



Webinar — Findings from CHCF's San Diego Regional Market Study

Wednesday, April 7, 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 May 2021 to share results
- Consulting team includes Caroline Davis, Katrina Connolly, Len Finocchio, Matt Newman, James Paci, and Jill Yegian

Panelists



Caroline Davis, MPP



Parag Agnihotri, MD



Luke Bergmann, PhD



Anil Keswani, MD



Vernita Todd, MBA



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

Caroline Davis, MPP
President, Davis Health Strategies
Affiliate, Blue Sky Consulting Group

Katrina Connolly, PhD
Senior Consultant, 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 last five years

Interviews with 23 regional leaders representing:

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

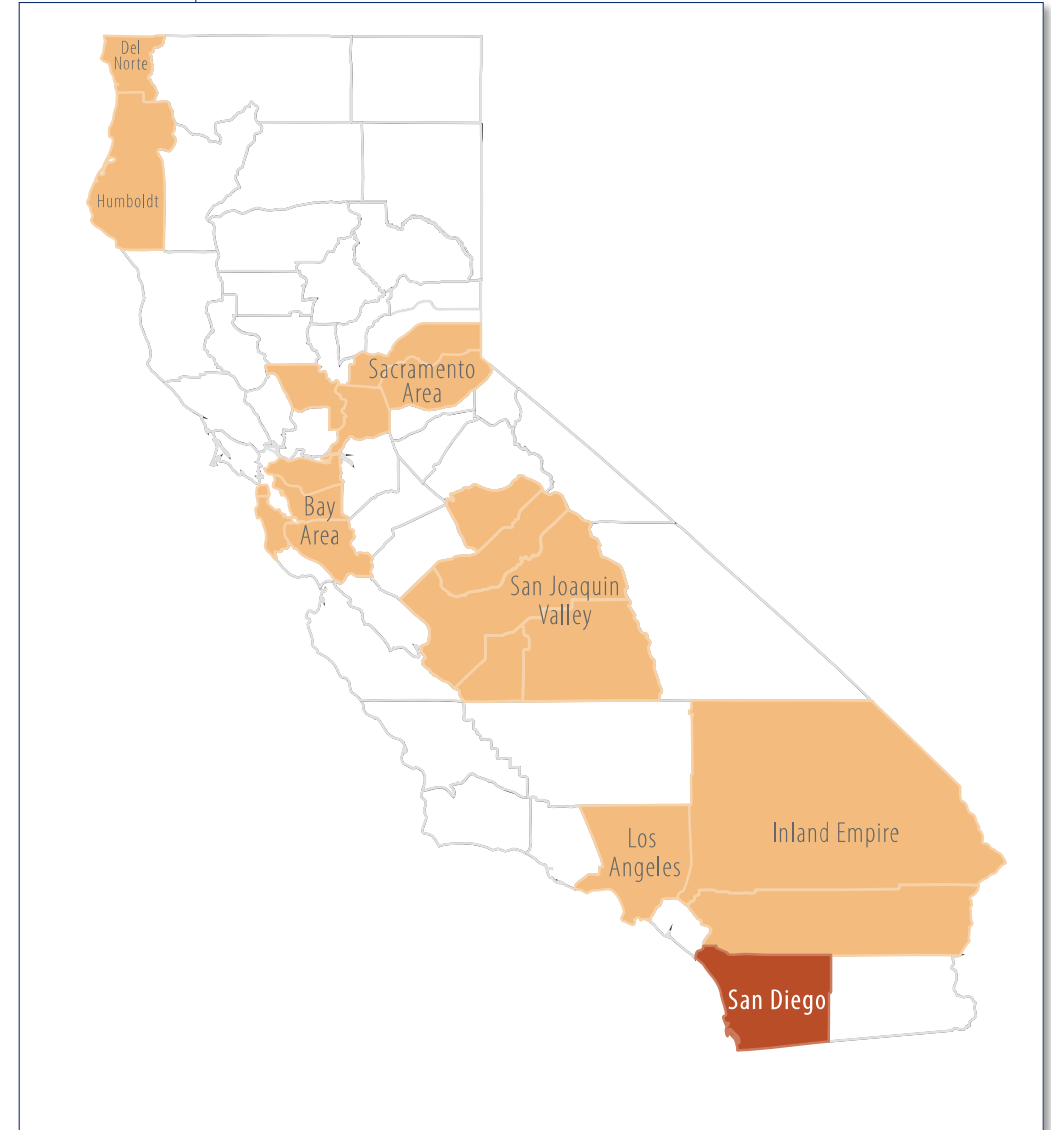
Analysis of:

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

Context: Project launched prior to COVID-19 pandemic

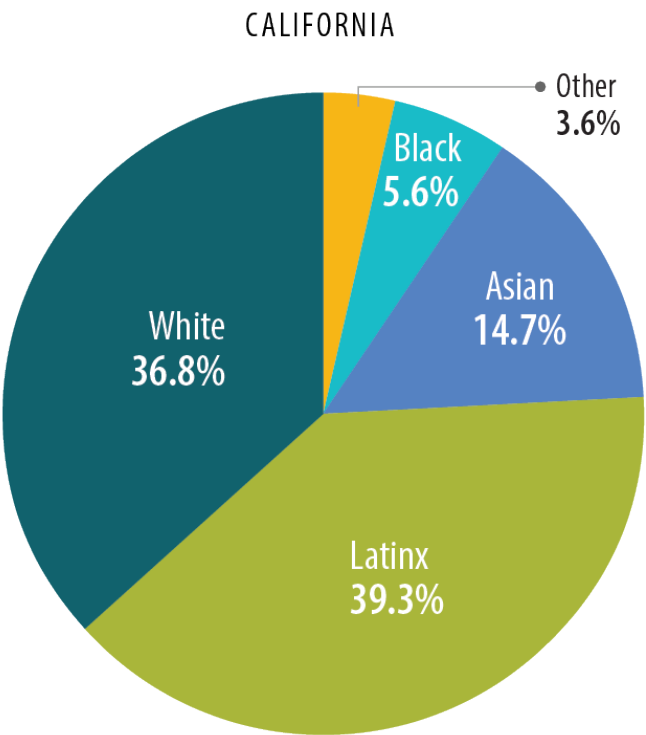
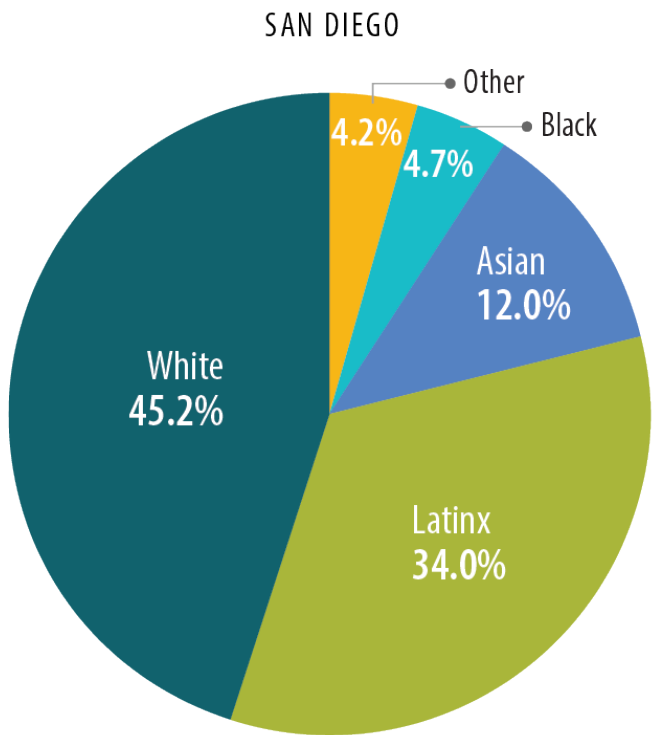
- Interviews conducted January–September 2020

Team effort: Coauthor Katrina Connolly, contributions from Blue Sky Consulting Group team



Market Background: San Diego County

Race/Ethnicity
Region vs. State Average, 2018



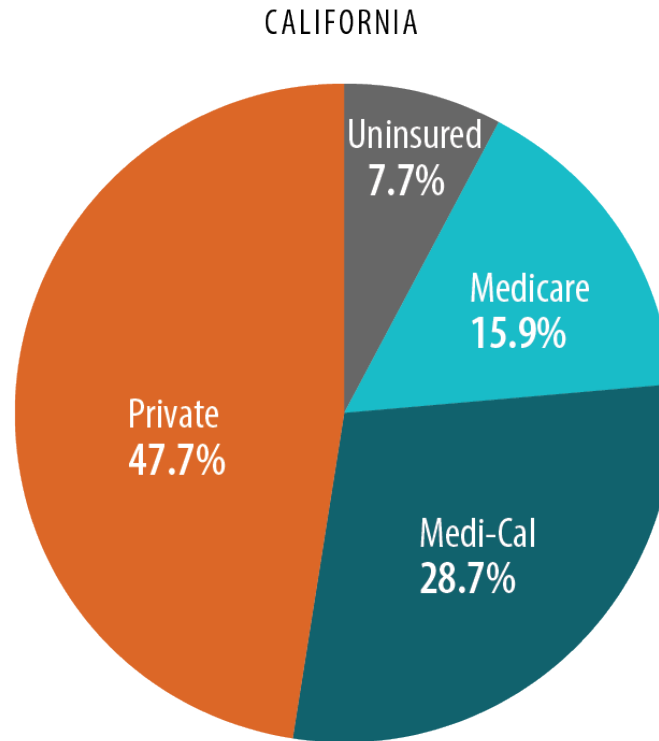
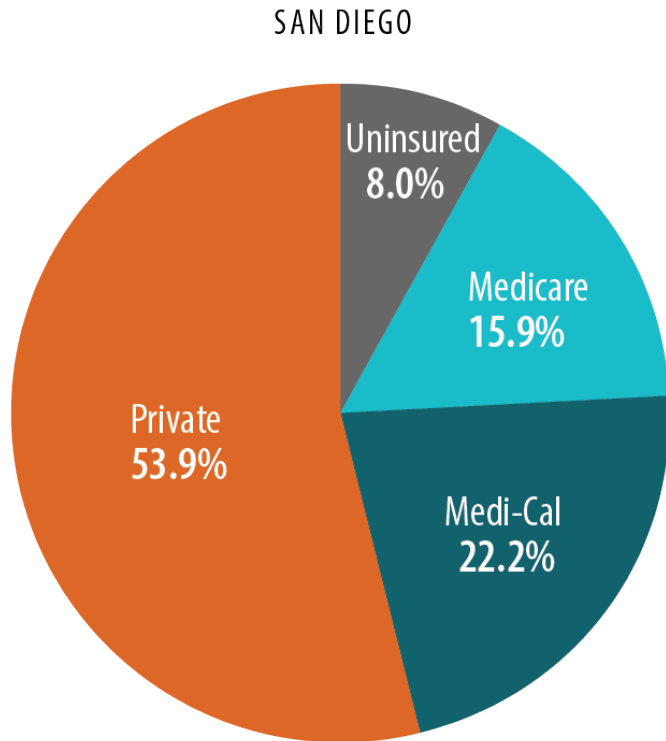
- San Diego County is:
- Home to 3.3 million people
 - Located on the southern border with Mexico
 - Population clustered along the 50-mile coast; inland area is rural and less-populated desert

- Compared to California overall, population is:
- Faster growing
 - More White, less Latinx
 - Higher income
 - More likely to have a high school diploma or college degree

Source: CHCF Regional Market Almanac, 2021: San Diego – [Quick Reference Guide](#).

Health Insurance Coverage

Health Insurance
Region vs. State Average, 2019



Overview:

- Number of uninsured San Diegans has decreased since 2015
- More than 50% of residents have private coverage
- Medi-Cal covers almost 25% of population

Compared to California, San Diego County residents have:

- More private coverage
- Less Medi-Cal

Source: CHCF Regional Market Almanac, 2021: San Diego – [Quick Reference Guide](#).

Medi-Cal Geographic Managed Care (GMC) Model Adds Health Plans

- CA Department of Health Care Services (DHCS) added 2 plans in 2016: Aetna, UnitedHealthcare
- Blue Shield of CA entered Medi-Cal market with acquisition of Care1st Health Plan in 2015
- 7 health plans serve 730,000 Medi-Cal members
- Challenging for providers to work with multiple health plans
- DHCS intends to recontract with San Diego GMC health plans beginning in 2021
- Expectation that DHCS will reduce number of health plans serving San Diego's Medi-Cal population

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.

Long Consolidated Hospital Sector Remains Stable

- 4 major systems account for 73% of acute inpatient discharges:
 - Sharp (28%)
 - Scripps (25%)
 - UCSD Health (11%)
 - Kaiser (9%)
- No mergers or acquisitions in recent years
- Kaiser and UCSD Health both opened new facilities; Kaiser building 3rd hospital in Escondido area
- Hospital operating margins overall remain strong, average margin more than double statewide rate
- Smaller, independent hospitals continue to struggle financially

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.

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

Physicians React to Changing Market Dynamics & Pressures

- More physicians per 100,000 residents than statewide average; access to certain specialists remains a challenge
- Medical groups focus on growth as health systems embrace, expand population health strategies
- For UCSD Health and Scripps Health, building provider networks and expanding regional footprint are key to pursuit of more risk-based contracts
- Independent practice continues to erode as older physicians nearing retirement seek “exit strategies” and younger physicians prefer employment

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.

Federally Qualified Health Centers (FQHCs) Thrive, Expand Role

- 14 FQHCs with more than 100 sites across the county
- Encounters per capita increased 40% between 2014 and 2018
- FQHCs expanding services to address mental health / substance use disorder needs
- 2 FQHCs are Program of All-Inclusive Care for the Elderly (PACE) providers to retain patients as they age into Medicare
- Long-standing focus on addressing workforce challenges
- Local clinic consortium contracts with health plans on behalf of subset of consortium members
 - 250,000 managed care enrollees in San Diego and Riverside Counties via clinically integrated network

Access to Behavioral Health is Challenging

- Access to behavioral health care viewed as critical need
- Psychiatrists in short supply
- Access challenges with both inpatient and outpatient behavioral health services
- San Diego County's "hub-and-network" initiative to restructure behavioral health delivery system countywide
 - Focus on connecting patients to community-based care and care coordinators following hospital discharge to reduce readmissions
 - Up to 5 hubs envisioned, starting with Central Regional Behavioral Health Hub in partnership with UCSD Health

Leader in Health Information Exchange, Challenges Persist

- Region considered pioneer in information exchange:
 - Regional HIE (San Diego Health Connect)
 - Community information exchange (CIE San Diego)
 - County's centralized information hub (ConnectWellSD)
- San Diego one of only 17 communities in US to receive federal Beacon Community Program funds in 2010 to develop regional HIE
- HIE at a crossroads:
 - HIE enjoys strong support
 - Lacks some functionality and is underused
 - Major health systems coalescing around two proprietary EHRs (Epic and Cerner)

Emerging Experience with COVID-19

Key metrics through August 2020:

- Unemployment rate (9.9%) tripled between February and August 2020, but was lower than the statewide rate (11.4%)
- Medi-Cal enrollment grew faster than CA overall

Early experience:

- Border health challenges
- Southern San Diego County communities hit particularly hard
- Collaboration by providers critical to managing care
- Heavily capitated system meant region's providers fared better than most
- Pivot to telehealth seen as a bright spot

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.

Issues to Track

- Will employer-based, commercial coverage hold steady or erode? Will intense downward pressure on commercial rates continue? How will this 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 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 be successful in improving access to behavioral health care in the region and reduce psychiatric hospitalizations?
- 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?