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, Los Angeles, Riverside/San Bernardino, Sacramento, San Diego, San Francisco Bay Area, and the San Joaquin Valley

• Series of seven webinars between Nov 2020 and March 2021 to share results

• Consulting team includes Katrina Connolly, Caroline Davis, Len Finocchio, Matt Newman, James Paci, and Jill Yegian
Panelists

Len Finocchio  Ryan Gates  Tom Hamilton  Paulo Soares  Dawan Utecht
San Joaquin Valley:
Despite Poverty and Capacity Constraints, Health Care Access Improves

Len Finocchio, DrPH, Principal Consultant, Blue Sky Consulting Group
James Paci, JD, MPP, Policy Analyst, Blue Sky Consulting Group

March 2, 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 23 regional leaders representing:
- Health plans
- Health care providers
- County government
- Community leaders

Analysis of:
- Quantitative data from surveys, US Census, 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: coauthor James Paci, contributions from Blue Sky Consulting Group team
Market Background: San Joaquin Valley

The San Joaquin Valley:
- Comprises five counties — Fresno, Kings, Madera, Mariposa, and Tulare
- Home to roughly 1.8 million people
- Mostly rural, with a few dense population centers

Compared to California overall, population is:
- Much poorer
- More Latinx
- Younger
- Almost twice as likely to lack employment

Population Statistics, 2018
- Total population (in millions): San Joaquin Valley 1.787, California 39.557
- Five-year population growth: San Joaquin Valley 3.2%, California 3.2%

Economic Indicators, 2018
- Below 100% FPL: San Joaquin Valley 21.5%, California 12.8%
- 100% to 199% FPL: San Joaquin Valley 23.8%, California 17.1%
- Unemployment rate: San Joaquin Valley 8.0%, California 4.2%
- Able to afford median-priced home: San Joaquin Valley 50.0%, California 31.0%

Age of Population
- Under 18: San Joaquin Valley 28.6%, California 22.7%
- 18 to 64: San Joaquin Valley 59.2%, California 62.9%
- 65 and older: San Joaquin Valley 12.2%, California 14.3%

Race/Ethnicity
- San Joaquin Valley: White 29.9%, Latins 56.7%
- California: White 36.8%, Latinx 39.3%

San Joaquin Valley Residents Report Poorer Health

- Across all self-reported physical health indicators, San Joaquin Valley residents report poorer health status.
- The physical health of San Joaquin Valley residents is among the poorest in the state.
- The obesity rate (41%) and the infant mortality rate (0.6%) of all live births, are about 50% higher than rates statewide.
- Health and income disparities, as well as other sociodemographic factors, have likely worsened the impact of the COVID-19 pandemic in the San Joaquin Valley.

**TABLE 2. Physical Health Indicators**
San Joaquin Valley vs. California, 2018

<table>
<thead>
<tr>
<th>Condition</th>
<th>San Joaquin Valley</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair/poor health</td>
<td>21.5%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Diagnosed with diabetes</td>
<td>11.5%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Has asthma</td>
<td>21.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Has heart disease</td>
<td>8.2%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Preterm births*</td>
<td>9.4%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Infant mortality rate*</td>
<td>0.6%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Obesity</td>
<td>41.0%</td>
<td>27.3%</td>
</tr>
</tbody>
</table>

Medi-Cal Dominates Health Insurance Coverage

- At 44.1%, Medi-Cal coverage is higher than in other markets studied and higher than the statewide rate of 28.7%
- About one-third of the region's residents have private health insurance compared to 47.7% statewide
- 2.3% have coverage through Covered California plans, lower than the statewide average of 3.1% (not shown)
- Four of five counties participate in Medi-Cal’s Two-Plan Model in which a public local initiative competes with a commercial plan
- CalViva covers 71% of the 518,000 Medi-Cal enrollees in Fresno, Kings, and Madera Counties; Anthem Blue Cross serves the remainder
Hospital Sector Mostly Stable, Though District Hospitals Struggle

- Five systems dominate the region: Adventist Health, Community Medical Centers, Kaweah Delta Medical Center, Saint Agnes Medical Center, and Valley Children’s
- Compared to state averages, the region has:
  - Fewer beds and FTEs
  - Lower operating expenses
  - Better average operating margin
- The financial status of most hospitals across the region improved since 2014
- Three district hospitals — John C. Fremont, Kaweah Delta, and Sierra View — had operating margins below the regional average in 2018
- Tulare Regional Medical Center closed in October 2017 but reopened in 2018 under Adventist management
- Coalinga Regional Medical Center closed in 2018

### TABLE 6. Hospital Performance (Acute Care)
San Joaquin Valley vs. California, 2018

<table>
<thead>
<tr>
<th></th>
<th>San Joaquin Valley</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beds per 100,000 population</td>
<td>157</td>
<td>178</td>
</tr>
<tr>
<td>Operating margin*</td>
<td>6.2%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Paid FTEs per 1,000 adjusted patient days*</td>
<td>12.2</td>
<td>15</td>
</tr>
<tr>
<td>Total operating expenses per adjusted patient day*</td>
<td>$2,696</td>
<td>$4,488</td>
</tr>
</tbody>
</table>

### TABLE 7. Operating Margins at Select Hospitals
San Joaquin Valley, 2014 and 2018

<table>
<thead>
<tr>
<th>Hospital</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Regional Medical Center</td>
<td>2.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Adventist Health</td>
<td>3.1%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Kaweah Delta Medical Center</td>
<td>0.1%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Saint Agnes Medical Center</td>
<td>2.3%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>
Federally Qualified Health Centers & Rural Health Centers Expand, Playing Important Access Role

Continuing growth of Federally Qualified Health Centers (FQHCs)
- Several large FQHC networks together accounted for nearly 2 million encounters in 2018
- Number of FQHC sites in the region increased from 63 to 85 between 2014 and 2018
- FQHC encounters per capita (1.1) grew 50% between 2014 and 2018 and is more than double the statewide average (0.5)
- FQHCs (e.g., Camarena, Family HealthCare Network) partner with hospitals

Rural Health Centers (RHCs)
- Must locate in non-urban areas
- Are a large presence, with 82 in the region
- Half of RHCs are operated by hospitals, mostly by Adventist Health (n = 41)

Some competitive tensions between RHCs and FQHCs
- Higher reimbursement rates for RHCs than for FQHCs
- Some competition for Medi-Cal patients
Provider Shortages Persist and Pose Access Challenges

- In the San Joaquin Valley, 92% of residents live in a Health Professional Shortage Area
- Physician-to-population ratios are below the statewide average and among the lowest in the state
- Specialist shortages include psychiatry, dermatology, optometry, pain management, and orthopedics
- Challenges attracting and retaining PAs, NPs, RNs, and behavioral health providers (e.g., LCSWs)
- Bright spots:
  - Loan repayment programs
  - UCSF Fresno training program
  - Workforce pipeline programs
  - Expansion of telehealth

**TABLE 10. Physicians: San Joaquin Valley vs. California, 2020**

<table>
<thead>
<tr>
<th></th>
<th>San Joaquin Valley</th>
<th>California</th>
<th>Recommended Supply*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physicians per 100,000 population</td>
<td>130.0</td>
<td>191.0</td>
<td>—</td>
</tr>
<tr>
<td>Primary care</td>
<td>46.5</td>
<td>59.7</td>
<td>60–80</td>
</tr>
<tr>
<td>Specialists</td>
<td>83.3</td>
<td>130.8</td>
<td>85–105</td>
</tr>
<tr>
<td>Psychiatrists</td>
<td>6.5</td>
<td>11.8</td>
<td>—</td>
</tr>
<tr>
<td>% of population in HPSA (2018)</td>
<td>92.0%</td>
<td>28.4%</td>
<td>—</td>
</tr>
</tbody>
</table>
Behavioral Health Services Improve, but Access Challenges Remain

- Valley residents report higher levels of mental distress (13.6%) than the statewide average (11.0%). The suicide rate is 20% higher than the California average.
- Serious psychiatric inpatient bed shortage but a new 128-bed facility coming in 2023
- Respondents reported that access to mental health and SUD services for Medi-Cal enrollees has improved but care gaps remain
- Whole Person Care and Drug Medi-Cal Organized Delivery System programs have improved access to services
- County behavioral health organizations are partnering with managed care plans, FQHCs, and criminal justice agencies
- $50 million in homeless services grants to the region

TABLE 11. Behavioral Health Measures (age-adjusted per 100,000 people)
San Joaquin Valley vs. California, 2018

<table>
<thead>
<tr>
<th>Measure</th>
<th>San Joaquin Valley</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suicide</td>
<td>12.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Opioid deaths</td>
<td>3.05</td>
<td>5.82</td>
</tr>
<tr>
<td>Opioid ED visits</td>
<td>17.96</td>
<td>21.44</td>
</tr>
<tr>
<td>Amphetamine-related overdose hospitalizations</td>
<td>12.1</td>
<td>5.6</td>
</tr>
</tbody>
</table>
COVID-19

Key Trends Through October

- Slow initial spread with more rapid transmission through summer and fall, potentially related to high levels of “essential” employment
- Unemployment rate nearly unchanged; statewide rate doubled
- Medi-Cal enrollment up almost 3% — less than the statewide increase
- COVID’s disproportionate impact on Latinx communities especially relevant in San Joaquin Valley

Provider Impact

- Rapid adoption of telehealth, as in other regions, has mitigated impact
- Improved collaboration among health care providers, county public health, hospitals
- State and federal funds have supported providers and service delivery

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**TABLE 12. COVID-19 Impacts: San Joaquin Valley vs. California**

<table>
<thead>
<tr>
<th></th>
<th>San Joaquin Valley</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNEMPLOYMENT RATE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Pre-pandemic (FEBRUARY 2020)</td>
<td>9.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>▶ Mid-pandemic (OCTOBER 2020)</td>
<td>9.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td><strong>MEDI-CAL ENROLLMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Percentage change (FEBRUARY TO OCTOBER 2020)</td>
<td>2.9%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>CARES ACT, PER CAPITA (SEPTEMBER 2020)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Provider Relief Funds</td>
<td>$115</td>
<td>$148</td>
</tr>
<tr>
<td>▶ High Impact Funds</td>
<td>$6</td>
<td>$16</td>
</tr>
</tbody>
</table>
Issues to Track

- How will expected state budget shortfalls driven by the pandemic affect Medi-Cal, which covers almost half of the region’s residents?
- Will the larger hospitals and systems continue to perform well financially? Will the financial struggles of district hospitals spur more consolidation?
- Will pressure for providers to take risk-based payment increase? How will providers develop the infrastructure and data analytics to manage risk successfully?
- Will emerging partnerships among county mental health plans, managed care plans, and other county agencies be sustained?
- Will telehealth be integrated into delivery of routine care after the pandemic and improve access to care for some services?
- What will be the long-term impacts of the COVID-19 pandemic on the health and socioeconomic disparities in the region?