

# 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**



**Tangerine Brigham**



**Shelby Decosta**



**Ralph Silber**



**Christine Tomcala**



CHCF

# San Francisco Bay Area: Regional Health Systems Vie for Market Share

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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 29 regional leaders representing:

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

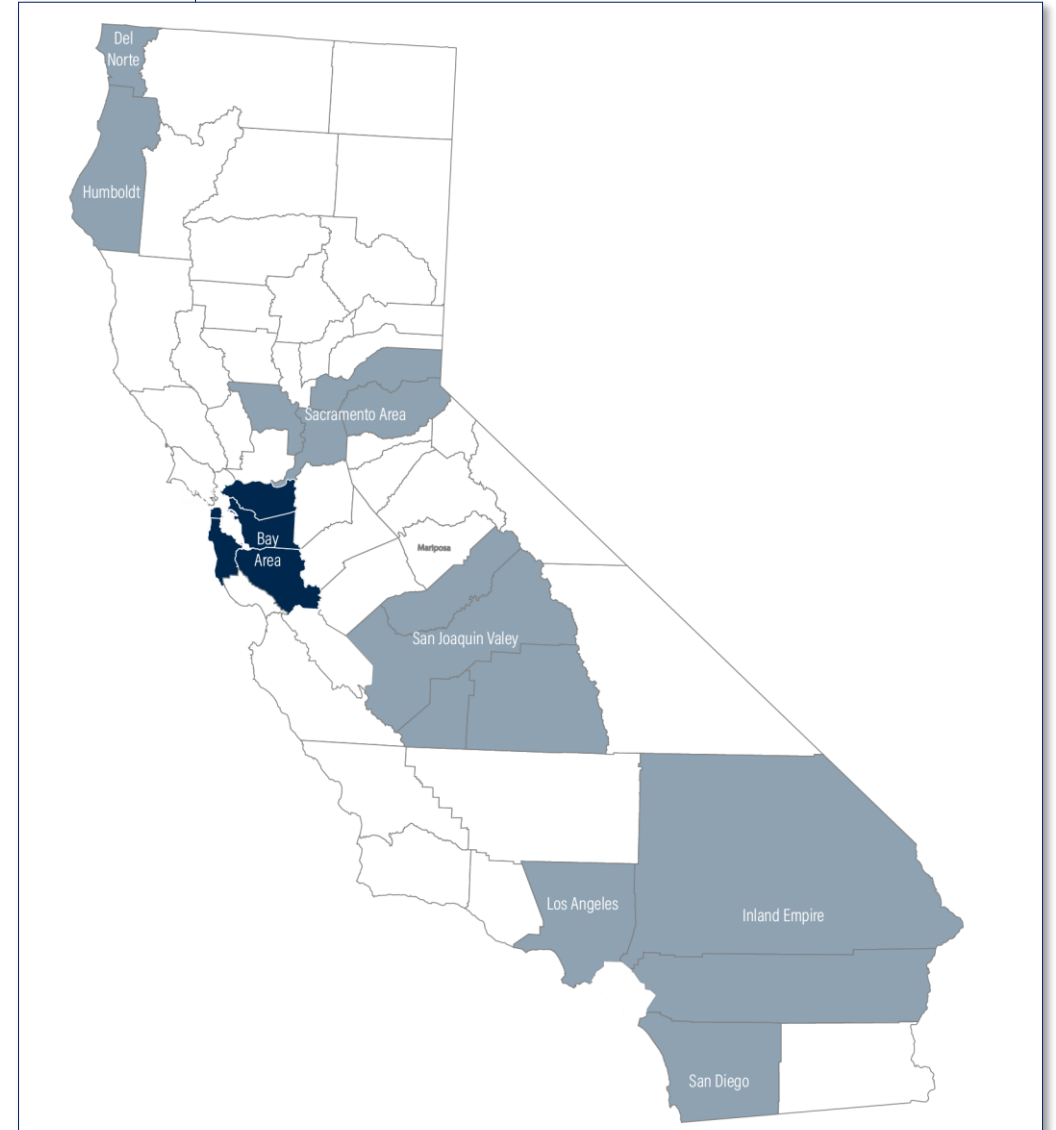
Analysis of:

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

Context: Project launched prior to COVID-19 pandemic

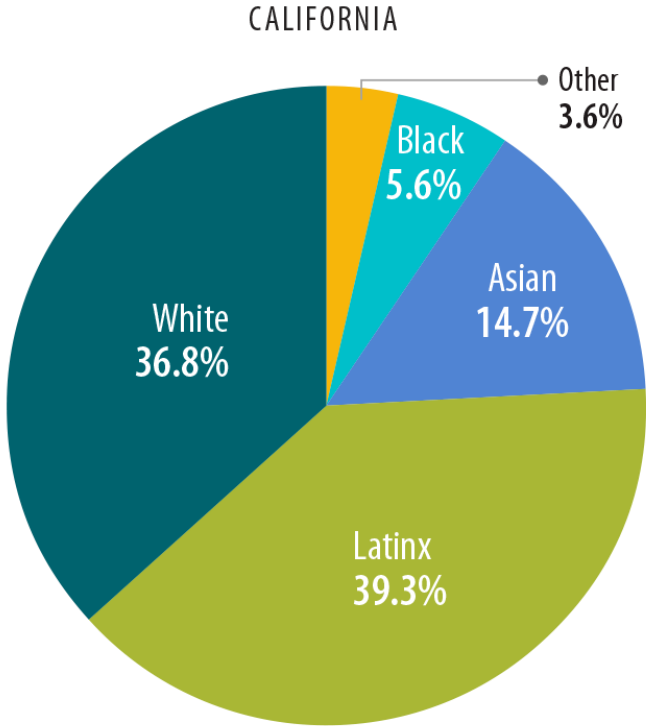
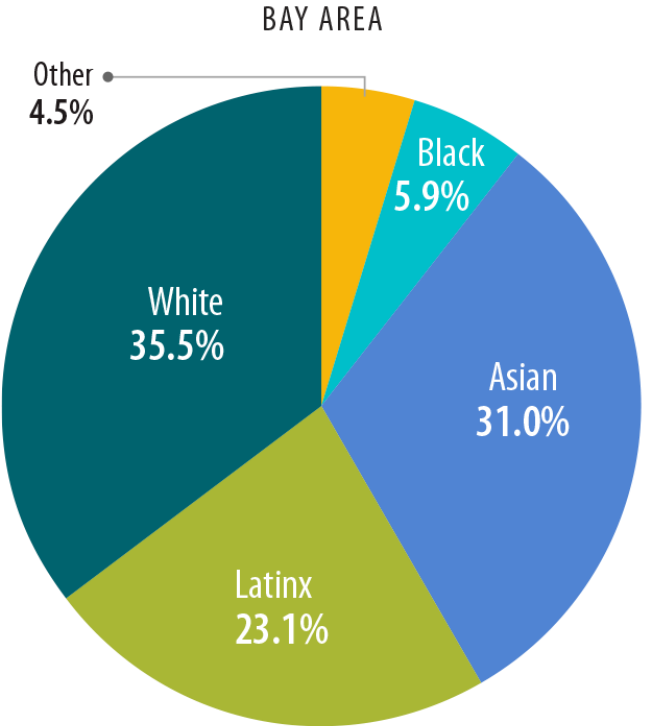
- Interviews conducted March 2020–February 2021

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



# Market Background: San Francisco Bay Area

**Race/Ethnicity**  
Region vs. State Average, 2018



San Francisco Bay Area is:

- Comprised of five counties: Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara
- Home to 6.4 million people
- Region includes urban, suburban, and agricultural areas

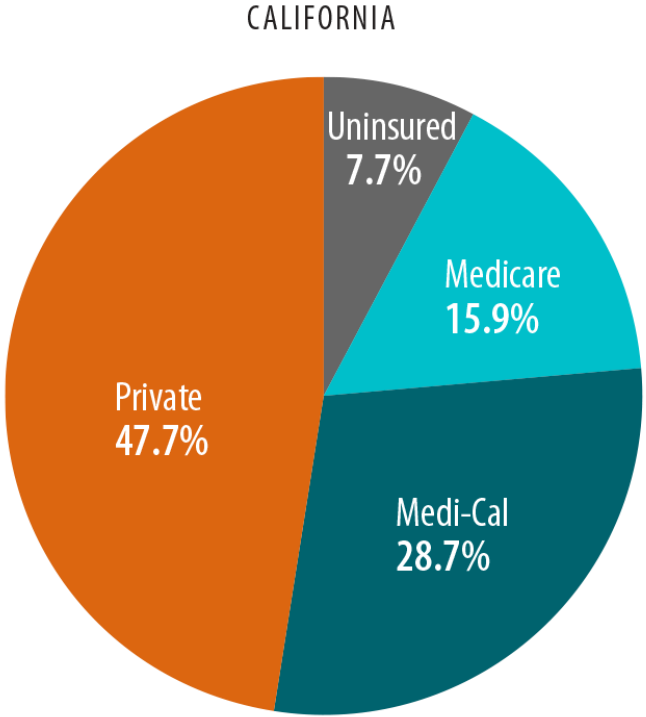
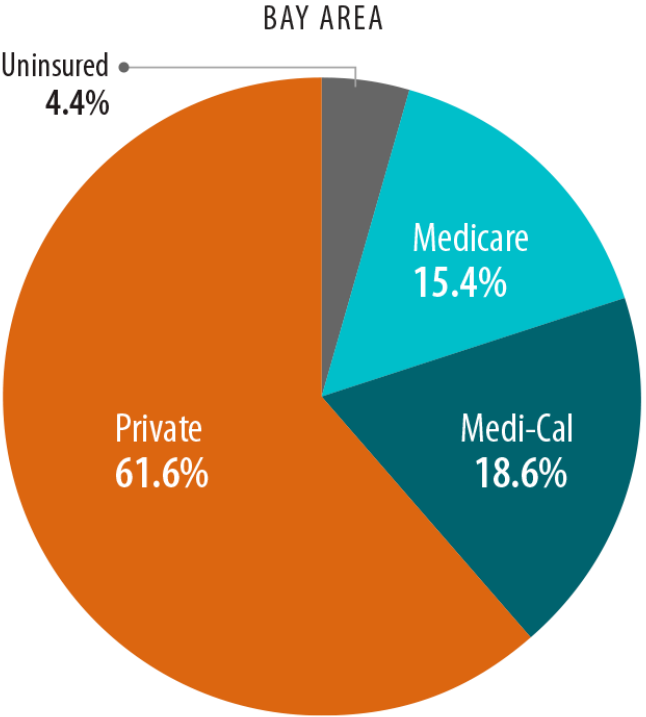
Compared to California overall, the population is:

- Faster growing
- More Asian, less Latinx
- Higher income
- More likely to have a high school diploma or college degree
- More likely to be foreign-born

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

# Health Insurance Coverage: San Francisco Bay Area

**Health Insurance**  
Region vs. State Average, 2019



**Overview:**

- Fewer than 5% of residents are uninsured
- More than 60% of residents have private coverage
- Medi-Cal covers almost 20% of the population

**Compared to California, Bay Area residents are:**

- More likely to have private coverage
- Less likely to be enrolled in Medi-Cal
- Less likely to be uninsured

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

# Large Health Systems Make Regional Plays

- Region characterized by numerous submarkets where 1-2 hospitals dominate, compete with Kaiser
- Kaiser, Sutter are largest health systems
- UCSF Health and Stanford Health jockeying for market share, expanding regional footprints
- Hospital operating margins, on average, much lower than statewide rate; operating expenses much higher
- New contracting models emerging to address high health care costs, compete with Kaiser and Sutter
  - Canopy Health's accountable care network
  - Stanford Health's direct-to-employer contracts

**TABLE 6. Hospital Performance (Acute Care)**  
San Francisco Bay Area vs. California, 2018

	Bay Area	California
Beds per 100,000 population	179	178
Operating margin*	-0.2%	4.4%
Paid FTEs per 1,000 adjusted patient days*	16	15
Total operating expenses per adjusted patient day*	\$7,172	\$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; "County Population by Characteristics: 2010-2019," US Census Bureau. All sources accessed June 1, 2020.

# Independent Practice Continues to Erode, Independent Practice Associations (IPAs) Seeking New Opportunities

- Significantly more physicians per 100,000 residents than statewide average, although specialty access remains a challenge
- Private practice continues to erode as providers join large medical groups
  - 58% of primary care physicians (PCPs) and 57% of specialists belong to a practice owned by hospital or health system, compared to 43% of PCPs and 53% of specialists statewide
- Two of the Bay Area's largest IPAs — Brown & Toland and Hill Physicians — pursuing strategies to keep private practice viable

TABLE 7. Physicians: San Francisco Bay Area vs. California, 2020

	Bay Area	California	Recommended Supply*
Physicians per 100,000 population <sup>†</sup>	260.3	191.0	—
▶ Primary care	81.8	59.7	60–80
▶ Specialists	177.9	130.8	85–105
▶ Psychiatrists	18.7	11.8	—
% of population in HPSA (2018)	4.5%	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.

<sup>†</sup>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.



# Local Medi-Cal Health Plans, Public Hospitals Help Anchor Strong Safety Net

- Safety-net delivery system examined in detail for Alameda, San Francisco, and Santa Clara counties
- Each county participates in Medi-Cal Managed Care Two-Plan Model
  - Local Initiative competes with commercial health plan (Anthem) for enrollees
  - Local Initiatives enroll majority of people in Medi-Cal in each county
- Public hospitals/health systems play crucial role
  - Medi-Cal accounts for roughly 2/3 of revenue
- Santa Clara public hospital system expanded footprint with acquisition of two community hospitals from Verity Health System — O'Connor Hospital and St. Louise Regional Hospital — in 2018

**TABLE 9. Medi-Cal Managed Care Enrollment, by Health Plan**  
Selected San Francisco Bay Area Counties, October 2020

	Health Plan(s)	Enrollment	% of Total County Enrollment
Alameda	Anthem Blue Cross	62,604	19%
	Alameda Alliance for Health	264,698	81%
San Francisco	Anthem Blue Cross	19,601	13%
	San Francisco Health Plan	136,707	87%
Santa Clara*	Anthem Blue Cross	71,091	21%
	Santa Clara Family Health Plan	265,968	79%

\*Includes Cal MediConnect enrollees.

Source: "Medi-Cal Managed Care Enrollment Report," California Health & Human Services Agency Open Data Portal, accessed November 15, 2020.

# Federally Qualified Health Center (FQHC) Growth Continues

- Across region, encounters per capita increased 28% between 2014 and 2018, number of clinic sites expanded by 15%
- In 2018, 60% of patients covered by Medi-Cal, 15% uninsured
- FQHCs expanding services, populations served
  - In San Francisco, North East Medical Services launched Program of All-Inclusive Care for the Elderly (PACE) in early 2021 to retain patients as they age into Medicare
- Alameda Health Consortium operates IPA that takes professional risk for 155,000 managed care enrollees

**TABLE 10. Federally Qualified Health Centers**  
San Francisco Bay Area vs. California, 2014 to 2018

	BAY AREA		CALIFORNIA	
	2018	Change from 2014*	2018	Change from 2014*
Patients per capita	0.1	23%	0.2	29%
Encounters per capita	0.3	28%	0.5	35%
Operating margin	1.6%	-81%	2.1%	-32%

\*Reflects the percentage change in patients/encounters per capita and the absolute change in margins.

Notes: Includes FQHC Look-Alikes, community health centers that meet the requirements of the Health Resources and Services Administration Health Center Program but do not receive Health Center Program funding. Patients may be double counted if the same person visits more than one health center.

Sources: "Primary Care Clinic Annual Utilization Data," California Office of Statewide Health Planning and Development, "County Population by Characteristics: 2010-2019," US Census Bureau. All sources accessed June 1, 2020.

# Access to Behavioral Health is Challenging

- Improving access to behavioral health care viewed as priority
- Psychiatrists to treat Medi-Cal enrollees in short supply
- Access challenges for both inpatient and outpatient behavioral health services
- Behavioral health in the safety net moving toward integration
  - FQHCs contracting with counties to deliver specialty mental health and substance use disorder services
  - Alameda County provides psychiatric consultation services to primary care, behavioral health providers at community-based FQHCs
  - San Francisco Health Plan contracts with same specialty mental health providers as the county
- San Francisco's Mental Health Reform and Mental Health SF initiatives seek to address behavioral health needs, focus on homeless population

# Emerging Experience with COVID-19

Key metrics through August 2020:

- Unemployment rate (8.6%) tripled between February and August 2020, but was lower than the statewide rate (11.4%)
- Anticipated growth in Medi-Cal enrollment had not yet materialized

Early experience:

- Providers, patients embraced telehealth
- Disproportionate effect on communities of color
- Collaboration by providers critical to managing care
- Counties tapped state, federal resources for housing solutions

TABLE 11. COVID-19 Impacts: San Francisco Bay Area vs. California, August 2020

	Bay Area	California
<b>UNEMPLOYMENT RATE</b>		
▶ Pre-pandemic (FEBRUARY 2020)	2.7%	4.3%
▶ Mid-pandemic (AUGUST 2020)	8.6%	11.4%
<b>MEDI-CAL ENROLLMENT</b>		
▶ Percentage change (FEBRUARY TO AUGUST 2020)	1.5%	1.0%
<b>CARES ACT, PER CAPITA (AUGUST 2020)</b>		
▶ Provider Relief Funds	\$151	\$148
▶ High Impact Funds	\$4	\$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 additional health system affiliations or consolidation among hospitals and physicians occur, or will the market stabilize? What will be the long-term impacts of hospital and provider consolidation on health care affordability in the region?
- Will the number of independent physicians in private practice continue to decline? How will the Altais acquisition of Brown & Toland affect the market? Will Altais acquire other IPAs or medical groups in the region or state?
- How will the new risk-bearing models evolve? Will Canopy continue to expand? Will direct-to-employer contracting gather steam?
- Will Alameda Health System continue to struggle financially? Will Santa Clara Valley Medical Center enter into global risk contracts for Medicare patients?
- Will San Francisco's behavioral health initiatives result in improved access and better outcomes for people experiencing homelessness?
- How will the pandemic impact the San Francisco Bay Area over the longer term? How will the pandemic-related recession impact providers and county budgets in the region?