

Regional Market Report 2026: San Diego and Imperial Counties



California Health Care Almanac
Regional Markets Series

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San Diego and Imperial Counties: Change and Consolidation Come to the Region's Hospitals

Summary of Findings

Spanning the southern border of California with Mexico, San Diego and Imperial Counties are home to almost 3.5 million people. Though roughly equal in land area — about 4,200 square miles each — the two counties differ vastly by geography and demographics. San Diego County's population of nearly 3.3 million is mostly clustered along the 50-mile Pacific coastline, with a large swath of rural and less populated desert area stretching east to Imperial County, where fewer than 200,000 people live. Orange and Riverside Counties border the region to the north, and Imperial County reaches east to the Arizona line.

Because of Imperial's relatively remote location, county residents may need to travel two or more hours to San Diego, Riverside County, or Arizona for specialty care. The two counties' health care markets also differ dramatically. Imperial County's two hospitals have stayed afloat financially with state loans for distressed hospitals, while the four large health systems in San Diego — Sharp HealthCare, Scripps Health, UC San Diego Health (UCSD Health), and Kaiser Permanente (Kaiser) — have expanded inpatient and outpatient capacity, particularly in the growing and more affluent northern area of the county.

The region has experienced many changes since the previous San Diego Regional Markets Study in 2020–21, and this is the

first time Imperial County has been included in the ongoing Regional Markets Study (see page 29 for background on the study). Key developments include the following:

- ▶ **After many years of stability, consolidation resumed in the San Diego hospital sector.** Even as input costs rise, San Diego's large health systems have continued to expand their regional footprints, adding new inpatient and outpatient capacity. For example, Scripps Health plans to build a new hospital in the rapidly growing North County community of San Marcos. At the same time, district hospitals and independent hospitals have struggled financially. UCSD Health acquired Prime Healthcare's Alvarado Hospital Medical Center and plans to assume operational responsibility for Palomar Health's hospitals. Similarly, Sharp HealthCare has assumed financial and operational responsibility for Tri-City Medical Center.
- ▶ **San Diego's physician sector remains relatively stable, even as private practice continues to erode.** As in other areas of the state, younger physicians are choosing employment with larger organizations rather than opening private practices. Two large physician organizations — UnitedHealth Group's Optum and Astrana Health — have entered the San Diego market in recent years. Despite these inroads, market observers questioned whether the consolidated regional physician sector will

generate significant interest from outside investors over the longer term.

- ▶ **Imperial County's new countywide health care district creates a single health system.** A 2023 state law formed a new single countywide district, the Imperial Valley Healthcare District (IVHD). Along with dissolving the two existing Imperial County districts — Pioneers Memorial and Heffernan Memorial — the law requires the city of El Centro and IVHD to negotiate in good faith for IVHD to acquire city-owned El Centro Regional Medical Center. Local stakeholders hope the new district will help address long-standing issues of financial instability and fragmented care.
- ▶ **State-led Medi-Cal and behavioral health initiatives bring opportunities and challenges.** Regional respondents welcomed new Medi-Cal services addressing health-related social needs and state initiatives to expand access to behavioral health services, particularly inpatient services, in the region. However, implementation has been challenging and, many noted, may not be enough to address decades of underfunding of behavioral health care services.
- ▶ **Health plans and providers voiced concerns about impending federal Medicaid cuts and state changes to Medi-Cal eligibility.** With no county-run hospitals or government-operated community health centers (CHCs) in either county, the health care safety net depends on community-based CHCs — including many designated as Federally Qualified Health Centers (FQHCs) — to provide access to outpatient care for Medi-Cal and uninsured patients. Except for Kaiser, the major San Diego health systems and community and district hospitals play an important safety-net role for inpatient care. Coverage gains in recent years are under threat in the face of federal and state cutbacks.

Market Background

Bordered on the west by the Pacific Ocean, San Diego County is a mix of urban, suburban, and rural areas and bounded by mountains and desert in the eastern part of the county. Located east of San Diego County, Imperial County stretches further east to Arizona and is largely desert. Orange and Riverside Counties border the region to the north. To the south, San Diego and Imperial Counties span the California-Mexico border. Although San Diego and Imperial Counties have been grouped together in this report, given their geographic proximity, the two counties vary dramatically in population, health status, and health care infrastructure.

The region's economic hub is the city of San Diego, where about 1.4 million people live.¹ The backbone of the San Diego economy includes the military — the Navy, Marines, and Coast Guard all have a significant presence — as well as international trade; manufacturing; and tourism spurred by year-round sunny, warm weather.² In contrast, Imperial County's economy largely centers on agriculture, although officials hope the county's Salton Sea, filled with a lithium-rich geothermal brine, can spur economic development by playing a major role in the battery supply chain.³ More recently, Imperial County has been courted as the site of a massive \$10 billion data center, drawing concerns from residents and a legal challenge from the city of Imperial against the county.⁴

San Diego County's population declined between 2019 and 2023 (-1.2%) — more than the decline statewide (-0.2%) — while Imperial County's population growth was flat (0.3%; Table 1). San Diego County is less racially and ethnically diverse than California overall, with a higher proportion of White residents (43.1% versus 34.3% statewide) and a smaller share of Latino/x residents (34.9% versus 40.4% statewide). Similarly, the percentage of residents born outside the United States in San Diego County remains lower than California overall — 23.1% versus 27.3%. However, Imperial

County differs greatly on many demographic indicators from the region's aggregate numbers — for example, more than 85% of Imperial County residents are Latino/x, and 32.2% were born outside the United States.

Compared to the statewide population, San Diego County residents have more formal education, higher incomes and lower poverty and unemployment rates. Nonetheless, about 1 in 10 people live in a household earning less than 100% of the federal poverty level, or \$30,000 for a family of four in 2023.⁵ In Imperial County, however, the rate of people living

in poverty is almost twice as high (17.3%).⁶ Housing affordability continues to be a major challenge regionally, similar to other parts of the state. Only 10.9% of residents in San Diego County and 25.7% of residents in Imperial County can afford a median-priced house, compared to the statewide rate of 13.6%. 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 coastal La Jolla area, tend to be more affluent than the central city and southern areas.

TABLE 1. Population Characteristics,
San Diego and Imperial Counties vs. California, 2023 Unless Noted

	San Diego County	Imperial County	California
POPULATION STATISTICS			
Total population (2024)	3,298,799	181,724	39,431,263
Share of state population	8.4%	0.5%	100%
Five-year population growth	-1.2%	0.3%	-0.2%
AGE OF POPULATION, IN YEARS			
Under 18	20.6%	28.1%	21.7%
18 to 64	63.4%	57.8%	62.1%
65 and older	15.9%	14.1%	16.2%
RACE/ETHNICITY			
Latino/x	34.9%	86.3%	40.4%
White (non-Latino/x)	43.1%	9.0%	34.3%
Black (non-Latino/x)	4.7%	2.2%	5.6%
Asian (non-Latino/x)	12.7%	1.1%	15.8%
Other (non-Latino/x)	4.6%	1.4%	3.8%
BIRTHPLACE			
Outside the United States	23.1%	32.2%	27.3%
EDUCATION (AGE 25 AND OLDER)			
High school diploma or higher	89.0%	71.8%	84.6%
College bachelor's degree or higher	42.1%	16.1%	36.5%
ECONOMIC INDICATORS			
Income below 100% federal poverty level	10.1%	17.3%	12.0%
Household income \$100,000+ (%)	51.0%	28.2%	48.4%
Median household income*	\$102,285	\$56,393	\$96,334
Average (mean) household income	\$136,236	\$77,390	\$136,730
Unemployment rate	3.9%	17.3%	4.8%
Households able to afford median-priced home (2024)	10.9%	25.7%	13.6%

* A weighted blend of county-level median household income figures.

Sources: *Annual Estimates of the Resident Population for Counties in the United States: April 1, 2020 to July 1, 2024* (CO-EST2024-POP), *County Population by Characteristics: 2020–2023* (CC-EST2023-ALLDATA-06 and CC-EST2023-AGESEX-06), *Annual Estimates of the Resident Population for Counties in the United States: April 1, 2010 to July 1, 2019* (CO-EST2019-ANNRES-06), "US Census, American Community Survey (ACS) 1-Year Supplemental Estimates, K200503, Place of Birth in the United States" (2019 and 2023), "US Census ACS 5-Year Estimates Subject Tables, S1501, Educational Attainment by County" (2023), "US Census, ACS 5-Year Estimates Subject Tables, S1901, Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars), 2023 and (in 2019 Inflation-Adjusted Dollars), 2019," US Census Bureau; "Current Industry Employment and Unemployment Rates for Counties," California Employment Development Department; and "Housing Affordability Index – Traditional" (Q2 2026), California Association of Realtors.

Infant Mortality, Overdose Deaths Lower Than Statewide

Generally, San Diego County’s health status indicators are better than statewide — for example, 13.0% of county residents reported being in fair or poor health in 2023, compared with 15.5% statewide (Table 2). Data on health status indicators for Imperial County, however, tell a different story: 25.5% of residents reported being in fair or poor health, and 8.0% of adults reported an independent living difficulty. Imperial County residents also reported higher rates of diabetes and high blood pressure. Notably, among the seven study regions, San Diego and Imperial have the lowest infant mortality rates per 1,000 live births at 3.2 (San Diego) and 2.8 (Imperial) — markedly lower than the statewide figure of 4.1.

San Diego County has a lower rate of drug-related overdose deaths — 27.8 per 100,000 population versus 29.1 statewide — but a higher rate of death by suicide — 11.0 per 100,000 population versus 10.1 statewide. For Imperial County, the rate of drug-related overdose deaths (11.1 per 100,000 population) is much lower than the statewide rate,

as is the rate of death by suicide (5.5 per 100,000 population). However, the prevalence of anxiety (11.7% in San Diego, 11.8% in Imperial) is higher than the statewide average of 10.3%. The prevalence of depression and other mood disorders is higher in San Diego County (11.7%) than the statewide average of 10.5%. In Imperial County, the prevalence rates for depression and other mood disorders (10.1%) are similar to statewide rates.

Recognizing the distinct differences between San Diego and Imperial Counties, the two counties’ health care markets are described separately below. The sections and data tables that follow the market overviews focus on San Diego County unless otherwise noted.

Imperial County Health Care Market Overview

More than half of Imperial County residents (52.0%) had Medi-Cal coverage in 2023 — much higher than Californians overall (35.6%; Table 3). Another 9.1% of Imperial residents

TABLE 2. Health Status, San Diego and Imperial Counties vs. California, 2023 Unless Noted

	San Diego County	Imperial County	California
PHYSICAL HEALTH STATUS			
Fair/poor	13.0%	25.5%	15.5%
Adults with an independent living difficulty*	5.3%	8.0%	5.8%
Diabetes prevalence†	10.0%	15.7%	11.3%
High blood pressure prevalence†	20.6%	26.5%	21.9%
Infant mortality rate (deaths per 1,000 live births), 2019–21	3.2	2.8	4.1
Behavioral Health			
Anxiety prevalence†	11.7%	11.8%	10.3%
Depression, bipolar, or other depressive mood disorders prevalence†	11.7%	10.1%	10.5%
Opioid and other drug-related emergency department visits (per 100,000 population)	113.0	112.9	137.4
All drug-related overdose deaths (per 100,000 population)	27.8	11.1	29.1
Suicide deaths (per 100,000 population), 2020–22, age-adjusted	11.0	5.5	10.1

* An independent living difficulty refers to, for example, difficulty doing errands alone, visiting a doctor’s office, or shopping because of a physical, mental, or emotional condition.
† Prevalence reported from the Healthcare Payments Data (HPD) source reflects data from claims and encounter records, which capture instances of a condition treated during the specified time. Results may differ from prevalence rates obtained by other methods — for example, surveys or record sampling. HPD reporting of measures data suppresses counts from any group (age, sex, payer, and county-specific) with fewer than 30 people; caution is advised when interpreting results for geographic areas with fewer than 30,000 residents.
Sources: “AskCHIS,” UCLA Center for Health Policy Research; “American Community Survey, 2023 5-Year Estimates, S1810, Disability Characteristics,” US Census Bureau; “Healthcare Payments Data Measures Data (2018–2023),” California Department of Health Care Access and Information; “Infant Mortality,” California Department of Public Health (CDPH); “County Health Status Profiles, 2024: Tables 1–29,” CDPH, last updated August 8, 2024; “California Overdose Surveillance Dashboard,” CDPH, last updated June 10, 2026.

were dually eligible for Medicare and Medi-Cal, compared to 4.5% statewide. Slightly more than a quarter of Imperial residents (27.8%) had commercial coverage in 2023 — much lower than statewide (50.8%). As a result of the heavy reliance on Medi-Cal, safety-net providers play a critical role in providing access to care for Imperial County residents. Moreover, the state, through legislation and financial assistance in recent years, has supported attempts to stabilize the county's health care system.

TABLE 3. Sources of Health Insurance,
Imperial County vs. California, 2019 and 2023

Coverages as Share of Population (Totals > 100%)*	2019		2023	
	Imperial County	California	Imperial County	California
Uninsured	8.3%	7.7%	6.3%	6.4%
Medi-Cal and Medicare dually eligible	7.8%	3.7%	9.1%	4.5%
Medi-Cal (non-dually eligible enrollees)	43.4%	28.6%	52.0%	35.6%
Medicare (non-dually eligible enrollees)	9.6%	12.1%	10.3%	12.8%
Commercial	32.8%	50.6%	27.8%	50.8%

* Percentages may sum to more than 100% due to people being included in more than one category.
Sources: *MA State/County Penetration* (July 2019 and July 2023), US Centers for Medicare & Medicaid Services; *American Community Survey, 1-Year and 5-Year Estimates July 2019–2023, S2701, Selected Characteristics of Health Insurance Coverage in the United States*, US Census Bureau, accessed 2025. *“By Medicare Dual Status, Certified Eligibles,”* California Department of Health Care Services accessed December 5, 2025; and Katherine Wilson, *California Health Insurers, Enrollment Almanac — 2025 Edition*, California Health Care Foundation, December 2025.

Hospitals in Imperial County Struggle Financially

Since the closure of a district hospital in 1998 near the Mexican border in Calexico, only two hospitals operate in Imperial County. El Centro, with about 44,000 residents, is the county's largest city and the county seat. The city owns 161-bed El Centro Regional Medical Center. About 15 miles north in Brawley, 107-bed Pioneers Memorial Hospital, a district hospital, also operates a 99-bed skilled nursing facility. Both hospitals operate Rural Health Clinics to provide outpatient care and primarily serve Medicare and Medi-Cal patients. At El Centro Regional, which had a net income (profit) margin of -19.9% in 2023, Medicare accounted for 60% of inpatient discharges and Medi-Cal accounted for 30%

of discharges. Similarly, at Pioneers Memorial, which had a net income margin of 0.4% in 2023, more than 8 in 10 inpatient discharges in 2023 were covered by Medicare (36%) or Medi-Cal (45%). For comparison, the average statewide hospital net income margin was 4.5%.

Both hospitals have struggled financially for many years, and pressures intensified during the COVID-19 pandemic as operating costs rose and revenues declined. At one point during the pandemic, El Centro Regional reportedly was on the brink of bankruptcy as health care utilization dropped dramatically. In 2023, the hospital ended maternity care after an external analysis found labor and delivery services and the neonatal pediatric unit lost money. The closure left Pioneers Memorial as the sole source of maternity services in the county. As a result, some patients travel two hours “over the hill” to San Diego; north to Riverside County; or east to Yuma, Arizona, to access labor and delivery services.⁷ Adding to financial pressures, El Centro Regional has \$201 million in bond debt obligations largely due to state-mandated seismic retrofitting costs,⁸ while Pioneers Memorial, which still has mostly double-occupancy rooms, faces up to \$150 million in upcoming costs to build a new inpatient tower to meet seismic requirements.⁹

In 2015, the city of El Centro entered into a management services agreement with UCSD Health to provide clinical and operational support at El Centro Regional. This arrangement has been expanded over the years, with UCSD Health currently responsible for the hospital's operational, clinical, and financial management under a 2024 joint powers agreement (JPA).¹⁰ Under the JPA, El Centro Regional's chief executive officer is employed by the university, while all other staff remain hospital employees.

Both hospitals received \$28 million loans in August 2023 from the state's Distressed Hospital Loan Program, which provided \$330 million statewide in interest-free working-capital loans

to nonprofit and publicly operated financially distressed hospitals. According to El Centro Regional's application, the hospital had \$20 million in unpaid invoices and only 23 days cash on hand and planned to use the interest-free loan to meet payroll and to pay vendors. Pioneers Memorial had 42.5 days cash on hand and planned to use the loan to support salaries to attract and retain nurses rather than rely on contracting out for nursing services and specialty physicians, according to Pioneers Memorial's loan application. The hospital also planned to use the loan for delayed capital purchases like new surgical equipment. Several market observers questioned whether the hospitals can repay the loans.

State Law Consolidates Health Care Districts and Hospitals

With both Imperial County hospitals struggling financially, the state legislature dissolved the county's two health care districts and formed a single countywide district — IVHD — in October 2023.¹¹ Along with dissolving the existing districts — Pioneers Memorial and Heffernan Memorial, which had operated Callexico Hospital until the 1998 closure — the law required the city of El Centro and IVHD to negotiate in good faith for IVHD to acquire all assets and liabilities of El Centro Regional. Local stakeholders hope IVHD will help address long-standing issues of financial instability and fragmented care by creating a single health system to serve Imperial County residents.

Although the city of El Centro supported the legislation, Pioneers Memorial Healthcare District opposed the measure, citing concerns that the bill lacked a funding mechanism to operate the new district and that consolidation could cause job losses in the county or lead to unequal governance.¹² After the bill was enacted, Pioneers Memorial Healthcare District sued to stop the law's implementation. Pioneers Memorial Healthcare District and El Centro Regional have a contentious history dating back more than a decade when earlier merger attempts failed. One market observer commented that the two are "like the Hatfields and McCoy's."

Much of the opposition to the most recent consolidation attempt centered on differing perspectives regarding the financial health and outlook of the two facilities. In 2025, Pioneers Memorial Healthcare District lost its legal challenge, paving the way for dissolution of the district. As of mid-2026, the assets of the dissolved health care districts had been transferred to IVHD, and the sale of El Centro Regional to IVHD was expected to close before the end of the year. County residents were scheduled to vote on a November 2026 ballot measure to levy a parcel tax to fund IVHD's ongoing operation.

Additionally, in June 2025, IVHD's board unanimously approved a JPA with UCSD Health to run the day-to-day operations of the consolidated health system, including Pioneers Memorial. The affiliation of both hospitals with UCSD Health has raised concerns among local stakeholders about higher health care costs and whether the affiliation gives UCSD Health too much control over health care in Imperial County.

New Public Medi-Cal Health Plan Created

The state implemented Medi-Cal managed care in Imperial County in 2013 as part of an expansion of managed care to California's rural counties, and two commercial Medi-Cal health plans — Centene's California Health and Wellness Plan and Molina — initially operated in Imperial. In 2019, California Health and Wellness held 81.7% of market share, and Molina held 18.3%. In 2024, however, Imperial switched to the Medi-Cal Single Plan model; Alameda and Contra Costa Counties are the only other counties in California that participate in the Single Plan model. With this change, California Health and Wellness and Molina exited the Imperial County Medi-Cal market, and local stakeholders launched a public health plan, Community Health Plan of Imperial Valley (CHPIV), which covers virtually all of Imperial's Medi-Cal enrollees. To be ready to accept Medi-Cal enrollment at the beginning of 2024, CHPIV contracted with Health Net, a subsidiary of Centene, to operate the health plan. CHPIV took a similar

approach to launch a Medi-Cal-aligned Medicare Advantage (MA) Dual Eligible Special Needs Plan (D-SNP) in January 2026, contracting with Community Health Group in San Diego to operate the D-SNP. Over time, CHPIV intends to build the administrative infrastructure to assume direct responsibility for operating Medi-Cal and D-SNP plans without administrative support from Health Net and Community Health Group.

At the same time Imperial switched to the Single Plan model, the state also implemented a no-bid statewide contract with Kaiser that includes Imperial County as part of Kaiser’s expanded service area. Kaiser’s Imperial enrollment, however, is small — less than 1% of the county’s Medi-Cal enrollees — likely because Kaiser does not operate a hospital in the county.

FQHC Plays Critical Primary Care Role

In Imperial County, residents receive care from several independent practice associations (IPAs); independent physicians; a Planned Parenthood clinic; Rural Health Clinics operated by El Centro Regional and Pioneers Memorial; and Innercare, the lone FQHC in the county. Formerly known as Clinicas de Salud del Pueblo, Innercare is reportedly the largest provider of primary care in the county and also operates sites in Riverside County. In 2023, Innercare provided more than 176,000 patient encounters in Imperial County. Almost two-thirds of Innercare’s patients had incomes below the federal poverty level in 2023, and Medi-Cal accounted for 76% of Innercare’s revenue.¹³ Reflecting the size of the local population dually eligible for Medicare and Medi-Cal, Innercare launched the first Program of All-Inclusive Care for the Elderly (PACE) in Imperial County in 2026. PACE helps people — typically seniors eligible for both Medicare and Medicaid — meet their health care needs in the community instead of entering a nursing home or other care facility. The FQHC also operates Community Care IPA, which was originally established to enable contracting with an MA health plan that reportedly would only contract with IPAs and not individual providers.

Information about Imperial County’s workforce supply and challenges, experience with implementation of CalAIM (California Advancing and Innovating Medi-Cal), and behavioral health care needs and recent reforms are discussed beginning in the section “Strong Regional Workforce Supply, Although Access Challenges Persist” on page 20.

San Diego Health Coverage Sources and Trends

The share of San Diego County residents without health insurance declined from 8.0% in 2019 to 5.9% in 2023 — slightly lower than statewide (6.4%; Table 4). At the same time, the share of county residents covered by Medi-Cal increased markedly from 22.1% to 29.4%, although this is still lower than statewide (35.6%). An additional 3.7% of San Diego residents were dually eligible for Medicare and Medi-Cal. The decrease in San Diego’s uninsured population occurred as California expanded Medi-Cal to all eligible residents regardless of immigration status. Commercial coverage also increased slightly in San Diego, from 57.2% in 2019 to 58.7% in 2023 — substantially higher than the 50.8% statewide with commercial insurance in 2023. In addition, people in San Diego were more likely to be covered by Medicare — 13.9% versus 12.8% statewide in 2023.

TABLE 4. Sources of Health Insurance,
San Diego County vs. California, 2019 and 2023

Coverages as Share of Population (Totals > 100%)*	2019		2023	
	San Diego County	California	San Diego County	California
Uninsured	8.0%	7.7%	5.9%	6.4%
Medi-Cal and Medicare dually eligible	2.9%	3.7%	3.7%	4.5%
Medi-Cal (non-dually eligible enrollees)	22.1%	28.6%	29.4%	35.6%
Medicare (non-dually eligible enrollees)	12.9%	12.1%	13.9%	12.8%
Commercial	57.2%	50.6%	58.7%	50.8%

* Percentages may sum to more than 100% due to people being included in more than one category. Sources: *MA State/County Penetration* (July 2019 and July 2023), US Centers for Medicare & Medicaid Services; “American Community Survey, 1-Year and 5 Year Estimates July 2019–2023, S2701, Selected Characteristics of Health Insurance Coverage in the United States,” US Census Bureau, accessed 2025; “By Medicare Dual Status, Certified Eligibles,” California Department of Health Care Services accessed December 5, 2025; and Katherine Wilson, *California Health Insurers, Enrollment Almanac — 2025 Edition*, California Health Care Foundation, February 2025.

Kaiser Stays Dominant in Commercial, Medicare Markets

Kaiser remains the dominant insurer for both commercial and MA coverage in San Diego. A closed-model health maintenance organization (HMO), Kaiser takes full financial risk for members’ care and provides care through an integrated delivery system of Kaiser-owned hospitals and affiliated employed physicians. In addition to Kaiser, two other large San Diego health systems — Sharp HealthCare and Scripps Health — operate health plans.

Sharp Health Plan (SHP) primarily offers HMO products to individuals and small and midsize employers, as well as in the MA market in San Diego County and southern Riverside County. SHP recently launched a preferred provider organization product to serve employers with workers outside the plan’s service area. In 2023, the plan served more than 145,000 people. MA is the plan’s fastest-growing line of business, increasing from about 4,000 MA enrollees in 2019 to more than 13,000 by 2023.

In contrast to SHP, Scripps Health Plan only covers Scripps employees, with no plans to expand to other employers. Scripps Health also has partnered with Qualcomm for nearly a decade in a direct-to-employer contracting relationship that offers Qualcomm’s local employees access to Scripps Health providers. Qualcomm contracts with Scripps Health on a fee-for-service basis that includes a value-based arrangement centered on quality and spending targets, and UnitedHealthcare serves as the third-party administrator for the arrangement.

Covered California Enrollment Grows Slightly

Covered California plays a small but important role in San Diego County. In 2019, Covered California accounted for 3.1 percentage points of commercial enrollment in the county. By 2023, Covered California accounted for 3.8 percentage points of commercial enrollment — compared to 4.3 percentage points statewide (data not shown). In 2025,

the average monthly premium for the lowest-cost Covered California silver plan for a 40-year-old was slightly less expensive (\$415) than statewide (\$472), assuming no premium subsidy, and premiums grew by 3.0% annually between 2020 and 2025 compared to 3.5% statewide (Table 5). In 2025, monthly premiums (unsubsidized) in the county consumed \$2.40 of an hourly minimum wage and 14.5% of a full-time minimum wage income — lower than the statewide figures of \$2.72 per hour and 16.5% of minimum wage income. Most Covered California enrollees (84.6%) in San Diego received a premium subsidy in 2025 that reduced the monthly cost of coverage; the average 2025 monthly net premium paid was \$161. By comparison, 89.4% of enrollees statewide received a premium subsidy in 2025, paying an average net monthly premium of \$134. Enhanced federal premium subsidies enacted during the COVID-19 pandemic expired on January 1, 2026, making premiums significantly less affordable for the approximately 125,000 San Diego County residents who received premium subsidies in 2025.¹⁴ For 2027, Covered

TABLE 5. Covered California Monthly Premiums,
San Diego County vs. California, 2020 and 2025

Covered California Premiums*	2020		2025	
	San Diego County	California	San Diego County	California
Lowest-cost silver monthly premium, 40-year-old	\$359	\$398	\$415	\$472
Percentage higher/lower than California average	-9.6%		-12.0%	
Average annual premium increase, 2020 to 2025			3.0%	3.5%
Per-hour wage amount needed to pay monthly premium†	\$2.07	\$2.29	\$2.40	\$2.72
Monthly premium as share of state minimum wage, full time†	15.9%	17.6%	14.5%	16.5%
Percentage of members that receive premium subsidy			84.6%	89.4%
Average net monthly premium paid by those receiving subsidy			\$161	\$134
Median net monthly premium paid by those receiving subsidy			\$89	\$57

* California premiums are weighted averages across all Covered California rating regions. Similarly, regional premiums are weighted averages for the counties that make up the region. Weighting is by enrollment.

† Assumes person pays the entire premium (i.e., no subsidy to offset cost).

Sources: 2025 Covered California Data, 2025 Individual Product Prices, Covered California; 2020 Covered California Data, 2020 Individual Product Prices for All Health Insurance Companies, Covered California; and Active Member Profiles, June Profile (2020 and 2025), Covered California.

California premiums in San Diego County are projected to increase by a weighted average of 13.1% compared to the statewide weighted average of 9.9%.¹⁵

At 8.4%, the prevalence of medical debt in San Diego County fell by 1.6 percentage points between 2018–19 and 2022–23 and remained below the statewide rate of 10.2% (Table 6). Among those in San Diego with medical debt, 56.7% owed more than \$2,000 — down from 59.1% four years earlier.

TABLE 6. Medical Debt,
San Diego County vs. California, 2018–19 and 2022–23

Medical Debt	2018–19 POOLED*		2022–23 POOLED*	
	San Diego County	California	San Diego County	California
Prevalence (% of adults with medical debt)†	10.0%	10.8%	8.4%	10.2%
AMOUNT OF MEDICAL DEBT THEY ARE HAVING TROUBLE PAYING‡				
Less than \$2,000	40.9%	45.1%	43.3%	43.7%
More than \$2,000	59.1%	54.9%	56.7%	56.3%

* Data are pooled across two years to increase data stability; confidence intervals on the amount of debt are broad in multiple regions.
† Prevalence figure is the percentage of people who answered yes to the question “Ever had problems paying for self or household family’s medical bills in past 12 months?”
‡ The amount of medical debt reflects the responses of those who said they had experienced problems paying medical bills in the past 12 months.
Source: “AskCHIS,” UCLA Center for Health Policy Research, 2025.

Between 2019 and 2024, Medicare enrollment as a share of the total population increased in San Diego County from 15.8% to 18.0% — similar to the statewide trend (Table 7). During the same period, enrollment in private MA health plans increased from 48.9% to 53.5% of all Medicare enrollees, while state-wide MA enrollment increased from 44.1% to 51.2%. Kaiser remained the largest MA plan regionally in 2024, covering a third of MA enrollees in San Diego County (Table 8). United covered an additional 18% of MA enrollees in 2024, down from 24% in 2019.

Citing low payment rates, Scripps Health’s two medical groups — Scripps Coastal and Scripps Clinic — left MA in 2024, disrupting care for about 32,000 patients. Scripps reportedly was losing \$75 million annually on contracts

TABLE 7. Medicare Enrollment Overview,
San Diego County vs. California, 2019 and 2024

	SAN DIEGO COUNTY		CALIFORNIA	
	2019	2024	2019	2024
Total Medicare enrollment	528,446	592,200	6,239,477	6,899,496
Medicare as share of population	15.8%	18.0%	15.8%	17.5%
SHARE OF TOTAL MEDICARE				
Medicare Advantage	48.9%	53.5%	44.1%	51.2%
Original Medicare	51.1%	46.5%	55.9%	48.8%

Source: *MA State/County Penetration* (July 2019 and July 2024), US Centers for Medicare & Medicaid Services.

TABLE 8. Largest Medicare Advantage (MA) Health Plans and Market Share,
San Diego County, 2019 and 2024

Health Plan	2019	2024
Kaiser Foundation Health Plan	36%	33%
UnitedHealthcare of California	24%	18%
SCAN Health Plan	9%	7%
Alignment Health Plan	2%	6%
Sharp Health Plan	1%	5%

Source: *Monthly MA Enrollment by State/County/Contract* (July 2019 and July 2024), US Centers for Medicare & Medicaid Services.

with five MA health plans. One respondent noted the affected patients had difficulty finding new physicians because the region lacked enough primary care providers to accommodate them, impacting access for both MA and commercial patients. Another market observer wondered whether Scripps Health is only the first of the large health systems in San Diego to leave MA, with others to follow.

Medi-Cal Managed Care Enrollment Expands, While the Number of Health Plans Contracts

Reflecting California’s continued expansion of managed care within Medi-Cal, nearly all (94%) of the more than one million San Diego County residents with Medi-Cal in 2024 were enrolled in managed care plans (Table 9). Since the 2020–21 Regional Markets Study, Medi-Cal enrollees, providers, health plans, and counties have navigated the ongoing

enrollment shift to Medi-Cal managed care plans, along with other policy and regulatory changes.

TABLE 9. Medi-Cal Enrollment Overview,
San Diego County vs. California, 2019 and 2024

	SAN DIEGO COUNTY		CALIFORNIA	
	2019	2024	2019	2024
Total Medi-Cal enrollment	836,144	1,051,657	12,778,575	14,796,389
Medi-Cal as share of population	25%	32%	32%	38%
Share of Medi-Cal in managed care	85%	94%	82%	94%

Source: “By Delivery System and Plan, Certified Eligibles” (August 9, 2024), California Department of Health Care Services.

San Diego is one of two counties statewide — the other is Sacramento — that participate in the Medi-Cal Geographic Managed Care model, in which the state contracts with multiple commercial health plans to cover Medi-Cal enrollees. While as many as seven health plans have offered Medi-Cal in San Diego, three plans — Aetna Better Health, Health Net, and United — have exited the San Diego market since 2022. As of 2024, four health plans served the county: Community Health Group, a San Diego-based nonprofit health plan, had 41.2% market share; Molina had 30.3%; Blue Shield Promise had 20.1%; and Kaiser had 7.7% (Table 10).

California plans to initiate a statewide competitive Medi-Cal procurement process no sooner than 2029, with a target implementation date of January 2031 for the new contracts. All commercial health plans, except Kaiser, will be required to submit proposals to maintain Medi-Cal contracts across the state. In the lead-up to the procurement, San Diego County reportedly may consider switching from the Geographic Managed Care model to the Single Plan model, with just one local health plan and Kaiser serving Medi-Cal managed care enrollees.

Coverage options for people dually eligible for Medicare and Medi-Cal in San Diego have changed in recent years in

TABLE 10. Medi-Cal Managed Care Plans,
San Diego County, 2019 and 2024

Plan	MARKET SHARE*	
	2019	2024
Community Health Group	37.0%	41.2%
Molina Healthcare of California	31.0%	30.3%
Blue Shield of California Promise	11.9%	20.1%
Kaiser Permanente	7.0%	7.7%
Health Net	9.4%	0.0%
UnitedHealthcare of California	1.8%	0.0%
Aetna Better Health	1.6%	0.0%

* Plan-level Medi-Cal managed care market share is as of December 2019 and December 2024, respectively.
Source: *Medi-Cal Managed Care Enrollment Report*, California Department of Health Care Services, accessed in 2025.

response to a California Department of Health Care Services (DHCS) mandate requiring all Medi-Cal managed care plans to offer an MA Exclusively Aligned Enrollment D-SNP (EAE D-SNP), known as a Medi-Medi Plan in California. People eligible for both Medicare and Medi-Cal can enroll in a D-SNP, another MA plan, or stay in original Medicare. If they enroll in a D-SNP, the state automatically enrolls the member into the same Medi-Cal plan to align Medicare and Medi-Cal coverage. A key aspect of the DHCS policy change is that only EAE D-SNPs can enroll new members. Commercial plans that offer nonaligned D-SNP products cannot enroll new members in those products (though they can enroll dually eligible people into other MA products). The changes first took effect in the seven counties, including San Diego, that participated in the state’s Coordinated Care Initiative, known as Cal MediConnect, which piloted the integration of Medicare and Medi-Cal benefits under a single managed care plan. Cal MediConnect ended in 2022, and the Medi-Cal health plans in the seven counties transitioned to the EAE D-SNP model in 2023. The state continued to implement EAE D-SNPs across the state on a staggered basis, with most Medi-Cal health plans transitioning to this model at the beginning of 2026.

In San Diego, four organizations participate in PACE, including two FQHCs — Family Health Centers of San Diego and San Ysidro Health. As of December 2024, more than 5,000

people were enrolled in PACE in San Diego.¹⁶ This number is expected to increase in 2026 with the opening of new PACE sites in San Diego operated by San Ysidro Health and Neighborhood Healthcare, another FQHC.

San Diego’s Large Health Systems Expand as Smaller Hospitals and Systems Consolidate

In San Diego, 17 hospitals provide acute care services to the region’s residents. Overall, as of 2023, hospital financial performance in San Diego was much stronger than statewide, with the region’s average hospital net income (profit) margin of 8.8% almost double the statewide average of 4.5% (Table 11). Average operating expenses per adjusted patient day (\$4,808) were lower regionally than the state average (\$5,117). San Diego’s acute care hospitals include two district hospitals, which are publicly owned and governed by local communities. Although the hospital sector in San Diego has been relatively stable, several hospitals have struggled financially for many years, and a new round of consolidation has occurred as a result. Some hospitals also have closed service lines — for example, maternity care and inpatient behavioral health — reportedly in response to rising costs that have outpaced payment rate increases.

TABLE 11. Acute Care Hospitals, Overview,
San Diego County vs. California, 2023

Acute Care Hospitals	San Diego County	California
Number of facilities	17	334
Beds (available) per 100,000	195	198
Number of discharges	275,938	3,148,191
Net income margin	8.8%	4.5%
Operating expenses per adjusted patient day	\$4,808	\$5,117

Notes: Acute care hospitals based on the “Type Care” classification in the California Department of Health Care Access and Information’s Hospital Annual Financial Data; excludes hospitals classified as specialty and psychiatric. *Net income margin* is net income divided by the sum of net patient revenue, other operating revenue, and nonoperating revenue. *Operating expenses per adjusted patient day* equal total gross patient revenue divided by gross inpatient revenue times the number of inpatient days.
Source: 2023 Pivot Table – Hospital Annual Selected File (October 2025 Extract), California Department of Health Care Access and Information.

San Diego County has roughly the same number of inpatient beds per 100,000 population as statewide — 195 and 198, respectively. Several market observers commented that it would be a “disaster” from an inpatient capacity perspective if any of the hospitals were to close. Many hospital emergency departments (EDs) reportedly operate at capacity on a regular basis, and patients can experience lengthy waits before treatment. As one hospital respondent noted, “We may have as many as 50–70 people waiting in the ED on any given day. You would have to have a rattlesnake on your foot to get moved up in the queue.”

The major health systems operating in San Diego County include those listed below.

Sharp HealthCare is the largest system and operates four acute care hospitals over five campuses: the 665-bed Sharp Memorial Hospital, including Sharp Mary Birch Hospital for Women & Newborns, which operates under Memorial’s license; 514-bed Sharp Grossmont Hospital; 449-bed Sharp Chula Vista Medical Center; and 155-bed Sharp Coronado Hospital and Healthcare Center. Taken together, Sharp hospitals represented 30% of discharges in the county in 2023 (Table 12). Across Sharp HealthCare in 2023, Medicare accounted for 40% of inpatient discharges, Medi-Cal for 33%, and commercial payers for 25%. Sharp HealthCare also is the largest private provider of inpatient behavioral health services in San Diego, operating the 132-bed Sharp Mesa Vista Hospital and a 16-bed inpatient substance use disorder (SUD) facility, Sharp McDonald Center.

Scripps Health is the second-largest system in San Diego and operates four hospitals across five campuses: the 559-bed Scripps Mercy Hospital in downtown San Diego and Chula Vista, 401-bed Scripps Memorial Hospital La Jolla, 189-bed Scripps Memorial Hospital Encinitas, and 150-bed Green Hospital in La Jolla. Scripps operates two Level I adult trauma centers in the county at Mercy Hospital San Diego

TABLE 12. Acute Care Hospital Systems,* by Number of Beds,
San Diego County, 2023

Hospital System	Number of Hospitals	Available Beds	Occupancy (Available Beds)	Share of Discharges in Region	DISTRIBUTION OF DISCHARGES BY PAYER TYPE			Net Income Margin	Current Ratio	Operating Expenses per Adjusted Patient Day
					Medicare	Medi-Cal	Commercial			
Sharp HealthCare	4	1,783	71%	30%	40%	33%	25%	13%	1.8	\$3,747
Scripps Health†	4	1,299	76%	26%	50%	20%	28%	9%	11.5	\$4,605
University of California San Diego Health	1	754	89%	13%	34%	33%	29%	6%	2.2	\$6,532
Kaiser Foundation Hospitals	2	764	46%	10%	47%	8%	45%	-5%	0.0	\$6,640
Prime Healthcare	2	597	34%	4%	37%	44%	17%	-3%	1.3	\$2,591
No system affiliation	4	1,272	65%	20%	35%	35%	27%	16%	1.1	\$4,716
San Diego County	17	6,389	67%	100%	41%	29%	28%	9%	1.5	\$4,808
California	334	77,339	64%	n/a	42%	31%	25%	4%	1.6	\$5,117

* Acute care hospitals based on the "Type Care" classification in the California Department of Health Care Access and Information's Hospital Annual Financial Data; excludes hospitals classified as specialty and psychiatric. *Net income margin* is net income divided by the sum of net patient revenue, other operating revenue, and nonoperating revenue. *Current ratio* is current assets divided by current liabilities. This ratio shows the dollar amount of current assets per dollar of current liabilities. It is a gross indicator of the facility's liquidity. Usually, a ratio of 2.0 or more indicates a healthy liquidity position. *Operating expenses per adjusted patient day* equal total gross patient revenue divided by gross inpatient revenue times the number of inpatient days. *Distribution of discharges by payer type* may not add to 100% because "Other Indigent" and "Other Payers" are excluded.

† Scripps Health includes Scripps Green Hospital, which is not reflected in the totals.

Source: 2023 Pivot Table - Hospital Annual Selected File (October 2025 Extract), California Department of Health Care Access and Information.

and Memorial Hospital La Jolla, which upgraded from a Level II trauma designation in 2022. The system's hospitals accounted for 26% of discharges in the county. In terms of payer mix, Medicare accounted for 50% of discharges, Medi-Cal for 20%, and commercial for 28%.

UCSD Health operates UC San Diego Medical Center in the downtown neighborhood of Hillcrest and Jacobs Medical Center in La Jolla. In 2023, UCSD Health, with a total of 754 beds, accounted for 13% of discharges in the county, with Medicare paying for 34% of inpatient discharges, Medi-Cal for 33%, and commercial for 29%. UCSD Health operates the other Level I adult trauma center as well as the only burn unit in the county, both located at the Hillcrest campus. In 2023, UCSD Health purchased the 306-bed Alvarado Hospital from Prime Healthcare.

Kaiser operates two hospitals on three campuses in San Diego County, accounting for 10% of inpatient discharges in the region. Kaiser's hospitals include Kaiser Permanente Zion Medical Center and Kaiser Permanente San Diego Medical Center, which operate on the same license and collectively have 596 beds. Kaiser opened a new hospital in 2023, the 168-bed San Marcos Medical Center. Kaiser continues to outsource some inpatient services to other health systems, including a well-established relationship with Scripps for cardiac surgery. With the opening of the San Marcos facility, however, Kaiser exited a long-standing relationship with Palomar Health to serve Kaiser members in northern San Diego.¹⁷

As of 2024, the only other acute care community hospital in San Diego was investor-owned Prime Healthcare's Paradise Valley Hospital (291 beds). Rady Children's Hospital is the county's only pediatric hospital. The 436-bed hospital

operates the only Level I pediatric trauma facility in San Diego and operates Level II and III neonatal intensive care units (NICUs) at several Scripps hospitals. Two health care districts also operate hospitals in northern San Diego County. Palomar Health operates two facilities in the Escondido area — the 286-bed Palomar Medical Center and 236-bed Palomar Medical Center Poway — while the 314-bed Tri-City Medical Center is in Oceanside.

Rising Costs Reportedly Put Pressure on Health Systems and Hospitals

As the sector continues to consolidate and large systems expand, many hospital respondents commented on the challenge of managing rising costs when payment rates, particularly for Medicare and Medi-Cal, have not necessarily kept pace. Hospital respondents commonly cited the state minimum wage law for health care workers, labor costs generally, and costs associated with meeting state seismic requirements as drivers of increasing operational and capital costs. Hospital respondents also raised concerns about the state Office of Health Care Affordability imposing limits on annual health care spending growth, noting they lack control over input costs at their facilities.

In light of financial considerations, workforce challenges, and declining volume, four hospitals in San Diego have closed or indefinitely suspended labor and delivery service lines since 2021. As one market observer commented, “Almost every OB program loses money in California.” In 2021, Prime Healthcare closed labor and delivery services at Paradise Valley Hospital. In 2023, Palomar consolidated maternity services at its Escondido hospital, closing maternity services at the system’s Poway hospital. Also in 2023, Tri-City indefinitely suspended maternity care due to financial challenges. (Sharp HealthCare reportedly is considering reopening labor and delivery at Tri-City when it assumes operations for the hospital in 2026.) Scripps Chula Vista closed a 35-bed maternity care unit in June 2024, citing low delivery volumes and the need for additional space for adult medical-surgical beds.

Scripps consolidated labor and delivery services at Scripps Mercy in Hillcrest, moving the system’s family practice residency program from Scripps Chula Vista to Scripps Mercy as well. Sharp Chula Vista reportedly experienced an influx of labor and delivery patients because of Scripps’s Chula Vista closure.¹⁸

Large Systems Court Commercial Patients in San Diego’s North County

In addition to Kaiser’s new hospital in San Marcos, the other large health systems in San Diego are looking to expand in northern San Diego County. The growing area — referred to by locals as North County — has higher rates of commercial insurance than elsewhere in the county, according to market observers. As such, North County is an attractive target for hospitals chasing market share, especially for more lucrative service lines and higher commercial payment rates, in the competitive San Diego hospital sector.

In 2025, Scripps announced plans to open a new 128-bed acute care hospital by 2029 — with capacity to add another 128 beds over time — and an ambulatory care facility in San Marcos. Also in North County, Scripps is expanding Memorial Hospital Encinitas, including a new 185,000-square-foot tower slated to open in 2026 with 64 private inpatient rooms, surgical suites, and a 16-bed intensive care unit (ICU). In addition, Scripps is building a new tower and outpatient facility at Scripps Memorial La Jolla. When the new hospital tower opens in 2034, Scripps will consolidate Green Hospital’s staff and services at the expanded Memorial location to meet state seismic requirements. The new tower will include 152 medical-surgical suites, 16 ICU suites, 9 operating rooms, and 8 electrophysiology labs. Scripps is prioritizing expansion and construction in northern San Diego locations to ensure financial stability for the system and allow for the replacement of the two Scripps hospitals in the southern part of the county to meet state seismic requirements. Scripps has

informed the state that the system will not meet the 2030 seismic retrofitting deadline.

UCSD Health and Sharp HealthCare also are moving to solidify their North County positions, with each system planning to affiliate with one of San Diego's two health care districts in the area. Additionally, Sharp HealthCare has several projects underway to meet the 2030 seismic requirements, including construction of the seven-story, 152-bed McGrath Tower at Sharp Memorial Hospital, which is expected to open in 2030 and will replace the original Sharp Memorial building that dates to 1955. Construction also is slated to begin in 2026 on a six-story addition to Mary Birch Hospital that will add 15 new beds, with completion expected by 2030. At Coronado Hospital, Sharp HealthCare has completed seismic retrofitting on the hospital's tower, opened a new ICU, and expanded the ED from 8 to 15 beds. At Grossmont Hospital, in addition to completing seismic retrofitting, Sharp HealthCare opened a new specialty neuroscience hospital in 2025 adjacent to the main hospital building. The facility includes a 16-bed neuro progressive care unit, a 16-bed neuro intensive care unit, and an 18-bed inpatient rehabilitation unit.

UCSD Health has embarked on a multiyear project to expand outpatient capacity on the Hillcrest campus and rebuild the hospital, which does not meet state seismic requirements. While the health system has yet to break ground on the new hospital, the 250,000-square-foot McGrath Outpatient Pavilion opened in 2025. In addition, UCSD Health has announced plans to build a second 250-bed tower at Jacobs Medical Center in La Jolla, but these plans have reportedly been put on hold, given the capital already allocated for the Hillcrest campus and the costs of the system's new affiliation with Palomar Health. Finally, UCSD Health is planning to build a new outpatient facility in the North County community of Rancho Bernardo. At 85,000 square feet, the new facility will be three times the size of the health system's

current Rancho Bernardo outpatient location and is scheduled to open in 2028.

UCSD Health Expands

UCSD Health reportedly has experienced "capacity challenges" at its two campuses dating to the early days of the pandemic. In addition to building new inpatient and outpatient facilities, UCSD Health has sought opportunities to develop relationships with or to purchase community hospitals. This strategy enables UCSD Health to develop referrals and focus on providing specialized services at its main campuses while caring for less complex patients at community hospitals.

In 2023, when Prime Healthcare sold Alvarado Hospital to UCSD Health, the hospital had an occupancy rate of 27%, a net income margin of -11.2%, and accounted for just 1.4% of discharges regionally (not shown). The hospital's payer mix was heavily weighted toward government payers: Medicare accounted for 43% of discharges, Medi-Cal for 41%, and commercial for 15%. The newly renamed UCSD Health East Campus Medical Center is in the eastern area of the county near San Diego State University and includes a new 20-bed ED and renovated ICU. The hospital does not meet state seismic requirements, and UCSD Health plans to begin retrofitting the hospital in 2026.

Further expanding connections to community hospitals, UCSD Health announced plans in October 2025 to enter a JPA with Palomar Health, one of two health care districts in North County, to operate Palomar Medical Center and Palomar Medical Center Poway, which have struggled financially for years. While Palomar Health appeared to be stabilizing at the time of the last study, Palomar's financial status deteriorated significantly following the pandemic, likely due to the same financial pressures reported by market observers. Debt service obligations related to construction of a second hospital in Escondido in 2012 and the opening of Kaiser's nearby

San Marcos hospital reportedly have added to Palomar's financial challenges.¹⁹ The operating agreement with UCSD Health followed the collapse of negotiations between Palomar and Sharp HealthCare over a potential affiliation.

In addition to transferring a portion of Palomar's assets to UCSD Health, the JPA includes a \$50 million line of credit, on top of a previous \$20 million loan from UCSD Health. UCSD Health also will invest \$200 million in the JPA, which provides UCSD Health with a presence in North County without building a new hospital and gives Palomar financial stability. UCSD Health plans to expand the cancer center at Palomar's Escondido campus. The deal does not need to go before the health care district's voters for approval because Palomar is transferring less than 50% of the district's assets to UCSD Health.²⁰ With the Palomar JPA, UCSD Health effectively doubles in size. Although the two Palomar hospitals will remain separately licensed, the combined UCSD Health and Palomar systems will include more than 1,400 beds.

Tri-City Medical Center Seeks Affiliation with Sharp HealthCare

Located in North County near Palomar's hospitals and Kaiser's new San Marcos hospital, Tri-City Medical Center is a district hospital serving the communities of Carlsbad, Oceanside, and Vista, and parts of San Marcos. Like Palomar, the hospital has struggled financially for years, with financial woes worsening during the pandemic. These challenges led the hospital, among other steps, to close labor and delivery services in 2023. Tri-City also does not meet state seismic requirements and will require significant capital investment to comply.

In 2023, Tri-City received a \$33.2 million loan from the state's Distressed Hospital Loan Program. According to Tri-City's loan application, the hospital was operating with just 25 days cash on hand, faced a risk of defaulting on its debt service obligations, and was dealing with nurse staffing challenges that led

to the use of costly contract labor. The loan application noted that a portion of the loan would be used to manage more than \$100 million in short-term debt and accounts payable.

As the hospital applied for the loan, the Tri-City Healthcare District Board requested proposals from health systems to assume responsibility for the hospital, receiving bids from UCSD Health and Sharp HealthCare. Tri-City initially moved forward with UCSD Health, but the two parties were unable to reach agreement and discussions ended in mid-2024. The Tri-City board again solicited proposals from health systems to operate the hospital and approved a plan to pursue a partnership with Sharp HealthCare in mid-2025. Under the agreement, Sharp HealthCare will lease the hospital (similar to its arrangement for Grossmont Hospital) for 30 years, invest at least \$100 million in capital projects, and assume Tri-City's assets and liabilities. Because Sharp HealthCare is a private entity, the agreement was required to go before voters in the health care district, who approved the partnership in June 2026.²¹

Rady Children's Hospital Merges with Children's Hospital of Orange County

In late 2024, the California attorney general approved the merger of Rady Children's Hospital with Children's Hospital of Orange County (CHOC). The new system, known as Rady Children's Health, includes three hospitals: Rady Children's Hospital in San Diego, CHOC in the city of Orange, and CHOC at Mission Hospital in the Orange County city of Mission Viejo. Rady Children's Hospital and CHOC have a long history of partnering to serve Southern California patients, including participation in a US Center for Medicare and Medicaid Innovation project to create guidelines to standardize practice across the hospitals' networks. The two hospitals also jointly hold a restricted Knox-Keene license to accept financial risk, with the goal of creating a larger system of care than either could offer individually.

As a condition of the merger, the state attorney general required Rady Children's Health to maintain all three hospitals, including EDs and NICUs, for 10 years. The approval also required the new organization to continue participating in Medi-Cal and to operate the hospitals at existing service levels, including specialty care, for 10 years. In early 2026, due to mounting federal pressures, Rady Children's Health announced the system would stop providing gender-affirming services to patients under the age of 19, leading the attorney general to file a lawsuit against the system, citing the binding merger conditions that require the attorney general's approval of any changes to specialty health care services.²²

In addition to the merger, Rady Children's Health is building a new 500,000-square-foot tower on its San Diego campus at an estimated cost of \$1.2 billion to \$1.4 billion.²³ The new facility will include 140 intensive care beds and double the size of the ED from 46 to 86 rooms. Rady Children's Hospital's current ED was built to accommodate 20,000 patients per year but serves 120,000 patients per year.²⁴ The hospital also plans to start construction on a new behavioral health building in mid-2026 that will double inpatient behavioral health beds from 24 to 48 and expand the number of emergency psychiatric beds from 6 to 24.²⁵ The new hospital tower is scheduled to open in 2028, and the new behavioral health facility is expected to open in 2029.

Community Hospitals and UCSD Health Provide Safety-Net Care in San Diego County

San Diego County has not operated a public hospital since the 1960s, leaving the larger health systems to fill a safety-net role for Medi-Cal and uninsured patients. As has been true for many years, Scripps, Sharp HealthCare, and UCSD Health provide most of the Medi-Cal inpatient care. Historically, Kaiser has not served a significant share of Medi-Cal inpatients in San Diego because only Kaiser health plan members can access care at Kaiser hospitals. Medi-Cal accounts for less

than 10% of discharges at both Kaiser's San Diego Medical Center and the new San Marcos Medical Center.

In 2023, Medi-Cal accounted for roughly half of discharges at two hospitals in San Diego: Rady Children's Hospital (52%) and Prime Healthcare's Paradise Valley Hospital (47%). More than 40% of discharges at both Sharp Grossmont and Alvarado Hospital were attributed to Medi-Cal, and four hospitals — Scripps Mercy, Sharp Chula Vista, Sharp Coronado, and UCSD San Diego Medical Center — each reported that Medi-Cal accounted for more than a third of discharges.

San Diego's Large Medical Groups and IPAs Seek Growth

In San Diego, the physician sector is relatively concentrated, with physicians practicing as part of large medical groups, IPAs, or medical foundations associated with the major health systems. Respondents noted the wave of physician retirements that started during the pandemic and that has continued. As in other regions of California, younger physicians are less interested in going into private practice, preferring to seek employment with larger organizations. In addition, respondents noted the challenges of remaining in private practice, given the pressure on commercial coverage to slow payment rate growth as well as the shift in payer mix to lower-paying public payers. As one market observer noted, "IPAs are going through an existential crisis" and seeking options to keep private practice viable.

Major regional physician organizations include Kaiser's Southern California Permanente Medical Group, with more than 8,000 physicians across Southern California, including San Diego. UCSD Health's physician network includes more than 2,500 physicians and scientists, with over 1,500 employed by the health system. In addition, the health system operates a clinically integrated network (CIN), known

as UCSD Health Physician Network, with more than 1,100 community-based providers affiliated with UCSD Health.

At Sharp HealthCare, the health system uses a medical foundation model to contract with two medical groups, Sharp Rees-Stealy (SRS) and SharpCare. SRS is a large multispecialty medical group with approximately 700 physicians and advanced practice providers (APPs), such as nurse practitioners and physician assistants. SRS is growing in both northern and southern San Diego County, purchasing an office building in Carlsbad in October 2025 for medical office space and an outpatient center. To the south, SRS opened new outpatient facilities in Kearny Mesa and Chula Vista in early 2026. The medical group also expanded its Otay Ranch facility in Chula Vista.

SharpCare is much smaller than SRS, with just six sites and fewer than 25 primary care physicians, who refer patients to Sharp specialists. SharpCare will grow in the coming years when the health system launches a family medicine residency program whose faculty and residents will be housed under SharpCare. One market observer noted that Sharp HealthCare may have plans to refocus SharpCare on providing palliative and hospice care to Sharp patients.

Sharp's IPA, Sharp Community Medical Group (SCMG), is the largest IPA in San Diego, with more than 400 primary care providers (PCPs) and 800 specialists. The IPA has grown significantly in recent years through a contract with Integrated Health Partners (IHP), a subsidiary of Health Center Partners of Southern California, a consortium of CHCs in San Diego, Riverside, and Imperial Counties. SCMG contracts with IHP's approximately 620 PCPs to serve the IPA's commercial and MA patients (see "Community Health Centers Try to Diversify Payer Mix" on page 18).

In addition to IHP's providers, SCMG's network includes Palomar Health Medical Group and Graybill Medical Group.

In late 2020, Palomar's medical foundation, known as Arch Health Medical Group, expanded with the acquisition of Graybill and rebranded as Palomar Health Medical Group. In 2024, the Palomar Health Medical Group experienced a serious data breach that took months to address. The fallout from the data breach ultimately led Graybill to exit the medical group. One market observer commented on SCMG's long relationship with Palomar Health and questioned whether this might change because of Palomar Health's JPA with UCSD Health.

At Scripps, the health system uses a medical foundation model to contract with four medical groups: Scripps Coastal, with almost 350 PCPs; Scripps Clinic, with more than 900 PCPs and specialists; Scripps Health Inpatient Medical Group, with 240 physicians; and Scripps Cardiothoracic and Vascular Surgery Medical Group, with 17 providers. As part of the health system's planned expansion into San Diego's North County, Scripps opened Scripps Medical Center Jefferson in Oceanside in late 2020 to locate Scripps Coastal and Scripps Clinic physicians at the same location for the first time. Additionally, Scripps Coastal Medical Center opened in San Marcos in June 2021, replacing Scripps Coastal Medical Center Escondido.

Scripps's physician network also includes Mercy Physicians Medical Group, with more than 100 PCPs and 450 specialists. Mercy Physicians had been managed by Optum's North American Medical Management but exited the relationship in recent years to contract with Astrana, a relatively new entrant to the San Diego market. Scripps also is affiliated with San Diego Physicians Medical Group (SDPMG), with more than 500 PCPs and specialists. Optum acquired SDPMG in 2025, and the organization is now known as Optum Care Network-SDPMG. One market observer suggested that Mercy Physicians decided to leave Optum when Optum acquired SDPMG because the two IPAs compete with one another.

Optum and Astrana Look for Opportunities in San Diego

Optum Health, the medical services arm of UnitedHealth Group, employs or is affiliated with about 5,500 PCPs and 13,000 specialists serving more than three million Californians.²⁶ In addition to acquiring SDPMG and its management services organization, Southern California Physicians Managed Care Services, Optum reportedly is interested in acquiring at least two other IPAs in San Diego. Optum has traditionally offered two models to providers — acquisition or medical management services — although one market observer suggested Optum may be shifting focus to an ownership model.

Formerly known as Apollo Medical Holdings, Astrana Health is a California-based, publicly traded organization with clinicians in three states that holds risk-based contracts across commercial, Medicare, and Medicaid lines of business. Astrana entered the San Diego market by acquiring Prospect Health in a deal that closed in mid-2025. Astrana’s acquisition included Prospect Medical Group and a health plan with a restricted Knox-Keene license. In San Diego, Prospect Medical Group includes approximately 2,700 PCPs and specialists. As noted previously, Astrana has a management services contract with Mercy Physicians.

In response to private equity interest in the San Diego physician market, SCMG created FocusHealth Medical Group in 2024 to acquire practices from physicians exiting or retiring from private practice but not interested in a private equity model. FocusHealth supports SCMG members and may help keep private practice viable in San Diego. When FocusHealth acquires a practice, SCMG’s practice management company, Metis Practice Solutions, steps in to manage the practice. FocusHealth had acquired four practices by the end of 2025, with another acquisition set to close in 2026.

Respondents expressed mixed feelings about whether Optum and Astrana, as well as private equity firms, would

continue to acquire physician organizations, given that San Diego’s physician sector long ago consolidated into larger systems, leaving fewer small practices available for acquisition. Market observers noted that there is little ability for entities like Optum or Astrana to reduce costs and drive additional efficiencies. Others, however, expected continuing private equity interest, although perhaps not at the same scale as in Los Angeles and Orange Counties, where independent physician practices make up a larger share of the market.

In San Diego, Community Health Centers Try to Diversify Payer Mix

Nineteen CHCs, operating across more than 90 sites in San Diego County, provide access to care primarily for Medi-Cal and uninsured patients. Almost 75% of CHC patients had incomes below 100% of the federal poverty level, and Medi-Cal provided 86% of CHC revenue in 2023 (Table 13).

TABLE 13. Community Health Centers, Overview, San Diego County vs. California, 2023

Community Health Centers, Overview	San Diego County	California
Number of sites	92	1,139
Patients with incomes below 100% federal poverty level	72%	70%
Patients per capita	0.30	0.21
Encounters per capita	0.90	0.69
Medi-Cal as share of net patient revenue	86%	78%

Notes: Excludes 30 sites statewide that report 100% of their revenue from California’s Program of All-Inclusive Care for the Elderly. Excludes county-owned and operated FQHCs in the region, as this information is not reported to the California Department of Health Care Access and Information. Source: 2023 Primary Care Clinic Annual Utilization Data (November 2024), California Department of Health Care Access and Information, last updated October 31, 2024.

Overall, CHCs, including many designated as FQHCs, provided almost three million patient encounters in San Diego in 2023 (Table 14). San Diego County government does not operate any CHCs or FQHCs; instead, a well-established network of community-based CHCs serves residents and plays a critical safety-net role. San Diego’s largest CHCs include those listed below.

Family Health Centers of San Diego (FHCSD) is one of the 10 largest CHCs in the United States and the largest CHC in San Diego, providing more than 950,000 patient visits in 2023. In addition to 29 primary care clinics, FHCSD operates 23 behavioral health sites, 10 physical rehabilitation clinics, nine dental clinics, five vision clinics, four outpatient SUD treatment programs, three mobile medical units, two mobile counseling centers, two urgent care centers, two PACE centers, and a pharmacy.²⁷

San Ysidro Health provided more than 580,000 patient encounters in 2023. With more than 30 sites, including a new location in the city of Julian in eastern San Diego County, San Ysidro is the second-largest CHC in the county, offering primary care, specialty care, dental, behavioral health, and pharmacy services. Like FHCSD, San Ysidro has participated in PACE for a decade. With a focus on serving CHC patients as they become eligible for Medicare, San Ysidro continues to expand PACE, opening a new site in National City in early 2026, with another slated to open in 2026 in southeast San Diego. After the new sites open, San Ysidro will have 6 PACE sites in San Diego County and expects PACE enrollment to grow from 3,200 to 5,000 patients.

Neighborhood Healthcare, which operates sites in northern and eastern San Diego County and neighboring Riverside County to the northeast, provided more than 300,000 patient visits in San Diego in 2023. Most Neighborhood patients (60%) are in San Diego, with Riverside patients composing about 40%. Neighborhood has participated in PACE since 2021, operating two sites in Riverside County, with plans to expand into San Diego with a third PACE site scheduled to open in Escondido in 2027.

TrueCare operates in northern San Diego County and Riverside County and provided just over 300,000 patient encounters in 2023 in San Diego County. While TrueCare does not participate in PACE, the CHC has partnered with San

Ysidro to offer PACE services to eligible patients. TrueCare's PACE-eligible patients receive PACE services from San Ysidro, while TrueCare provides primary care services. TrueCare also serves as a referral source for the nonprofit Gary and Mary West PACE in northern San Diego County.

Vista Community Clinic (VCC) provided more than 225,000 patient encounters in 2023 in northern San Diego County. VCC operates 15 sites across San Diego, Riverside, and Orange Counties. VCC's newest site opened in 2025 in the city of Torrance, marking the clinic's expansion into Los Angeles County. VCC also offers mobile care clinics in San Diego, Riverside, and Orange Counties.

TABLE 14. Largest Community Health Center Systems, San Diego County, 2023

Community Health Center System	Encounters	Patient Income Below 100% Federal Poverty Level	Medi-Cal as Share of Net Patient Revenue
Family Health Centers of San Diego	952,248	81%	89%
San Ysidro Health	582,386	69%	85%
Neighborhood Healthcare	312,211	64%	90%
TrueCare	305,008	61%	90%
Vista Community Clinic	225,390	72%	86%
San Diego County	2,958,165	72%	86%
California	26,871,453	70%	78%

Notes: Excludes 30 sites statewide that report 100% of their revenue from California's Program of All-Inclusive Care for the Elderly. Excludes county-owned and -operated FQHCs in the region as this information is not reported to the Department of Health Care Access and Information. Source: *2023 Primary Care Clinic Annual Utilization Data (November 2024)*, California Department of Health Care Access and Information, last updated May 29, 2026.

CHC respondents cited rising costs and the aging regional population as key factors in pushing them to broaden their payer mixes beyond Medi-Cal. Cost concerns included the state's minimum wage requirements for health care workers and, more broadly, rising labor costs. About the state minimum wage, one CHC respondent said, "The minimum wage requirements are crushing." The looming federal Medicaid cuts coupled with state Medi-Cal reductions in coverage for undocumented adults and others with

unsatisfactory immigration status also worried many CHC respondents.

CHC Clinically Integrated Network Continues to Expand

In San Diego, the regional clinic consortium, Health Center Partners of Southern California, operates a CIN through its IHP subsidiary. In San Diego, IHP contracts with Medi-Cal plans for approximately 300,000 managed care enrollees on behalf of nine CHCs, although FHCS, the largest CHC, does not participate in the CIN. IHP estimates these CHCs represent close to half of the primary care network for Community Health Group, Molina, and Blue Shield Promise. IHP takes professional risk with Blue Shield Promise and takes risk for primary care with Community Health Group and Molina. IHP accepts capitation, delegation, or both for professional services for Blue Shield of California (Medi-Cal and MA lines of business) and contracts with Community Health Group and Molina for primary and specialty care.

To further support member CHCs, IHP launched a Medicare Shared Savings Program accountable care organization (ACO), known as My Choice Quality Care Network, in 2025. IHP's ACO is part of the Medicare ACO Primary Care Flex Model intended to test whether alternative payments for primary care services will lead to improved quality of care, better health outcomes, and lower costs by encouraging CHCs to engage in value-based approaches for the traditional Medicare population. Initially launched with seven participating CHCs, including San Ysidro Health and TrueCare, three additional CHCs (one in San Diego and two in Northern California) joined the ACO at the beginning of 2026. In the first year of the program, the ACO served between 8,000 and 10,000 traditional Medicare enrollees.

Also in 2025, IHP joined SCMG's provider network for MA and commercial contracts. IHP's PCPs are part of the independent practice association and refer patients to Sharp HealthCare providers for specialty care. IHP reportedly has about 11,000

SCMG HMO patients (9,000 commercial HMO lives and 2,000 MA lives). The relationship stems from an arrangement between San Ysidro and SHP to provide health insurance to San Ysidro employees and allow them to access San Ysidro providers by joining SCMG. Through these relationships, CHC providers have gained access to commercial and MA patients, and SCMG has roughly doubled the number of primary care providers participating in the IPA.

Strong Regional Workforce Supply, Although Access Challenges Persist

Across San Diego and Imperial Counties, the regional physician landscape has more providers than the statewide average: 415 physicians per 100,000 population compared to 358 statewide (Table 15). The same trend holds true for APPs, with the region having 152 APPs per 100,000 population compared to 128 for California as a whole. While the supply of behavioral health providers in the region mirrors the statewide number — 382 versus 384 providers per 100,000 population, respectively — respondents noted access challenges with behavioral health providers, with one saying, "There are never enough." Market observers in Imperial noted the important role telehealth plays in addressing access issues and provider shortages in the county, particularly for behavioral health services. In San Diego, telehealth also plays an important role for access to behavioral health services in the more rural areas of eastern San Diego County. Of note, statewide workforce figures are not a recommended benchmark but rather a baseline for comparison of regional variation in supply.

In Imperial, respondents said, in addition to behavioral health services, specialty care access is challenging. Though not directly addressing the specialty care shortage, urgent care centers in Imperial have helped address access challenges more generally, including an urgent care center owned by IVHD in Calexico, on California's border with Mexico. Originally

conceived by the now-dissolved Heffernan Memorial Healthcare District, the facility opened in early 2025, with local leaders pointing to the need for urgent care in Calexico, which is more than 10 miles from El Centro Regional and almost 25 miles from Pioneers Memorial.²⁸

TABLE 15. Health Care Workforce Supply,
San Diego and Imperial Counties vs. California, 2024

	San Diego and Imperial (Percentage of Statewide Average)	California
LICENSED PROVIDERS PER 100,000 POPULATION		
LICENSE GROUP*		
Physicians	415 (116%)	358
Advanced practice providers	152 (119%)	128
Nurses	1,360 (101%)	1,353
Behavioral health providers	382 (100%)	384
PHYSICIAN DETAIL BY SPECIALTY AND HOURS WORKED†		
PHYSICIANS PER 100,000 POPULATION		
Physicians working 20+ hours/week	332 (113%)	294
Primary care	129 (109%)	118
Specialty	203 (116%)	176
Psychiatry	21 (116%)	18

* License groups based on information reported to the California Department of Consumer Affairs and the methods used by the California Department of Health Care Access and Information (HCAI). *Physicians* are MDs and DOs; *advanced practice providers* are nurse practitioners and physician assistants; *nurses* are licensed vocational nurses and registered nurses; *behavioral health providers* are all licenses in the following types: associate clinical social worker, associate marriage and family therapist, associate professional clinical counselor, licensed clinical social worker, licensed educational psychologist, licensed marriage and family therapist, licensed professional clinical counselor, psychiatric/mental health nurse, psychiatric technician, psychologist, and registered psychological associate.

† Allocation of physicians into specialties and hours of practice used the HCAI Physicians by Specialty and Patient Care Hours, as of April 3, 2024.

Source: “2024 License Renewal Survey Data, Representing Active Licenses as of December 3, 2024,” custom data request, HCAI, received April 14, 2025.

Physicians across the region are less diverse in race and ethnicity than the overall regional population (Table 16). While more than a third of the region’s population is Latino/x, only 10.5% of physicians and less than 20% of APPs, nurses, and behavioral health providers are Latino/x. Similarly, 4.6% of the region’s population is Black, yet only 2.1% of physicians are Black.

Almost all respondents commented on the challenges posed by an aging workforce and the impact of retirements on overall workforce supply. In Imperial County, recruiting

TABLE 16. Physician and Health Workforce Characteristics,
San Diego and Imperial Counties, 2024

	Physicians	Advanced Practice Providers	Nurses	Behavioral Health Providers	Population
RACE/ETHNICITY OF PROVIDERS*					
Latino/x, any race	10.5%	16.0%	18.5%	18.5%	37.6%
Asian, non-Latino/x	24.6%	18.6%	27.8%	27.8%	12.1%
Black, non-Latino/x	2.1%	3.2%	3.4%	3.4%	4.6%
White, non-Latino/x	58.9%	56.2%	44.0%	44.0%	41.4%
LANGUAGES SPOKEN*					
English only	60%	68%	63%	74%	
Spanish	17%	17%	14%	18%	

Notes: License groups based on information reported to the California Department of Consumer Affairs and the methods used by the California Department of Health Care Access and Information (HCAI). *Physicians* are MDs and DOs; *advanced practice providers* are nurse practitioners and physician assistants; *nurses* are licensed vocational nurses and registered nurses; *behavioral health providers* are all licenses in the following types: associate clinical social worker, associate marriage and family therapist, associate professional clinical counselor, licensed clinical social worker, licensed educational psychologist, licensed marriage and family therapist, licensed professional clinical counselor, psychiatric/mental health nurse, psychiatric technician, psychologist, and registered psychological associate.

* Not shown: Other, non-Latino/x.

† Spoken fluently/well enough to provide direct services to clients. Some providers speak multiple non-English languages (e.g., 8% of physicians statewide); these languages are not captured here.

Sources: “2024 License Renewal Survey Data, Representing Active Licenses as of December 3, 2024,” custom data request, HCAI, received April 14, 2025; and *Annual County Resident Population Estimates by Age, Sex, Race, and Hispanic Origin: April 1, 2020 to July 1, 2023* (CC-EST2023-ALLDATA) (2023), US Census Bureau.

providers to live and work in a rural area is challenging. Several CHC respondents noted that they cannot offer the same level of salary and benefits as the larger regional health systems, which adds to difficulties attracting and retaining physicians and other providers. As one CHC respondent said, “Competition for providers can be fierce, and the larger systems poach our staff.” Respondents across the region also noted the growing use of APPs to supplement primary care shortages. Of note, UCSD’s medical school launched a new physician assistant program in 2024 with a cohort of 30 students. In addition, CHCs have implemented several workforce initiatives to bolster clinician supply regionally, including partnering with universities and health systems to support residency programs, APP training academies, and internships and externships for behavioral health providers.

Two San Diego CHCs, FHCS and San Ysidro, participate in the US Health Resources and Services Administration (HRSA) Teaching Health Center Graduate Medical Education

program, which funds CHCs to provide residency training sites for physicians and dentists in underserved areas. HRSA funding covers the residents' training costs, including salary and benefits. For the 2023–24 residency year, HRSA awarded over \$2.8 million to FHCS and \$2.7 million to San Ysidro.²⁹ Innercare, the CHC in Imperial, plans to become a Teaching Health Center as well and has already gained accreditation as a sponsoring institution for graduate medical education in family medicine through the Eastern Riverside and Imperial County Collaborative, an initiative working to expand graduate medical education infrastructure and address health disparities. When fully launched, Innercare's family medicine residency program will have 24 slots.³⁰

To address physician shortages in underserved areas, the California legislature established the Licensed Physicians from Mexico Pilot Program in the early 2000s to sponsor primary care physicians and dentists from Mexico to practice in underserved areas for up to three years.³¹ In 2024, the program was reauthorized and added psychiatrists to the physicians who can be sponsored.³² Innercare participates in the pilot, which supports culturally and linguistically aligned services for its patient population, the majority of whom are Spanish speakers. In San Diego, TrueCare also participates in the pilot, onboarding the CHC's first physician in early 2026.

The county behavioral health departments in both San Diego and Imperial are working to improve access to behavioral health services. In Imperial County, the Behavioral Health Services department operates several programs to "grow their own" workforce. The county has developed affiliation agreements with 20 community colleges and universities to provide internships or practicums, and offers a mentorship program for new high school graduates to encourage them to work in behavioral health and remain in Imperial. Beginning in 2026, the county is partnering with UCSD Health to launch a psychiatry residency program to train 16 residents over four years, with four slots available a year. The

residents must make a four-year commitment to be eligible to apply for loan forgiveness — two years of residency followed by two years of employment in the county. For the first cohort, 585 medical students applied for four slots. Both the county and UCSD Health have received funding from the California Department of Health Care Access and Information to support the development and operation of the residency program.

In 2025, San Diego County Behavioral Health Services launched a workforce training initiative spurred by a 2022 workforce report that found the public behavioral health system in San Diego would need an additional 18,500 behavioral health professionals between 2022 and 2027 to meet local needs. Known as Elevate, the initiative provides \$75 million over five years to pilot a range of workforce programs. The funds will be used to support recruitment, education, and training for current and prospective behavioral health staff, including scholarships, stipends, loan forgiveness, and apprenticeships. Funding for the initiative comes from the state Mental Health Services Act Innovation program.³³

Regional Leaders Welcome CalAIM Despite Implementation Challenges

The state began the rollout of CalAIM in 2022, with major changes to Medi-Cal planned for phased implementation over several years. Two foundational aspects of CalAIM are Enhanced Care Management (ECM) and Community Supports (CS) services. A new Medi-Cal benefit, ECM provides resources for care coordination and care management for patients with complex needs. CS services expand Medi-Cal beyond traditional health care services, adding up to 15 services for health-related social needs such as housing supports and medically tailored meals. These CalAIM programs have prompted more social service organizations to contract with the Medi-Cal health plans and more health

care organizations, especially CHCs, to offer social services to patients directly or through partnerships.

In San Diego and Imperial Counties, 2.9% of Medi-Cal members were enrolled in ECM, almost double the statewide rate, and 2.5% of members received CS services in 2024 — also higher than statewide (Table 17). In San Diego County, 2.8% of Medi-Cal members were enrolled in ECM, and 3.6% of members were enrolled in ECM in Imperial County (data not shown). While both San Diego and Imperial Counties had higher ECM enrollment rates than statewide, 1.3% of Medi-Cal members in San Diego received CS services, which is lower than the statewide rate. On the other hand, in Imperial County, 15.1% of members received CS services in 2024. In San Diego, in the fourth quarter of 2024, the most-used CS service was medically tailored meals (6,832 members), followed by respite services (349 members) and housing transition navigation (297 members). In Imperial, the most-used CS service, by far, was medically tailored meals (8,493 members).³⁴

TABLE 17. Medi-Cal and CalAIM,
San Diego and Imperial Counties vs. California, 2024

	San Diego and Imperial Counties	California
ENHANCED CARE MANAGEMENT (ECM) ENROLLMENT*		
ECM enrollment	31,234	206,501
Share of Medi-Cal managed care enrollees receiving ECM	2.9%	1.5%
COMMUNITY SUPPORTS (CS) ENROLLMENT†		
CS enrollment	27,362	258,141
Share of Medi-Cal managed care enrollees receiving CS	2.5%	1.9%

* ECM enrollment is the number of unique members who received ECM in the last 12 months of the reporting period ending September 30, 2024.
† CS enrollment is the number of members receiving services in the 12 months of the reporting period ending September 2024.
Source: ECM and Community Supports Quarterly Implementation Report (data through September 30, 2024), California Department of Health Care Services, last updated March 2025, data tables for charts 1.7.1 and 3.9.1.

Almost universally, regional respondents affirmed support for ECM and CS services while noting how challenging implementation has been. As one market observer said, CalAIM’s “intent is great, but the devil is in the details.” Multiple CHC respondents supported ECM, with one noting they are “happy to be paid for work we were doing already.” However, CS services are required to be cost-effective when compared to traditional Medi-Cal services, and health plans in the region, like Medi-Cal health plans statewide, cited significant concerns about whether these new benefits “pencil out.” Respondents commented that some of the CS services may reduce costs — for example, through lower ED or inpatient utilization — but others may not.

Several respondents noted how challenging the three housing-related CS services are to offer, given the overall housing shortage in the region, which makes placements exceedingly difficult. One respondent called the need for permanent supportive housing “dire.” Another noted that the “housing supports are ineffective and can continue for many months without yielding benefits” due to the lack of housing options in the region. The high administrative burden associated with participating in ECM and CS has been a challenge for providers, including smaller community-based organizations, as they learn how to contract with health plans and manage new administrative responsibilities, including billing and coding. To support organizations with implementation, state funding was made available through the Providing Access and Transforming Health initiative and from Medi-Cal health plans through the Incentive Payment Program. The uncertain federal policy environment, coupled with state budget issues, also has led to sustainability questions for health plans and providers, making it difficult to make long-term plans.

Behavioral Health Transformation Underway

Over the last several years, California has implemented a series of investments aimed at transforming the behavioral health care system. Policy initiatives that aim to strengthen the behavioral health care continuum include CalAIM, Behavioral Health Community-Based Organized Networks of Equitable Care and Treatment (BH-CONNECT), the Children and Youth Behavioral Health Initiative, and investments in infrastructure and housing through Behavioral Health Continuum Infrastructure Program (BHCIP) grants. In addition, Proposition 1, which was passed by California voters in March 2024, included significant changes to the Mental Health Services Act and a \$6.4 billion general obligation bond to build additional behavioral health treatment facilities and supportive housing. In many cases, county behavioral health agencies are tasked with implementation of these new, frequently intersecting initiatives, which require significant resources and planning. One market observer commented on the many policy changes that “have hit all at once” for the counties and with the expectation that the counties will shoulder many of the costs associated with the additional administrative burden.

Medi-Cal divides responsibility for behavioral health care between Medi-Cal health plans, which are responsible for non-specialty mental health (sometimes called “mild-to-moderate” services), and counties, which are responsible for specialty mental health and SUD services. In San Diego and Imperial Counties, as is true across California, stakeholders view this system as challenging for patients and providers to navigate. However, behavioral health integration is complicated to implement, and respondents agreed much work remained to realize a truly integrated system.

Counties Work to Support Regional Service Delivery Models

In both San Diego and Imperial Counties, developing and supporting a regional service delivery system is a key focus for the behavioral health services departments. Imperial

County Behavioral Health Services is the primary provider of specialty mental health services, employing 95% of providers in the county, and SUD services, employing 98%. Imperial County operates outpatient clinics in the cities of Calexico, El Centro, Brawley, and Winterhaven, as well as two “wellness centers” in El Centro and Brawley that serve as resource centers for adults with serious and persistent mental illness. Patients needing inpatient psychiatric or SUD care are referred to hospitals in San Diego to the west or Riverside and San Bernardino Counties to the north. Reflecting the challenges of finding available inpatient beds, some patients have received care as far away as Merced, almost 500 miles to the north.

To reach people living in remote areas, Imperial County relies on mobile crisis units. While Imperial first piloted offering mobile crisis services in 2019, the services are now a covered Medi-Cal benefit. Imperial’s mobile units are equipped with telehealth capabilities, enabling nurses staffing the units to communicate in real time with a physician if necessary.

In San Diego County, Behavioral Health Services (BHS) historically has been part of the larger county Health and Human Services Agency; however, BHS transitioned to a stand-alone behavioral health department in July 2026 to better reflect its role as a specialty behavioral health plan. San Diego County BHS serves approximately 110,000 patients annually, contracting with providers across the county. In addition to county-run outpatient and case management services across San Diego, the county also operates an inpatient psychiatric hospital with 60 staffed beds, the San Diego County Psychiatric Hospital. The county contracts with local hospitals for additional inpatient capacity and continues to build partnerships with local hospitals for more, as some hospitals have closed inpatient behavioral health units in recent years.

San Diego County has worked to address behavioral health needs by emphasizing preventive care and management of

chronic conditions to reduce the number of people needing crisis services. Over the last five years, the county has launched four crisis stabilization units (CSUs), with plans to open 2 more in 2026 in the eastern and southern parts of the county. The county also launched 2 mobile crisis response teams in 2021 and has since expanded to 44 teams. As a result of the CSUs and mobile units, the county has seen a 38% reduction in monthly admissions to the San Diego County Psychiatric Hospital's emergency psychiatric unit.

In anticipation of building a new inpatient psychiatric hospital, Palomar Health closed its 16-bed inpatient psychiatric unit in 2024, leaving North County with no inpatient psychiatric capacity. Though Palomar's plans are uncertain, the county partnered with Tri-City to address the gap in the behavioral health continuum and funded construction of a new freestanding 16-bed psychiatric health facility in Oceanside. Located on the Tri-City hospital campus, the facility opened in late 2025 and primarily provides inpatient care to adults transitioning from the North County CSUs as well as Tri-City's ED. In addition, the county has several other new facilities in the works, including a new 12-bed psychiatric inpatient unit within the county-owned Edgemoor Distinct Part Skilled Nursing Facility. This project, funded by a state BHCIP grant, will add new dedicated crisis care capacity for Medi-Cal patients in eastern San Diego County.

San Diego County also has prioritized increasing Medi-Cal rates for fee-for-service acute psychiatric inpatient services by leveraging 2023 Medi-Cal rate guidance that allows fee-for-service rates to be set based on the lower of a hospital's usual and customary charge or the cost per day reported on the hospital's most recent US Centers for Medicare & Medicaid Services audited hospital cost report.³⁵ Before the change, rates were set based on the lower of a hospital's usual and customary charge or the maximum per diem rate determined by DHCS at the regional level, or approximately \$1,300 per bed day locally. The new methodology has allowed for

significant increases to Medi-Cal per diem inpatient rates for most hospitals and better aligns reimbursement with the costs of providing services in inpatient settings. Hospital respondents welcomed the change, with one saying that \$1,300 per day was "much too low" to cover hospital costs.

San Diego Health Systems Also Seek to Expand Behavioral Health Services

Along with the county's efforts to expand access to behavioral health services, Scripps has sought to improve access in southern San Diego County. Previously, Scripps had entered a joint venture with Acadia Healthcare, a publicly traded corporation, to build a new 120-bed inpatient behavioral health facility in Chula Vista.³⁶ The project faced strong opposition from the local community and ultimately did not move forward, losing approval by the Chula Vista City Council by one vote. While Scripps and Acadia continue to seek a new location for the project, Scripps moved forward with closing the 36-bed inpatient psychiatric unit at Scripps Mercy. Whether a new Scripps-Acadia facility will ultimately be built is uncertain. One market observer remarked that "the project would cost twice as much" as it would have four or five years ago.

UCSD Health also has sought to expand behavioral health services at the system's East Campus hospital by adding 40 inpatient beds through a partnership with San Diego BHS in 2024. However, the two could not agree to terms.³⁷ UCSD Health remains committed to the East Campus project, which will require an estimated \$35 million in outside funding. In late 2025, UCSD Health announced receipt of a \$10 million grant from Price Philanthropies, a local foundation, that will help support a "behavioral health hub" at UCSD Health's East Campus. If fully funded, the new facility would include two inpatient psychiatric units with a total of 50 beds and offer outpatient services, including partial hospitalization services, as well as a workforce training "hub" to include training for psychiatrists, psychiatric/mental health

nurse practitioner fellows, and UCSD School of Medicine physician assistant students.³⁸

State Funding Supports Expansion of Behavioral Health Infrastructure

Enacted by the California legislature in 2021, BHCIP provides grant funding to expand the behavioral health infrastructure across the state. While these funds were welcomed by the region's stakeholders and providers, one respondent noted that the grants do not provide ongoing operating funds. A respondent also noted the lengthy timeline to finalize a contract with the state, leading to significant delays in starting construction. Another respondent commented that the grants are insufficient to make up for the many years of underfunding, saying, "It will take decades to catch up with the need."

Over the first five BHCIP funding rounds, the region's county departments, hospitals, CHCs, and other providers have received millions of dollars in grants. These grantees included San Diego and Imperial providers for county and tribal planning grants, as well as grants to build out the crisis and behavioral health continuum and crisis care mobile units and to build or expand facilities to serve children and youth. The organizations receiving BHCIP funds in the region include the Indian Health Council, San Diego American Indian Health Center, San Diego Freedom Ranch, San Diego Center for Children, and Imperial County Behavioral Health Services. In Imperial, the county received a \$17 million grant to build a 16-bed adult residential SUD treatment facility, a \$4 million grant to build a community wellness and youth prevention center with 14 slots, and an \$8 million grant for a community mental health clinic with 144 slots.

In 2025, the state awarded over \$285 million in Proposition 1 BHCIP funds to support new facilities across the region. In San Diego, the awards included \$29.8 million to San Diego County for two projects: a substance use residential and

treatment services facility, with approximately 73 residential SUD treatment beds and 16 recuperative care beds, and a children's crisis residential care facility with 16 beds. These will be the first children's crisis residential beds in the local behavioral health system of care. In Imperial, the county received \$22.4 million to expand an existing facility to provide outpatient SUD treatment and serve more than 500 patients. However, the project, planned for Brawley, has faced community opposition.

In mid-2025, the state issued a request for proposals for a subsequent round of Proposition 1 BHCIP grants. San Diego County received a conditional grant award of \$99.5 million to develop and construct a new 210-bed behavioral health wellness campus in the Midway District, north of San Diego International Airport. The campus, slated for completion in 2031, will integrate an array of mental health and substance use services at a single location, including a CSU, SUD residential treatment, mental health outpatient services, a peer-focused social rehabilitation program, and a mental health rehabilitation center.

Large Federal and State Budget Cuts Spark Significant Concern

Interviews with regional leaders occurred after federal House Resolution 1 (HR 1), also known as the "One Big Beautiful Bill Act," was signed into law but before federal implementation guidance had been issued for most providers. HR 1 is projected to reduce federal Medicaid funding by more than \$900 billion nationally over 10 years through a combination of financing, eligibility, and other changes. In California, as many as 3.4 million people may lose Medi-Cal coverage, which will, in turn, reduce health care access and increase financial burdens for both providers and households.³⁹ Respondents were beginning to evaluate and analyze the impacts of the federal changes but had not yet adjusted course as they waited for more details. Concurrent

with the federal cutbacks, California faced a \$20 billion deficit for the 2025–26 fiscal year budget and an estimated \$18 billion deficit for the 2026–27 fiscal year budget, reducing the state’s ability to backfill federal reductions. In response to the state’s budget deficit and to utilization that was significantly higher than expected, California has rolled back Medi-Cal eligibility and benefits for undocumented residents and others with unsatisfactory immigration status by freezing new adult enrollment beginning in 2026 and adding a monthly premium for adults age 19–59 effective July 2027.

Stakeholders voiced concerns about how the state and federal changes will impact the region as various provisions take effect in the coming years. Many noted the need to be “thoughtful and careful” with their finances and to manage costs in advance of sizable reductions in both Medi-Cal eligibility and funding levels. In addition, the end of federal enhanced premium subsidies for Covered California enrollees also raised concerns about higher rates of uninsured people across the health care system and the impacts of greater uncompensated care as people seek treatment at hospital EDs or CHCs. FQHCs, especially, are likely to be impacted by the coverage losses in Medi-Cal and Covered California, as they are required to treat all patients regardless of their ability to pay. The potential for changes in federal Medicaid financing for safety-net hospitals, including Medicaid supplemental payments, was also cited as a major concern by safety-net hospitals in both San Diego and Imperial Counties.

Additionally, California will need to renew the Medi-Cal waivers that underpin CalAIM as well as the many behavioral health changes underway in the Medi-Cal program. The two CalAIM waivers expire at the end of 2026, and the BH-CONNECT waiver expires at the end of 2029. While California has put forth a strategy that would allow much of CalAIM to continue, including CS services, federal approval

is required, leaving CalAIM’s future uncertain, particularly when coupled with the significant federal cuts to Medicaid funding in HR 1.

Despite the uncertainties, many respondents remained optimistic about weathering the changes. As one safety-net provider commented, “Change comes with the territory in the safety net. Every four or eight years, the federal leadership changes, and federal priorities change too.”

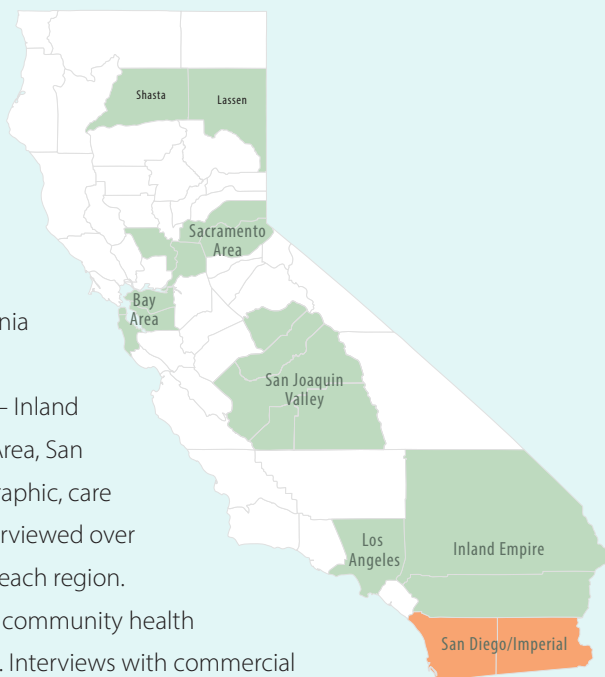
Issues to Track

- ▶ What will be the impact of increasing financial pressure on the region’s health systems and hospitals? Will the remaining independent hospital in the region remain independent, or will Prime Healthcare sell Paradise Valley Hospital to one of the larger systems?
- ▶ Will the JPA between UCSD Health and Palomar stabilize Palomar? What will be the impact of the JPA, as well as UCSD Health’s expanded role in Imperial County, on costs and access in the region?
- ▶ Will Optum and Astrana continue to expand regionally by acquiring medical groups? Or is San Diego’s physician market ultimately less attractive because it is already relatively concentrated?
- ▶ Will SCMG’s FocusHealth help stabilize independent physician practice?
- ▶ Will San Diego change its Medi-Cal managed care model, moving from a Geographic Managed Care Model with four health plans to a Single Plan Model with just one health plan plus Kaiser offering coverage to San Diego’s Medi-Cal enrollees?
- ▶ Will the state sustain higher reimbursement rates for Medi-Cal inpatient behavioral health services? Will the higher rates encourage more hospitals to contract with San Diego County?

- ▶ How will the spending reductions in Medi-Cal and the reduction in coverage for the undocumented population driven by state budget limitations impact the regional health systems, hospitals, and CHCs? How will providers in San Diego County and Imperial County respond to the expected increase in uninsured patients?
- ▶ What will be the impact of the Medi-Cal funding cuts on the smaller CHCs? Will they seek to consolidate, or merge, with larger CHCs?

BACKGROUND ON REGIONAL MARKETS STUDY

Between October 2025 and January 2026, researchers from Yegian Health Insights, LLC, conducted interviews with health care leaders in San Diego and Imperial Counties in Southern California to study the market's local health care system. San Diego/Imperial 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 fifth round of the study; the first set of regional reports was released in 2009. The seven markets included in the project — Inland Empire, Los Angeles, Sacramento, San Diego/Imperial, San Francisco Bay Area, San Joaquin Valley, and Shasta/Lassen — reflect a range of economic, demographic, care delivery, and financing conditions in California. Yegian Health Insights interviewed over 200 respondents for the overall study, with 25 to 30 interviews specific to each region. 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.



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ABOUT THE AUTHOR

Caroline Davis, MPP, is president of Davis Health Strategies LLC, which provides strategic and analytical services to health systems, nonprofit organizations, foundations, and government agencies focused on health care and health policy.

REGIONAL MARKETS STUDY TEAM

Jill Yegian, Project Director and Regional Lead for Shasta/Lassen and San Diego

Ted Calvert, Project Manager

Caroline Davis, Regional Lead for San Francisco Bay Area and San Diego/Imperial

Len Finocchio, Regional Lead for San Joaquin Valley and Sacramento

Marian Mulkey, Regional Lead for Inland Empire

Katy Wilson, Data Lead

Alwyn Cassil, Editorial Lead

Karen Shore, Events Lead

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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.

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