



CHCF Regional Market Report: Sacramento Region

March 17, 2021



Regional Market Reports — Project Overview

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

Panelists



Len Finocchio



Ann Boynton



Britta Guerrero



Ryan Quist



Liza Thantranon



CHCF

Sacramento Area: Large Health Systems Grow in a Pricy and Tumultuous Market

Len Finocchio, DrPH, Principal Consultant,
Blue Sky Consulting Group

James Paci, JD, MPP, Policy Analyst, Blue Sky
Consulting Group

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Approach and Information Sources

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

Interviews with 24 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

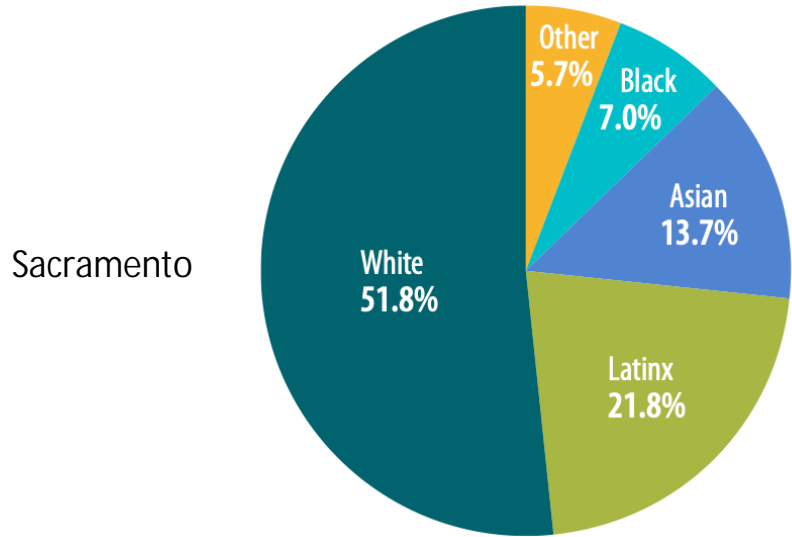
Context: Project launched prior to COVID-19 pandemic

- Interviews conducted January–October 2020

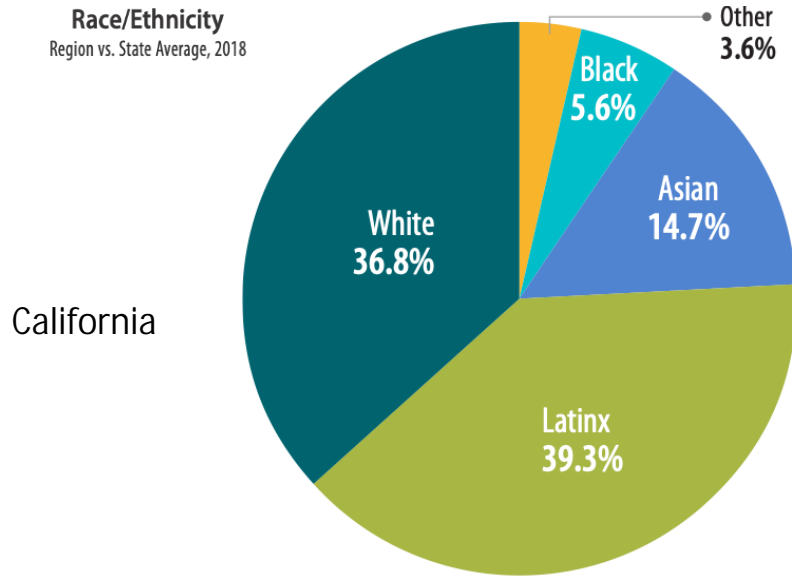
Team effort: coauthor James Paci, contributions from Blue Sky Consulting Group team



Market Background: Sacramento Area



Race/Ethnicity
Region vs. State Average, 2018



Population Statistics, 2018

	Sacramento	California
Total population (in millions)	2.345	39.557
Five-year population growth	5.8%	3.2%

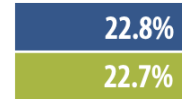
Economic Indicators, 2018

	Sacramento	California
Below 100% FPL	13.3%	12.8%
100% to 199% FPL	15.7%	17.1%
Unemployment rate	3.7%	4.2%
Able to afford median-priced home	44.2%	31.0%

Age of Population

Region vs. State Average, 2018

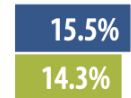
Under 18



18 to 64



65 and older



■ SACRAMENTO
■ CALIFORNIA

The Sacramento area:

- Comprises four counties: Sacramento, El Dorado, Placer, and Yolo
- Includes urban, farmland, Sierra foothills

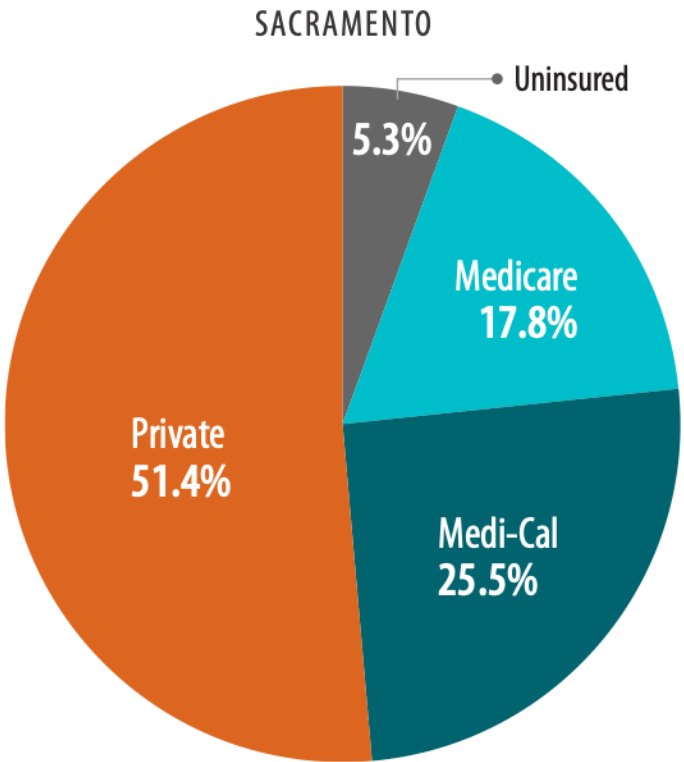
Compared to California overall, the population is:

- Better off financially
- A bit younger
- Less Latinx and more White
- Growing faster
- Healthier

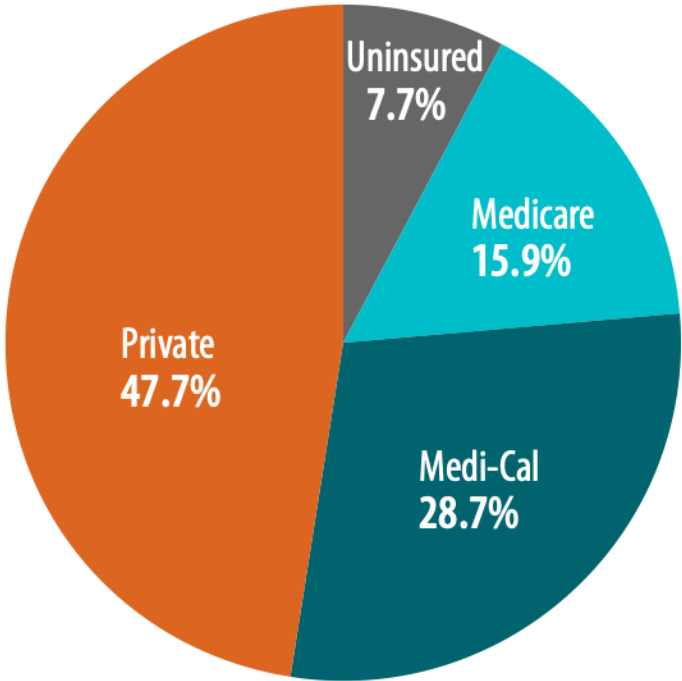
Source: *Regional Market Almanac, 2020: San Joaquin Valley – Quick Reference Guide.*

Health Insurance Coverage

2019



CALIFORNIA



Compared to California, residents in the Sacramento region have:

- More private coverage
- Less Medi-Cal
- Fewer uninsured
- Higher premiums for Covered California plans than statewide (by 17%)

TABLE 4. Covered California Premiums and Enrollment
Sacramento Area (Region 3) vs. California, 2015 and 2019

	SACRAMENTO AREA		CALIFORNIA	
	2015	2019	2015	2019
Monthly premium* (Silver Plan on the exchange for a 40-year-old individual)	\$387	\$532	\$312	\$454

Medi-Cal Geographic Managed Care (GMC) Is Crowded and Chaotic

- In 2017, the Department of Health Care Services (DHCS) added two plans to the Sacramento GMC, which had four existing plans
- UnitedHealthcare Community Plan ended its contract prematurely in 2018
- Five plans for 450,000 Medi-Cal enrollees
- DHCS plans to recontract with plans serving Sacramento GMC starting in 2021
- Sacramento County Board of Supervisors created a Health Authority with power to adopt a Two-Plan Model and designate GMC plans that can participate
- Change to GMC is likely in coming years

TABLE 3. Medi-Cal Enrollment, by Plan
Sacramento Area, October 2020

	Members	Percentage of Total Enrollment
Anthem Blue Cross	186,525	41.0%
Health Net	111,428	24.5%
Kaiser	94,558	20.8%
Molina	50,617	11.1%
Aetna	11,918	2.6%
Total Sacramento Medi-Cal enrollment	455,046	

Hospitals and Physicians Consolidate, Healthy Operating Margins

- The market experienced increased consolidation between hospitals and medical groups
- By 2019, 70% of primary care physicians and 80% of specialists belonged to practices controlled by a hospital or health system
- Increases in the health systems' operating margins have generally coincided with this consolidation
- According to a RAND study, hospital outpatient and inpatient rates paid by commercial and self-insured plans are higher than statewide averages

TABLE 9. Operating Margins at Hospitals and Health Systems
 Sacramento Area vs. California, 2014 and 2018

	2014	2018
Sutter Health (all facilities)	11.9%	8.2%
Dignity Health (all facilities)	5.2%	8.3%
UC Davis Medical Center	12.7%	15.0%
Marshall Medical Center	-1.7%	-0.9%
Barton Memorial Hospital	20.4%	23.9%
All Sacramento hospitals*	9.9%	10.5%
Statewide average	2.9%	4.4%

*Excludes Kaiser.

Federally Qualified Health Centers (FQHCs) Take on Larger Role

- FQHCs have expanded sites and increased the number of patients per capita
- FQHCs increasingly serve as primary care homes for Medi-Cal enrollees, as small medical practices close and large medical groups shift patients to FQHCs
- FQHCs are expanding the services they provide, including mental health and substance use disorder (SUD) services
- Many struggle to recruit and retain staff, particularly behavioral health professionals

TABLE 10. Federally Qualified Health Centers
Sacramento Area vs. California, 2014 to 2018

	SACRAMENTO AREA		CALIFORNIA	
	2018	Increase from 2014*	2018	Increase from 2014*
Patients per capita	0.1	56%	0.2	28%
Encounters per capita	0.3	55%	0.5	35%
Operating margin	0.4%	-92%	2.1%	-32%

Complex Behavioral Health System Makes Strides amid Capacity Challenges

- County mental health plans wrestle with capacity issues but make improvements, such as collaborating with criminal justice agencies and managed care plans
- Drug Medi-Cal Organized Delivery System expands service options for SUDs
- Other capacity challenges include behavioral health provider shortages and inpatient psychiatric bed limitations
- Addressing needs of the homeless requires multiagency collaboration
- Sacramento GMC model adds navigational complexity for Medi-Cal

TABLE 12. Penetration of Medi-Cal Enrollees Using Specialty Mental Health Services, Sacramento Area vs. California, 2016–2018

	2016	2017	2018
Sacramento Area	3.8%	3.6%	3.7%
▶ Sacramento County	4.2%	4.1%	4.4%
▶ Placer-Sierra Counties	3.7%	3.5%	3.6%
▶ El Dorado County	3.7%	3.4%	3.7%
▶ Yolo County	3.4%	3.3%	3.3%
Statewide	4.5%	4.5%	4.7%

Health Information Exchange Is Siloed and Limited

- Health systems typically exchange data internally through electronic health record systems, with limited data sharing with FQHCs and health plans
- Health systems and clinics are not prioritizing broader data exchange given other demands on time, resources, and leadership
- Participation in SacValley MedShare, a regional health information organization (RHIO), has been slow among metropolitan Sacramento providers
- Accessing behavioral health data is challenging because of privacy and connectivity issues, but efforts are underway to improve

COVID-19

Key Trends Through October 2020

- Unemployment rate almost doubled but increase not as large as statewide
- Medi-Cal enrollment increased modestly

Provider Impact

- Providers receiving capitated payments fare better than those relying on fee-for-service
- Personal protective equipment (PPE) shortages and other demands
- CARES Act funding has helped
- Growth of telehealth

TABLE 13. COVID-19 Impacts

Sacramento Area vs. California, October 2020

	Sacramento Area	California
UNEMPLOYMENT RATE		
▶ Pre-pandemic (FEBRUARY 2020)	3.8%	4.3%
▶ Mid-pandemic (OCTOBER 2020)	7.3%	11.4%
MEDI-CAL ENROLLMENT		
▶ Percentage change (FEBRUARY TO OCTOBER 2020)	4.3%	1.0%
CARES ACT, PER CAPITA (AUGUST 2020)		
▶ Provider Relief Funds	\$227	\$148
▶ High Impact Funds	\$0	\$16

Issues to Track

- Will Sacramento County's GMC Model evolve in ways that ease provider reporting burdens and simplify and improve access to quality services for Medi-Cal enrollees?
- Will the remaining independent physicians and two smaller independent hospitals join the region's large health systems?
- What countervailing forces will remain to keep health system payment rate increases in check?
- What are the next organizational developments for FQHCs as they assume more responsibility for Medi-Cal enrollees?
- What imperatives will drive improved health information exchange and participation in a RHIO?
- How will pilots and other innovations in behavioral health improve access to care for Medi-Cal enrollees? Can any improvements be institutionalized through CalAIM (California Advancing and Innovating Medi-Cal)?