Hospital (457 acute beds), which operates the region's only Level I pediatric trauma center and accounted for 7% of acute inpatient discharges in 2018. Two health care district hospitals operate in the northern part of the county: Palomar Health, which has two facilities with a total of 630 acute beds, and Tri-City Medical Center, with 358 acute beds, which serves the northern coastal communities of Carlsbad and Oceanside, as well as the inland community of Vista. Investor-owned Prime Healthcare Services also operates two hospitals in the county — Paradise Valley Hospital (166 acute beds) and Alvarado Hospital Medical Center (254 acute beds).

UCSD Health and Kaiser increased their market share in 2018, likely as a result of the opening of UCSD's Jacob Medical Center in 2016 and the second Kaiser hospital in 2017. Rady also saw an increase in market share between 2014 and 2018.[15] Both Sharp HealthCare and Scripps remained relatively stable, while the share of acute inpatient discharges declined for Palomar Health, Tri-City Medical Center, and Prime Healthcare.

With the exception of Kaiser, the major systems' payer mix shifted following the 2014 ACA coverage expansion. In terms of discharges, Medi-Cal's share increased for the major systems, including Kaiser. In 2018, Medi-Cal accounted for

20% to 30% of revenue for Sharp, Scripps, and UCSD Health. At the same time, these systems also saw decreased revenue from more lucrative commercial payers, reflecting changes in commercial coverage and rates in the region.

Hospital financial performance in the region is solid: The average operating margin is more than twice the statewide rate (see Table 5). Overall, Sharp's and Scripps's operating margins remained strong, although Sharp's decreased from 10.9% in 2014 to 7.8% in 2018, and Scripps's decreased from 12.3% to 11.6% over the same period. UCSD Health's operating margin improved significantly, from 6.6% in 2014 to 14% in 2018, reportedly from tightly managing expenses.[16] While Rady's operating margin increased from 9% in 2014 to 20.8% in 2018, many other hospitals in the region continued to struggle financially. Continuing a trend of reporting operating deficits for several years, Prime Healthcare reported a –0.4% operating margin in 2018 for the system's two hospitals in the region. In 2018, Prime Healthcare, a national system with 45 hospitals, settled allegations of falsifying patient diagnoses to increase Medicare reimbursement, which originated from Alvarado Hospital in San Diego, by paying $65 million.[17]

TABLE 5. Hospital Performance (Acute Care)
San Diego County vs. California, 2018

	San Diego	California
Beds per 100,000 population	180	178
Operating margin*	10.2%	4.4%
Paid FTEs per 1,000 adjusted patient days*	15	15
Total operating expenses per adjusted patient day*	$3,667	$4,488

*Excludes Kaiser.

Note: *FTE* is full-time equivalent.

Sources: "Hospital Annual Financial Data - Selected Data & Pivot Tables," California Office of Statewide Health Planning and Development; "County Population by Characteristics: 2010–2019," US Census Bureau. All sources accessed June 1, 2020.

The region's two district hospitals continued to struggle financially, with Tri-City reporting a –4.6% operating margin in 2018, compared with a –3.8% operating margin in 2014. In 2018, Tri-City closed its 18-bed behavioral health and crisis stabilization units, citing poor reimbursement rates as a major factor. After reporting a –7.3% operating margin in 2014, Palomar's operating margin improved to 1.4% in 2018. However, the system is widely viewed as struggling financially because of the more than $950 million cost of building a new hospital in Escondido, which opened in 2012.[18]

While Palomar now operates the only hospitals in the Escondido area, Kaiser recently broke ground for a new hospital in nearby San Marcos, which is slated to open in the fall of 2023.[19] Kaiser has a long-standing agreement with Palomar to provide emergency care and inpatient admissions for Kaiser members. The agreement will expire in 2022, and Palomar has informed Kaiser that it does not intend to renew the agreement. Noting the financial challenges facing the smaller independent hospitals and, for Palomar, its changing relationship with Kaiser, several respondents suggested one or more of the smaller hospitals could be acquisition targets or face closure in the coming years.

Hospital Construction Targets Seismic Standards

Similar to hospitals across California, San Diego hospitals are focused on the 2030 deadline to meet state seismic requirements, although hospital executives noted that the deadline may be extended. UCSD Health plans to build a replacement hospital for San Diego Medical Center in the Hillcrest section of downtown. Once the new facility is operational, the existing hospital will be torn down. Sharp's Chula Vista Medical Center opened a new tower in early 2020 with more than 100 beds. Sharp also is completing construction to modernize Sharp Memorial Hospital and Mary Birch Hospital for Women & Newborns as well as to meet seismic requirements. For Sharp Grossmont Hospital, plans currently call for seismic retrofitting. The hospital also opened a new heart and vascular center in 2018.

Across its hospitals, Scripps plans a combination of new construction and seismic retrofitting. Scripps plans to retrofit Mercy Hospital's Chula Vista campus and replace the downtown San Diego campus's acute care building. However, Scripps does not intend to rebuild its 36-bed inpatient psychiatric unit at Mercy's downtown campus, citing insufficient reimbursement for psychiatric services and construction

costs. Instead, Scripps has entered a joint venture with Acadia Healthcare, a large multinational publicly traded corporation, to build a new inpatient behavioral health facility in Chula Vista. At the planned 120-bed facility, Scripps and Acadia have agreed that the patient mix will be split between low-income patients (20%) and commercial/private-pay patients (80%). The new facility is projected to open in 2023, although local community members have raised concerns about building a behavioral health facility in the area.

In addition to construction largely driven by the seismic standards, UCSD Health and Kaiser both opened new hospitals in recent years. UCSD Health opened Jacobs Medical Center, which includes three specialty centers for women and infants' health, cancer care, and advanced surgery, on the Thornton campus in the affluent community of La Jolla in 2016. Kaiser's newest hospital is in Kearny Mesa, north of downtown San Diego, and opened in 2017. Kaiser's original San Diego hospital, Zion Medical Center, has been converted to single rooms.[20]

Despite the new construction, market observers did not have concerns about the region becoming overbedded, in part because the major hospital systems are spread across the region — with the exception of La Jolla and the Hillcrest area, where Scripps and UCSD Health both have a presence. One market observer commented that the pandemic highlighted that "we need as much capacity as we can get" to treat COVID-19 patients. The fast-growing North Inland area, centering on the corridor stretching north from Escondido to Temecula in southern Riverside County, may see further hospital construction in addition to Kaiser's third hospital in San Marcos.

Hospital Partnerships, Affiliations Continue

Many hospitals in the region have partnerships and affiliations with one another for services they do not provide in-house. For example, all of the health systems have a relationship with Rady, the only children's hospital in the region, for pediatric services and inpatient beds. In addition to long-standing relationships with Palomar and Scripps to provide certain services, Kaiser also partners with UCSD Health's burn center and Moores Cancer Center. In 2015, UCSD Health and Tri-City announced a partnership to allow Tri-City providers to refer patients to UCSD Health specialists either at Tri-City or UCSD Health facilities. However, respondents indicated that the UCSD Health-Tri-City partnership, like the Kaiser-Palomar partnership, is set to expire. In 2016, Scripps affiliated with the University of Texas MD Anderson Cancer Center to better position Scripps to compete with other systems for cancer care.

Safety-Net Services Provided by Community Hospitals, UCSD Health

San Diego County has not operated its own inpatient acute care hospital since the 1960s, when UCSD purchased the county hospital in the Hillcrest neighborhood. As a result, community hospitals and UCSD Health serve as the inpatient safety net for San Diegans covered by Medi-Cal or without insurance. Among the major hospital systems, UCSD Health, Sharp, and Scripps provide the majority of Medi-Cal inpatient services. The hospitals providing the largest share of Medi-Cal services include Sharp Grossmont and Chula Vista hospitals, in the eastern and southern areas of the county, respectively; Scripps Mercy Hospital campuses in Hillcrest and Chula Vista; UCSD Health; Tri-City; Palomar; Rady; and Prime's Paradise Valley Hospital.

While viewed as a significant force in the region overall, Kaiser does not play a large role in the San Diego safety net, serving only Medi-Cal members who are enrolled in Kaiser's health plan. In 2018, Medi-Cal discharges accounted for just 6.7% of total Kaiser discharges in the region. In contrast, Medi-Cal discharges accounted for 54.3% of total discharges at Rady and 49.0% of discharges at Prime's Paradise Valley Hospital. Sharp Grossmont, Sharp Chula Vista, Scripps Mercy, UCSD Health, and Tri-City also reported that Medi-Cal accounted for more than one-third of discharges at each hospital. When measured as a percentage of total net patient

revenue by hospital in 2018, Paradise Valley reported that Medi-Cal represented 56.0% of total net patient revenue, Rady reported Medi-Cal at 46.4% of total net patient revenue, and Scripps Mercy reported Medi-Cal at 42.3% of total net patient revenue. Medi-Cal comprised more than one-third of total net patient revenue for Sharp Grossmont (32.4%) and Sharp Chula Vista (36.8%).

Physicians React to Changing Market Dynamics, Pressures

San Diego has more physicians, particularly specialists, per 100,000 residents, than the statewide average. The region has 62.4 primary care physicians per 100,000 residents, compared with 59.7 statewide, and 148.4 specialists per 100,000 residents, compared with 130.8 statewide (see Table 6).

Similar to the hospital sector, San Diego's physician sector is fairly consolidated. As shown in Table 7, both primary care physicians (PCPs) and specialists are more likely to practice as part of a hospital or health system than their counterparts statewide.

Mirroring other regions of the state, respondents noted access challenges, particularly for certain specialties: neurologists, orthopedists, pulmonologists, and psychiatrists are reportedly in short supply. San Diego's high cost of living was one reason offered for recruitment challenges. While most providers did not systematically report issues with hiring PCPs, many noted this effort may become more challenging since fewer medical students opt for primary care practice. Within the safety net, respondents highlighted the need for bilingual, culturally competent behavioral health providers, specifically noting the general dearth of these types of providers to care for Medi-Cal patients. As one respondent shared, "[There is] one juvenile psychiatrist who is in North County, and that's it for Medi-Cal."

TABLE 6. Physicians: San Diego County vs. California, 2020

	San Diego	California	Recommended Supply*
Physicians per 100,000 population†	211.2	191.0	—
► Primary care	62.4	59.7	60–80
► Specialists	148.4	130.8	85–105
► Psychiatrists	13.6	11.8	—
% of population in HPSA (2018)	15.1%	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.

TABLE 7. Physicians in Practice Owned by a Hospital or Health System
San Diego County vs. California, 2019

	Primary Care Physicians	Specialists
San Diego	56%	63%
California	43%	53%

Source: Blue Sky Consulting Group calculation of population-weighted regional and state averages from Richard M. Scheffler, Daniel R. Arnold, and Brent D. Fulton, *The Sky's the Limit: Health Care Prices and Market Consolidation in California*, California Health Care Foundation, October 2019.

Independent Practice Continues to Erode

Market observers in both the commercial and safety-net sectors noted the continuing erosion of the independent practice model, with more and more physicians preferring to join large groups or, in some cases, FQHCs. The shift away from independent practice is driven by a combination of factors, including older physicians seeking "exit strategies" to ease the transition into retirement and younger physicians preferring employment over taking on the complicated administrative and regulatory requirements of running their own businesses. Several provider respondents commented that the pandemic could accelerate the shift away from independent practice, since private physicians may experience greater financial challenges as a result of COVID-19-related reimbursement volatility.

Medical Groups Focus on Growth

Sharp, Scripps, and UCSD Health have all reportedly focused on expanding their provider footprint in the region in recent years and tightening their relationships with their affiliated providers. For Scripps and UCSD Health, this effort is particularly important as they look to enter into more commercial risk-based contracts that require broader, more comprehensive provider networks to support population health.

While physicians practicing at UCSD Health historically were employed by the university as faculty, in recent years UCSD Health has focused on building a clinically integrated network that includes community-based physicians. To facilitate data sharing among all of its affiliated providers, UCSD Health deploys the same EHR system, Epic, for many of the 540 community-based providers as for UCSD Health faculty physicians. UCSD Health also has opened ambulatory sites in the region, including a 57,000-square-foot facility in Rancho Bernardo offering primary and specialty care services, as well as primary care and urgent care clinics in Chula Vista, Encinitas, and Pacific Highlands Ranch. This strategy is targeted at increasing referrals into UCSD Health for specialty care and improving access for patients.

Sharp uses a medical foundation model to align with physicians in the region, contracting with two medical groups, Sharp Rees-Stealy (SRS) and SharpCare. SRS employs approximately 600 physicians, including about 200 PCPs, who practice at 19 sites across the county. SRS physicians serve the commercial (161,000 members) and MA (24,000 members) markets and primarily admit patients to Sharp Memorial Hospital. Historically, SRS has not participated in the Medi-Cal program. SRS's growth has focused on adding physicians and opening new sites, including a new location in the eastern part of the county in 2020 that consolidated four locations and provides room for growth.

SharpCare Medical Group is a relatively new organization, launched in 2018 and affiliated with Sharp's IPA, Sharp Community Medical Group (SCMG). Since 2018, SharpCare has grown to comprise 25 physicians and five sites around the region. SharpCare is intended to offer independent physicians an alternative to joining SRS's large multispecialty, integrated medical group, allowing them to continue to practice at smaller practice sites where they have more control over how the practice operates. For Sharp, this model has helped expand the health system's primary care footprint in San Diego, with the intention that SharpCare physicians refer patients to Sharp specialists who will, in turn, admit patients to the local Sharp hospital.

SCMG is a large IPA that includes approximately 800 physicians (roughly 225 PCPs and 575 specialists) who practice across the region and serve 100,000 patients with commercial HMO coverage and an additional 30,000 MA patients. SCMG also serves 8,000 patients through commercial ACO contracts. SCMG's membership includes two groups located near Palomar: Arch Health Medical Group (Palomar's medical foundation) and Graybill Medical Group. Arch includes more than 90 providers, and in 2019, Palomar announced plans to expand its foundation by aligning with Graybill, which employs roughly 80 physicians and providers. One respondent noted Arch will be renamed Palomar Medical Group, perhaps signaling the importance of name recognition in the competitive North Inland area.

While SCMG providers admit patients to all Sharp hospitals, the IPA also has an agreement with Palomar to provide hospital access to SCMG providers in the Escondido area, where Sharp does not operate any hospitals. SCMG offers both exclusive and nonexclusive arrangements to participating practices with the latter receiving less support from the IPA. To provide connectivity between SCMG's members, the IPA is transitioning from an Allscripts EHR system to Cerner.

Scripps contracts with three medical groups in the region using a medical foundation model: Scripps Coastal (primary care medical group), Scripps Clinic (a large multispecialty medical group), and Scripps Cardiovascular. Scripps Coastal, with more than100 primary care providers, serves as a referral source for Scripps Clinic, which has more than 850 physicians and providers in San Diego. Scripps has expanded its

ambulatory care presence, including opening a new medical building in Oceanside. Scripps also plans to open a primary care location in 2021 in San Marcos — where Kaiser is building its third hospital.[21] In recent years, Scripps transitioned from an Allscripts EHR system to Epic to improve data sharing across Scripps providers.

IPAs affiliated with Scripps include Mercy Physicians Medical Group, which has more than 140 primary care physicians and 400 specialists and is managed by Optum's North American Medical Management; and Scripps Physician Medical Group, which includes more than 500 primary care physicians and specialists and is managed by a third-party management services organization, Southern California Physicians Managed Care Services.

FQHCs Thriving

San Diego's large, well-established network of 14 FQHCs has more than 100 sites across the county and plays a critical safety-net role in the region. As FQHCs have elsewhere in California, San Diego's FQHCs have grown significantly since the 2014 Medi-Cal eligibility expansion. Between 2014 and 2018, the number of encounters, or patient visits, per capita increased by 40% (compared with 35% statewide), growing from 0.60 encounters per capita in 2014 to 0.84 encounters per capita in 2018. Overall, Medi-Cal's share of FQHC patients in San Diego grew from 60% in 2014 to 69.2% in 2018. Even with the ACA coverage expansions and the strong (pre-COVID-19) economy, approximately 18% of FQHC patients in 2018 were self-pay/sliding fee scale — compared with 25% in 2014.[22] This statistic likely reflects a relatively large population of low-income, undocumented San Diegans who are ineligible for Medi-Cal.

The region's largest FQHCs include the following:

Family Health Centers of San Diego (FHCSD), founded in 1970, is the largest FQHC in the region and one of the largest in the United States, providing care to more than 200,000 patients annually at 49 sites in the county.[23] Sites and programs include 22 primary care clinics, 10 behavioral health facilities, eight dental clinics, an outpatient SUD treatment program, three vision clinics, physical therapy departments, two mobile counseling centers, three mobile medical units, PACE, and a pharmacy to support services throughout the county. Between 2014 and 2018, the number of patient visits provided by FHCSD grew by almost 60%.

San Ysidro Health, founded in 1969, serves more than 100,000 patients each year at 42 sites across San Diego County, including medical and dental clinics, behavioral health centers, HIV centers, mobile medical units, school-based health centers, a pediatric developmental clinic, a teen clinic, a senior health center, and PACE.[24] Between 2014 and 2018, the number of patient visits provided by San Ysidro increased by 38%. The FQHC also plans to merge with a small rural FQHC, Mountain Health, that has struggled financially.

Neighborhood Healthcare, founded in 1969, operates 16 locations throughout northern and eastern San Diego County, as well as in Riverside County. The majority of Neighborhood's sites (13) are in San Diego County, providing care to more than 76,000 patients annually.[25] Neighborhood's newest location opened in January 2021.[26]

TrueCare, formerly North County Health Services and founded in 1971, operates 12 health centers in north San Diego County and neighboring Riverside County. TrueCare provides care for more than 66,000 patients a year.[27]

La Maestra Community Health Centers, founded in 1990, operates more than a dozen sites in the central city, eastern, and southern areas of San Diego County, including four medical clinics, seven dental sites, three school-based health centers, and a mobile medical unit. The main health center is in City Heights, a densely populated community east of downtown San Diego that is home to more than 90,000 residents, including many recently settled refugees and immigrants from more than 60 countries. La Maestra provides care to more than 46,000 patients a year.[28]

In general, San Diego's FQHCs are paid on a capitated basis for primary care. According to respondents, the FQHCs are

interested in moving to capitated arrangements for specialty care as well. Integrated Health Partners (IHP) — a subsidiary of Health Center Partners of Southern California, a consortium of 17 FQHCs and Planned Parenthood health centers across San Diego, Riverside, and San Bernardino Counties — contracts with health plans for 250,000 managed care enrollees in San Diego and Riverside Counties through IHP's clinically integrated network, capable of taking full professional and facility financial risk. IHP's nine members include a mix of large and small FQHCs in the region, although the largest, FHCSD, is not a member.[29] IHP, which functions similarly to an IPA, contracts with health plans in San Diego on behalf of member FQHCs, including the two largest Medi-Cal health plans — Community Health Group and Molina — as well as Blue Shield Promise.[30] IHP also contracts with health plans for Covered California, MA, and dual-eligible products and recently launched a new data platform, Arcadia, to provide population health management tools to member FQHCs.

Some FQHCs in the region have integrated behavioral health with physical health care — for example, by having a mental health therapist or SUD counselor on site who can assist with warm hand-offs or direct referrals from PCPs to psychiatrists or state-certified SUD counselors as appropriate. FQHCs in the region also contract with San Diego County to provide specialty mental health services. These FQHCs include FHCSD, which reportedly employs the majority of Medi-Cal participating psychiatrists in the region as well as more than 100 licensed therapists. In recent years, however, FHCSD decided to curtail some work with San Diego County because of significant administrative contractual requirements. San Ysidro also provides mild-to-moderate services to patients and has two sites that contract with San Diego County to serve the specialty mental health population.

In addition to working with the county, FHCSD has partnered with local health plans and hospitals (e.g., Scripps Mercy) to address the behavioral health needs of people who access care through hospital emergency departments (EDs). This includes placing social workers and SUD counselors in EDs to assist with diversions to community resources or to mental health care as appropriate.

With the aging of the population in the region, the FQHCs are reportedly beginning to develop strategies to retain their members as they become eligible for Medicare rather than lose them to other Medicare providers or MA health plans. For example, San Ysidro and FHCSD are PACE providers. The San Ysidro program, which launched in 2015, currently serves 1,250 individuals at two sites, with plans to expand to five sites. FHCSD's program launched in 2020, making it the fourth PACE in the region.

FQHCs Proactively Address Workforce Shortages

San Diego FQHCs have a long-standing focus on addressing workforce challenges, including operating physician residency training programs. For example, San Ysidro's family medicine residency program trains eight residents each year. Given a shortage of geriatricians, the health center has partnered with Missouri-based A.T. Still University's Kirksville College of Osteopathic Medicine in a program to train students interested in geriatrics. In the program, 12 second-, third- and fourth-year medical students complete their community-based rotation at San Ysidro. San Ysidro also has started a new internal medicine residency program, which is a three-year program with six students per year. Residents complete their hospital rotations at Scripps Mercy. FHCSD also operates a family medicine residency program for six physicians a year, partnering with Scripps Mercy, Rady, and UCSD Health for hospital-based rotations. Between 40% and 50% of residents stay with FHCSD after completing training.

Behavioral Health Access Challenges

As in other California regions, respondents identified availability of both inpatient and outpatient behavioral health services as a critical issue facing San Diego. Respondents frequently cited a shortage of inpatient psychiatric beds as one of the most pressing behavioral health challenges in the region. San Diego County operates a 109-bed inpatient psychiatric

hospital, the San Diego County Psychiatric Hospital (known informally as Rosecrans), and many community hospitals also operate inpatient units, including Scripps Mercy (36 psychiatric beds). UCSD Health's downtown Hillcrest campus also operates an inpatient unit with 32 psychiatric beds, but UCSD does not plan to include an inpatient psychiatric unit when a new hospital is built to meet seismic standards by 2030. Sharp is the region's largest private provider of behavioral health services, operating the largest of the four freestanding psychiatric hospitals in the region, the 158-bed Sharp Mesa Vista Hospital.

Related to the supply of inpatient beds, hospitals in the region experience challenges at discharge from a lack of placement options for specialty mental health patients.[31] In particular, one respondent noted demand exceeds the supply of residential board-and-care facilities, which serve as step-down facilities for patients once they are discharged from inpatient care. Without access to postacute treatment options, these patients may remain in the hospital longer than necessary, creating a bottleneck for patients waiting to be admitted, especially from EDs. The lack of postacute options also increases the likelihood a patient will return to the hospital.

County Envisions "Hub-and-Network" Model to Improve Behavioral Health Access

Spurred in part by insufficient inpatient psychiatric care in the region, San Diego County has launched an initiative to restructure the delivery of behavioral health services countywide. The county's main focus is developing a "hub-and-network" model to connect individuals to community-based care (e.g., step-down facilities, board-and-care facilities) and care coordinators following hospital discharge to reduce readmissions.

As planned, the behavioral health hubs will include several components: colocation with general acute care hospitals, which often treat psychiatric patients in their EDs; access to inpatient psychiatric care; outpatient step-down services and colocated crisis stabilization services; and links to community-based care coordination services. The networks will include a variety of outpatient services intended to reduce crisis episodes for patients.[32] The county envisions developing up to five hubs across the region:

- **Central Regional Behavioral Health Hub.** The county is developing the first behavioral health hub on county-owned property near UCSD Health's Hillcrest campus and Scripps Mercy Hospital. This hub (sometimes referred to as the "3rd Avenue hub") is projected to cost $115 million and will be a partnership between the county and UCSD Health.[33] UCSD Health currently operates a 32-bed inpatient unit at Hillcrest that will be closed when the hospital is rebuilt to meet the 2030 seismic deadline. The new hub will include 60 inpatient beds, a crisis stabilization unit, and offer outpatient services. As part of the partnership with the county, San Diego County's inpatient facility, Rosecrans, will be operated under UCSD Health's license, allowing UCSD Health to secure Medi-Cal reimbursement for patients, which the county currently cannot do.[34,35]
- **North Inland Region Behavioral Health Hub.** A second hub is planned for Escondido in partnership with Palomar Health.
- **Behavioral Health Hub for Children and Youth.** A third hub focused on providing behavioral health services for children and youth is planned for county-owned land adjacent to Rady.[36]
- **South and East Region Behavioral Health Hubs.** County plans also call for hubs in the south and east subregions of the county. As of early 2020, county staff were studying the feasibility of hubs in these areas.

The pandemic has affected plans for the development of the North Inland, South, and East region hubs, delaying them indefinitely because of funding limitations for capital investments and available staff time to lead this work. The Central Regional hub is expected to open in the next five to seven years, and the Rady hub is on a similar time line.

In addition to developing the hubs, the county is working on building out the behavioral health network. In early 2020, the county approved plans to partner with Tri-City to build a new 16-bed psychiatric health facility on Tri-City's campus in Oceanside. The facility will be operated by the hospital. The county will provide $17.4 million to build the facility, although Tri-City will ultimately cover 50% of the cost. Under the terms of the deal, the county will lease the land from Tri-City, construct the building, and then lease the facility back to Tri-City.[37] Construction is projected to be completed in late 2022.[38] The county also is exploring a similar partnership with Palomar to establish additional inpatient psychiatric beds.

Plans for the behavioral health network also call for developing crisis stabilization units across the region to provide mental health and SUD treatment services for individuals experiencing a crisis. In 2019, the county approved funding to support crisis stabilization services at Palomar, and the new unit, which can care for 16 patients, opened in mid-2020. Other crisis units are planned in the region, including in the city of Vista, at the Live Well Health Center in Oceanside, and in the South Bay area.

As of fall 2020, the county's efforts have focused largely on partnerships with hospitals to expand facility-based access and create behavioral health hubs. Given the important role played by the FQHCs within the larger safety-net delivery system, however, several respondents commented that the FQHCs will be critical to the success of the county's hub-and-network model but had yet to be included in the process.

A Leader in Exchanging Health Information — but Challenges Persist

San Diego is a pioneer in information exchange with a regional HIE, a community information exchange (CIE), and a county interdepartmental data system (ConnectWellSD). Run by San Diego Health Connect (SDHC), the HIE enables health care organizations to share data, improve care coordination, and support population health. Participating health care organizations have secure access to a summary of a patient's health information from all participating health care partners.[39] San Diego's CIE supports approaches to whole-person health and addressing social determinants of health by coordinating care in the social services sector and connecting to the health sector. When residents call 2-1-1, the CIE matches them to appropriate health and social services and assists participating community partners with case management by developing a shared longitudinal record for each client, sending care coordination alerts, and enabling bidirectional referrals.[40] The county's centralized hub of information, ConnectWellSD, allows county staff and partners to share information and collaborate across county departments to deliver person-centered services.[41]

San Diego's HIE at a Crossroads

San Diego stakeholders have invested tremendous resources and collaborative efforts to create and expand SDHC. Though SDHC has made great strides in connecting disparate EHR systems, some participants questioned whether the public health aspects of SDHC are proving more valuable than the initial intended purpose of connecting providers to exchange health care data.

San Diego was one of 17 communities across the county selected in 2010 to receive funding from the federal Beacon Community Program. Led by UCSD Health, the grant was used to create San Diego's regional HIE, which includes data for individuals in San Diego and Imperial Counties. More than 40 organizations participate in SDHC, including all four of San Diego's major health systems, physician organizations,

FQHCs, health plans, and county agencies. Services offered include medical record sharing, event notification (admission, discharge, and transfer, or ADT) data, and pre-hospital data from emergency medical services vehicles. SDHC also allows providers to submit data to public health registries in San Diego, including immunization information, patient data to help identify possible disease outbreaks, and certain lab test results tracked by the county. SDHC is supported by providers and health plans that pay an annual subscription, grant funding, and contributions from both San Diego County and the city of San Diego.

While SDHC has enjoyed strong support across the community, respondents noted the HIE does not yet have the functionality many participants would like and remains underutilized. In designing the HIE, the community opted for a federated model, described as "a collection of pipes connecting everyone's reservoirs rather than a single repository" of data. When requested, the system retrieves the patient's record from participating organizations and presents it to the user.[42] Given the variety of EHR systems used by San Diego providers (e.g., Epic, Cerner, and smaller homegrown solutions), SDHC offers the ability to share patient data from participating providers across the region. However, respondents noted the multitude of EHR systems can result in data delivery that is insufficient in speed, reliability, and quality.

Several respondents reported issues with the completeness of the data, limiting usefulness, particularly for clinicians at the point of care. San Diego's competitive provider environment also may limit the type and quantity of data some participating organizations are willing to share. Some participating health plans reportedly take data without contributing data, and not all providers and health plans participate. Compounding the problem of missing patient data, the region lacks a uniform consent policy for patient data sharing. As a result, data available on the HIE may be incomplete if patients do not consent to share data at each provider encounter. Additionally, SDHC does not include behavioral health data from the county.

When patient data are successfully retrieved, the presentation can be viewed as cumbersome because SDHC is structured as a document-based exchange, which does not send discrete data. As a result, doctors reportedly receive a "flood" of data, making it difficult to find the relevant pieces of needed information quickly.

Overall, users' experiences with SDHC vary. Some reported getting valuable information from SDHC, such as emergency medical services' data handoffs to hospital EDs and the county's retrieval of data relevant to public health (e.g., immunization registry reporting). Some health plans also use the data for care management. Others, however, reportedly do not rely heavily on SDHC, preferring to use their internal EHR systems, which may not be interoperable with external EHR systems.

The pandemic highlighted SDHC's strengths and weaknesses. Respondents noted that SDHC has been instrumental in helping San Diego County with contact tracing by using the HIE to determine whether people exposed to COVID-19 accessed hospitals, including EDs. SDHC also has worked to match COVID-19 testing data with patients' EHRs. In this context, however, patient identity authentication based solely on a person's name given at a testing site has proven to be a significant challenge for the HIE as patients may try to mask their identity by using a different name or by providing their names slightly differently. This problem hampers efforts to match COVID-19 testing data with patients' primary care records. Though room for improvement remains, SDHC reportedly has been able to match a higher percentage of lab results to demographic information than the state has.

While local stakeholders continue to support and participate in SDHC, the HIE appears to be at a crossroads and will need to demonstrate ongoing value to providers, especially as the large health systems' use of two proprietary EHR systems converges. As more providers can exchange data outside of the HIE — for example, via Epic's Care Everywhere function, which provides interoperability among Epic users — support for SDHC may wane. Moreover, some respondents

noted that the public health aspects of SDHC may be more valuable than the HIE's initial purpose of connecting and sharing data among clinical providers.

Emerging Experience with COVID-19

Most interviews for this report were conducted between June and August 2020, and COVID-19 cases first surged in San Diego County in the late spring and early summer of 2020. While not impacted as severely as elsewhere in the state initially, the region faced unique challenges compared with other areas of the state because of San Diego's location on the US border with Mexico. The history of collaboration within the provider community and use of risk-based payments helped the region as the pandemic unfolded. Increased use of telehealth also proved to be a bright spot, particularly for the provision of behavioral health services.

During the first eight months of the pandemic, San Diego reported fewer cases and deaths per 100,000 residents than California reported statewide.[43] While the pandemic has led to higher unemployment across the state, San Diego's unemployment rate (9.9%) in August 2020 was lower than the statewide average of 11.4% (see Table 8). Even so, Medi-Cal enrollment in the region grew by 3.1% between February and August 2020, compared with just 1% across the state.

TABLE 8. COVID-19 Impacts: San Diego County vs. California, August 2020

	San Diego	California
UNEMPLOYMENT RATE		
► Pre-pandemic (FEBRUARY 2020)	3.2%	4.3%
► Mid-pandemic (AUGUST 2020)	9.9%	11.4%
MEDI-CAL ENROLLMENT		
► Percentage change (FEBRUARY TO AUGUST 2020)	3.1%	1.0%
CARES ACT, PER CAPITA (AUGUST 2020)		
► Provider Relief Funds	$148	$148
► High Impact Funds	$18	$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.

Border Health Challenges

San Diego's emergence as a COVID-19 hot spot in late spring 2020 was fueled primarily by the county's location on the US border with Mexico. Both San Diego and Imperial Counties experienced an influx of COVID-19 patients coming across the border from Tijuana (into San Diego) and Mexicali (into Imperial) to receive care. These patients were predominantly American expatriates living in the Baja region of Mexico who returned to the San Diego region for COVID-19-related care. Hospitals in southern San Diego County, including Scripps Mercy and Sharp Chula Vista, were particularly hard-hit because of their proximity to the border. One market observer estimated the impact of the virus was 8 to 10 times greater in southern San Diego County than in the northern part of the county. Across San Diego, hospitals also cared for COVID-19 patients from neighboring Imperial County, which exhausted its limited hospital capacity caring for patients residing in Mexicali, just across the border from the largest city in the county, El Centro.

Impacts on Southern San Diego County Communities

Respondents noted that southern San Diego County has been disproportionately impacted by COVID-19 compared with the more affluent northern areas of the county. One respondent noted the high number of low-income, "essential workers" in this area of the county who cannot afford to miss work during the pandemic as well as the many multifamily households, which do not allow for social distancing.

Collaboration Critical to Managing Pandemic

Lacking a strong public safety-net system, UCSD Health, private providers, and FQHCs in the region came together to respond to the COVID-19 surge. Early on, the chief executive officers of the major hospitals and health systems and the county public health officer met weekly to collaborate and share information and resources. For example, Sharp and Scripps cared for the majority of COVID-19 patients in the region, with the other hospitals sharing resources,

such as N95 masks and other personal protective equipment (PPE). Hospitals also collaborated to transfer patients within their systems and externally to facilities with available capacity. One respondent shared, "We are working together to make sure we are taking care of this community. We are putting our competitive hats aside and working together to provide care." The region's FQHCs also combined forces to address pandemic-related challenges, including offering on-site testing or, in other cases, conducting COVID testing for other health centers and clinics. Health Center Partners of Southern California also secured and distributed PPE for member FQHCs.

Heavily Capitated Environment Bolstered Provider Finances

Most providers reported decreased revenue as they shuttered practice sites, canceled elective procedures, and treated patients only for urgent or emergency issues. However, most respondents highlighted the importance of the region's highly capitated health care sector, which meant payments continued even as service utilization declined. Capitation helped mitigate losses for San Diego's providers, particularly compared with those in other regions in the state that rely more heavily on FFS payment. Several respondents noted that the pandemic's fiscal impact reinforced the importance of capitation and not relying solely on FFS, especially in "extreme situations." For the FQHCs, the financial impacts clearly demonstrated the need for payment reform to move from FFS to value-based payment.

Providers and the health care workforce, however, were not immune to COVID's financial challenges. Palomar and Tri-City both furloughed staff as a result of the cancellation of all elective and nonessential procedures. Several respondents questioned whether patients would come back into the office or the hospital, even after the pandemic eases, because of safety concerns. Providers also voiced concern about patients delaying critical care that could lead to more serious issues in the future.

Telehealth a Bright Spot

The pandemic forced San Diego providers, like those in other areas of the state, to pivot quickly to the widespread adoption of telehealth to maintain access to care even as offices and clinics closed. Telehealth was widely regarded as popular with both providers and patients. One market observer commented that telehealth utilization is "through the roof and increasing by leaps and bounds." Another described telehealth as "the phoenix" that helped providers recover when in-person utilization plummeted. Others noted how quickly provider attitudes, in particular, had changed: many had been resistant or unwilling to offer virtual visits, but COVID provided the catalyst to convince them to adopt telehealth widely.

Telehealth was viewed as particularly successful for the provision of behavioral health care. Respondents noted patients were much more likely to keep behavioral health appointments provided virtually rather than in person. One respondent reported a 99% behavioral health "show rate" for virtual appointments, and another shared that appointment "no-show" rates fell from 30% to 10% for these services.

In general, providers believe increased telehealth use will remain after the pandemic eases, but they are concerned about whether adequate reimbursement will continue. The "digital divide" and its impact on telehealth use by lower-income San Diegans also merits attention to ensure access is broadly available. Telehealth may be particularly valuable for people living in the region's rural eastern areas, who must travel longer distances to access care.

Issues to Track

- Will employer-based, commercial coverage hold steady or will it erode? Will intense downward pressure on commercial rates continue? How will this pressure impact providers and health plans? Will the state reduce the number of Medi-Cal health plans in the county?
- Can Scripps and UCSD Health successfully adopt population health strategies, increase integration across settings, and expand risk-based contracting? Will the smaller hospitals improve their financial positions, or will they close or be acquired? Will the independent physician practice model continue to erode or stabilize?
- Will FQHCs continue to grow as rapidly? As FQHCs become more clinically integrated and offer more services, will they significantly increase health plan participation beyond Medi-Cal? Will more FQHCs launch PACE models?
- Will the HIE prove its value to the community, or will the large health systems coalesce around the use of one or two proprietary EHR systems?
- Can the county sustain funding for the behavioral health hub-and-network initiative in the face of tight budgets sparked by the pandemic and recession? What role will the FQHCs play? Will the initiative succeed in improving access to behavioral health care in the region and reduce psychiatric hospitalizations?
- What will be the financial impact of the pandemic on providers operating primarily under FFS payment, including PPO products? Will providers seek higher FFS payment rates to offset pandemic-related losses and drive PPO premiums up? If PPO premiums increase more than HMO premiums, will interest in HMO products grow?
- How well will the region weather the pandemic and, in particular, continue to meet the challenge of providing health care along the California-Mexico border? How will the economic fallout from the pandemic impact the region's economy?

ENDNOTES

1. "Economic Development: Key Facts and Figures," City of San Diego, accessed October 12, 2020.
2. "Poverty Guidelines," US Department of Health and Human Services, accessed January 8, 2020.
3. The Central region has a higher poverty rate than the any of the other 5 regions in the county. "Regional Data," San Diego County Health and Human Services Agency, accessed September 12, 2020.
4. Estimates of the uninsured rate for each region are based on the Census Bureau's 2019 estimate of the uninsured rate in each county. The estimated share of the population enrolled in Medi-Cal is calculated as total Medi-Cal enrollment from California Dept. of Health Care Services data as of June 2019 (excluding those dually eligible for both Medi-Cal and Medicare) divided by the US Census Bureau's 2019 population estimates, aggregated for each region. Similarly, the estimated share of the population enrolled in Medicare is based on Medicare enrollment figures for 2019 published by the Centers for Medicare & Medicaid Services and US Census Bureau population estimates. The private insurance and all other insurance types category was calculated as the residual after accounting for those who were uninsured, enrolled in Medi-Cal, or enrolled in Medicare. See US Census, American Community Survey 1-Year Estimates, Table DP03, accessed June 1, 2020 (for Census Bureau estimates of total county populations and uninsured rates); Dept. of Health Care Services, "Month of Eligibility, Medicare Status, and Age Group, by County, Medi-Cal Certified Eligibility," accessed June 1, 2020 (for monthly Medi-Cal enrollment totals); and Center for Medicare & Medicaid Services, "Medicare Enrollment Dashboard," accessed June 1, 2020 (for Medicare enrollment data).
5. Katherine Wilson, "December 2019 Edition — California Health Insurance Enrollment," California Health Care Foundation, December 23, 2019, accessed September 7, 2020.
6. "NCQA Health Insurance Plan Ratings 2019–2020 — Summary Report (Private/Commercial)," National Committee for Quality Insurance, n.d.
7. *Leveraging Market Dynamics in Healthcare Innovation: Qualcomm Incorporated* (PDF), Catalyst for Payment Reform, March 2019, accessed September 29, 2020.
8. "Monthly Enrollment by Contract/Plan/State/County," Centers for Medicare & Medicaid Services, report period August 2020, accessed September 2020.
9. "Medi-Cal Managed Care Enrollment Report," California Health & Human Services Agency Open Data Portal, accessed September 8, 2020; and see "How Does PACE Work?," medicare.gov.
10. Authors' calculations of "Hospital Annual Financial Data — Selected Data & Pivot Tables," California Office of Statewide Health Planning and Development, accessed June 1, 2020."
11. The total count of general acute hospitals includes Scripps Green Hospital, which is classified by California's Office of Statewide Health Planning and Development (OSHPD, 2018) as specialty but is treated as general acute in this market description. All licensed inpatient beds at Scripps Green are general acute beds. The count of general acute licensed facilities and the market discussion also include Rady Children's Hospital, which OSHPD 2018 classifies as a general acute hospital.
12. Although classified by California's Office of Statewide Health Planning and Development as a specialty hospital, all licensed beds and discharges from Scripps Green are acute inpatient. Scripps Green offers a wide range of clinical and surgical services, including specialty services in cardiology, orthopedics, blood and bone marrow transplantation, solid organ transplantation, and clinical research. *Scripps 2020 Community Benefit Plan and Report* (PDF), Scripps Health, n.d., accessed October 14, 2020.
13. UCSD consolidated Thornton Hospital into Jacobs Medical Center.
14. Number of physicians from "Southern California Permanente Physician Medical Group," Kaiser Permanente, accessed October 8, 2020. Locations from "Our Locations," Kaiser Permanente Southern California Permanente Medical Group, accessed October 8, 2020.
15. California's Office of Statewide Health Planning and Development classified Rady Children's Hospital as a general acute hospital in 2018 but as a children's hospital in 2014. For the comparison of acute inpatient market share over time, the authors included Rady Children's as a general acute hospital in both 2014 and 2018 calculations.
16. Kaiser does not report financial data to California's Office of Statewide Health Planning and Development.
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20. Kaiser's Zion Medical Center is licensed for 411 beds but currently operates 250.

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22. Changes from 2014 to 2018 among the region's FQHCs and FQHC Look-Alikes were calculated by Blue Sky Consulting Group using data from California's Office of Statewide Health Planning and Development, "2018 Pivot Table — Primary Care Clinic Utilization Data," accessed August 2020. Note that the patient count includes some double counting if patients visit more than one FQHC, which may interact with the payer mix percentages discussed in this paragraph.

23. "About Us," Family Health Centers of San Diego, accessed January 25, 2021.

24. "About Us," San Ysidro Health, accessed January 25, 2021.

25. "About Neighborhood Health Care," Neighborhood Health Care, accessed January 25, 2021.

26. Amber Berkey, "Neighborhood Sees Continued Growth," Neighborhood Health Care, accessed February 9, 2021.

27. "About TrueCare," TrueCare, accessed January 25, 2021.

28. "Message from the CEO," La Maestra Community Health Centers, accessed January 25, 2021.

29. FHCSD also is not a member of Health Partners of Southern California.

30. Integrated Health Partners also holds contracts with both Medi-Cal health plans in Riverside County (Molina Healthcare and Inland Empire Health Plan).

31. Amanda Lechner, Matthew Niedzwiecki, Megan Dormond, Jasmine Little, and Melissa Azur, *Bed Check: Inpatient Psychiatric Care in Three California Counties* (PDF), California Health Care Foundation, April 2020.

32. "Receive Update on Advancing the Behavioral Health Continuum," memo to San Diego County Board of Supervisors, July 7, 2020, accessed October 1, 2020.

33. Scripps Health also was part of early discussions about the 3rd Avenue hub but pulled back from plans to join UCSD in partnering with the county.

34. Jose A. Alvarez, "County to Open Psychiatric Hub in Hillcrest, Other Communities," County of San Diego Communications Office, January 28, 2020, accessed January 31, 2021.

35. Medicaid payments are prohibited for services provided to adults in Institutions for Mental Disease (IMDs). IMDs are psychiatric facilities with 17 or more beds.

36. "Agreement Between the County of San Diego and Rady Children's Hospital Describing Possible Terms for the Development and Operation of a Behavioral Health Hub for Children and Youth and a Parking Structure Adjacent Thereto (Districts: All)," memo to the San Diego County Board of Supervisors, March 10, 2020, accessed September 20, 2020.

37. Jose A. Alvarez, "County, Tri-City to Build Psychiatric Facility in Oceanside," County of San Diego Communications Office, January 14, 2020.

38. "Receive Update on Advancing the Behavioral Health Continuum," memo to San Diego County Board of Supervisors, July 7, 2020, accessed October 1, 2020.

39. For more information about San Diego's HIE, see the San Diego Health Connect website, "San Diego Health Connect: Better Information, Better Care," accessed December 4, 2020.

40. For more information about San Diego's CIE, see its website, "Community Information Exchange," accessed December 4, 2020.

41. For more information about San Diego County's ConnectWellSD, see the San Diego Health and Human Services Agency website, "ConnectWellSD," accessed December 4, 2020.

42. For a more detailed account of the community's decision-making process and the implications of San Diego Health Connect's selected technical architecture, see pages 11–13 of *The Story of San Diego's Community Health Information Exchange: Data Sharing, Care Coordination and Population Health; Recommendations to Make Your Journey Easier* (PDF), Office of the National Coordinator for Health Information Technology (ONC), June 2017, accessed December 4, 2020.

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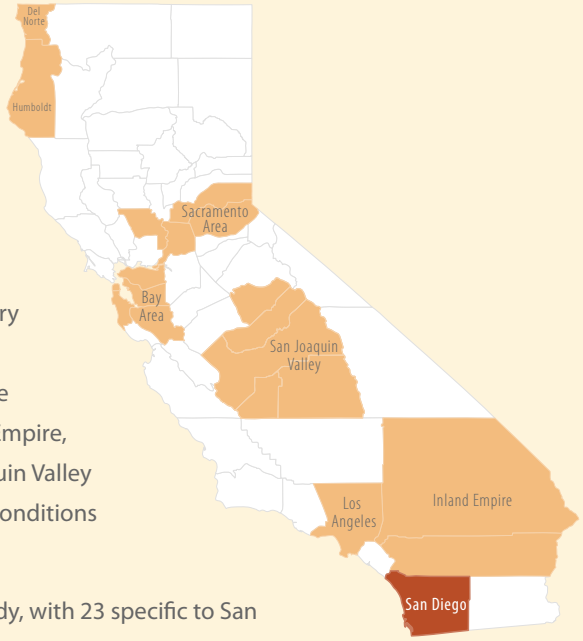
Background on Regional Markets Study: San Diego

Between May and September 2020, researchers from Blue Sky Consulting Group conducted interviews with health care leaders in San Diego County to study the market's local health care system. The market encompasses the San Diego–Carlsbad Metropolitan Statistical Area.



San Diego is one of seven markets included in the Regional Markets Study funded by the California Health Care Foundation. The purpose of the study is to gain key insights into the organization, financing, and delivery of care in communities across California and over time. This is the fourth round of the study; the first set of regional reports was released in 2009. The seven markets included in the project — Humboldt and Del Norte, Inland Empire, Los Angeles, Sacramento, San Diego, San Francisco Bay Area, and San Joaquin Valley — reflect a range of economic, demographic, care delivery, and financing conditions in California.

Blue Sky Consulting Group interviewed nearly 200 respondents for this study, with 23 specific to San Diego County. Respondents included executives from hospitals, physician organizations, community health centers, Medi-Cal managed care plans, and other local health care leaders. Interviews with commercial health plan executives and other respondents at the state level also informed this report. The onset of the COVID-19 pandemic occurred as the research and data collection for the regional market study reports were already underway. While the authors sought to incorporate information about the early stages of the pandemic into the findings, the focus of the reports remains the structure and characteristics of the health care landscape in each of the studied regions.

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ACKNOWLEDGMENTS

The authors thank all of the respondents who graciously shared their time and expertise to help us understand key aspects of the health care market in San Diego County. We also thank Alwyn Cassil of Policy Translation, LLC, for her editing expertise, and members of the Blue Sky Consulting Group project team.

ABOUT THE FOUNDATION

The **California Health Care Foundation** is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford. CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

California Health Care Almanac is an online clearinghouse for key data and analysis examining the state's health care system.