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Los Angeles: Vast and Varied Health Care Market Inches Toward Consolidation

Summary of Findings

The Los Angeles health care market — as varied as it is vast — juggles the needs of more than 10 million people across a geographically diverse landscape. More than 80 general acute care hospitals are scattered throughout Los Angeles County, an area twice the size of Delaware with 10 times the population. The county includes 88 cities, and the historically fragmented health care sector tends to serve distinct geographic areas where residents live and work. Only two health systems operate on a countywide scale: Kaiser Permanente, an integrated delivery system with a health plan, owned hospitals, and tightly aligned employed physicians serving primarily commercial and Medicare patients across the market; and the Los Angeles County Department of Health Services (LACDHS), which operates the countywide safety-net system. Over the past several years, the Los Angeles market has inched toward greater consolidation as two major health systems — Cedars-Sinai and Providence — have expanded: Cedars by affiliating with community hospitals both north and south of its flagship medical center, and Providence through merger with St. Joseph Health to strengthen regional presence.

The region has experienced a number of changes since the prior study in 2015–16 (see page 24 for more information about the Regional Markets Study). Key developments include:

- **Medi-Cal coverage expansion continues to fuel growth of L.A. Care Health Plan, the local public plan.** The 2014 Medi-Cal expansion under the federal Affordable Care Act (ACA) has helped push L.A. Care enrollment to more than two million people, about two-thirds of Medi-Cal managed care enrollment in the county. However, many residents are ineligible for Medi-Cal and remain uninsured — primarily those who are undocumented. To help fill this access gap, the county operates My Health LA, a program providing care — not coverage — to about 140,000 adults with low incomes.

- **Enrollment in Medicare managed care continues to grow, while commercial health maintenance organization (HMO) enrollment stagnates.** In 2019, for the first time, more than half of Los Angeles Medicare beneficiaries opted for Medicare Advantage (MA) rather than fee-for-service Medicare. In the commercial market, HMO enrollment flattened, except for Kaiser. Limited opportunities for growth in commercial HMO enrollment have sparked interest among some providers in a broader

portfolio of risk-bearing arrangements, including direct contracting with employers.

- **The Los Angeles hospital market has consolidated slightly in recent years — primarily through closures and new affiliations and partnerships.** Numerous hospitals and health systems, none with a dominant market share, operate in the market, typically in specific geographic areas rather than countywide. The six largest health systems accounted for half of acute inpatient market share — with no system accounting for more than 11% of discharges.

- **Los Angeles continues as a stronghold for large capitated, delegated physician organizations.** Across the county, large medical groups and independent practice associations (IPAs) accept clinical responsibility and financial risk through capitation — fixed per-person, per-month payments — to care for assigned patient populations. Optum, a part of UnitedHealth Group, has acquired large and well-respected physician groups across Southern California, including the 2019 acquisition of DaVita HealthCare Partners in Los Angeles. Across Southern California, Optum either employs or is affiliated through IPAs with more than 7,000 physicians — a scale rivaled only by Kaiser's Southern California Permanente Medical Group. Optum holds full-risk contracts for almost a half million people in Los Angeles.

- **Los Angeles County government, which plays a critical safety-net role, divides responsibility for physical and behavioral health services across three departments.** LACDHS, with a $6.2 billion operating budget, runs an integrated delivery system of hospitals and clinics serving Medi-Cal enrollees and the uninsured. The Department of Mental Health operates the countywide plan for Medi-Cal enrollees with serious mental health conditions requiring specialty care, while the Department of Public Health's Substance Abuse Prevention and Control unit functions as a specialty substance use disorder (SUD) managed care plan, contracting with providers to facilitate delivery of SUD treatment services. Coordination is a significant challenge for all involved.

- **The 131-bed Martin Luther King, Jr. Community Hospital (MLKCH), which opened in 2015, provides much needed services to one of the county's most disadvantaged areas.** South Los Angeles, with just over a million residents, experienced significant health care access, quality, and safety issues before and after Martin Luther King Jr. / Drew Medical Center closed in 2007. A new community hospital, MLKCH, opened in 2015. By 2018, the hospital had a 70% occupancy rate, with 95% of discharges associated with government payers — 71% Medi-Cal and 24% Medicare — and the 29-bed emergency department (ED) had almost 100,000 visits.

- **Collectively caring for about 1.7 million patients, Federally Qualified Health Centers (FQHCs) continue to play an essential and growing safety-net role for Medi-Cal enrollees and uninsured people in the county.** Between 2014 and 2018, the number of FQHC patients increased by 33%, and the number of FQHC patients covered by Medi-Cal increased by 50%. Primary care services expanded, but ensuring adequate access to specialty care for FQHC patients remains a significant challenge. While Los Angeles's FQHCs share a common mission, they vary tremendously in size, geography, strategies, and areas of focus.

- **The COVID-19 pandemic hit Los Angeles hard in 2020.** Through August 2020, Los Angeles County experienced an infection rate about a third higher than the state as a whole, and a COVID-19 death rate 75% higher than statewide. The pandemic has amplified underlying racial health disparities: Black and Latinx Angelenos have been disproportionately impacted by the virus.

Market Background

With 10.1 million residents, Los Angeles County is home to more than a quarter of California's population. As the nation's largest county by population, if Los Angeles County were a state it would be the 10th most populous in the country, falling between Georgia and North Carolina. The county includes 88 cities — the largest is the city of Los Angeles with about 4.1 million people — yet more than half of the county's 4,070 square miles remains unincorporated. As varied as it is vast, Los Angeles County includes a coastal plain surrounded by mountain chains filled with valleys and canyons that delineate the San Fernando and San Gabriel Valleys.

While portions of the county include sparsely populated desert, the region is still the second-most densely populated urbanized area in the country.[1] Continuing a decades-long trend, Los Angeles County's population grew less than the state as a whole — 0.9% versus 3.2% — from 2013 to 2018 (see Table 1).

Los Angeles County is among the most socioeconomically diverse regions in the country. A near majority (48.6%) of residents identify as Latinx, followed by 26.1% who identify as White, 14.7% as Asian, and 8.0% as Black. The county has a higher proportion of foreign-born residents than the state overall (31.6% versus 25.5%) — the highest among the seven study sites in the 2020 Regional Market Report series — though that proportion did decline from 36.1% in 2014. County residents generally have lower incomes and less formal education and are more likely to experience unemployment compared with residents elsewhere in the state. A third of county residents live in households earning below 200% of the federal poverty level (FPL), or $52,400 for a family of four in 2020.[2] Nonetheless, in recent years, economic conditions overall had improved (before the pandemic), consistent with the trend statewide.[3]

Housing affordability remains a major issue in the region; only 27% of county households can afford a median-priced home, compared with 31% statewide. Los Angeles County is second only to the San Francisco Bay Area (where just 24% of households can afford a median-priced home) among studied regions in the lack of affordable housing. Reflecting this challenge, homelessness has increased dramatically in recent years: the annual Los Angeles Homeless Count identified 63,706 homeless people prior to the pandemic, an increase of 55% from 2015 to 2020.[4]

TABLE 1. Demographic Characteristics
Los Angeles County vs. California, 2018

	Los Angeles	California
POPULATION STATISTICS		
Total population	10,105,518	39,557,045
Five-year population growth	0.9%	3.2%
AGE OF POPULATION, IN YEARS		
Under 18	21.7%	22.7%
18 to 64	64.7%	62.9%
65 and older	13.6%	14.3%
RACE/ETHNICITY		
Latinx	48.6%	39.3%
White, non-Latinx	26.1%	36.8%
Black, non-Latinx	8.0%	5.6%
Asian, non-Latinx	14.7%	14.7%
Other, non-Latinx	2.5%	3.6%
BIRTHPLACE		
Foreign-born	31.6%	25.5%
EDUCATION		
High school diploma or higher	79.4%	83.7%
College degree or higher	39.7%	42.2%
ECONOMIC INDICATORS		
Below 100% federal poverty level (FPL)	14.1%	12.8%
100% to 199% FPL	19.7%	17.1%
Household income $100,000+	33.7%	38.0%
Median household income	$68,093	$75,277
Unemployment rate	4.7%	4.2%
Able to afford median-priced home (2019)	27.3%	31.0%

Sources: "County Population by Characteristics: 2010–2019," Education by County, FPL by County, Income by County, US Census Bureau; "AskCHIS," UCLA Center for Health Policy Research; "Employment by Industry Data: Historical Annual Average Data" (as of August 2020), Employment Development Dept., n.d.; and "Housing Affordability Index - Traditional," California Association of Realtors. All sources accessed June 1, 2020.

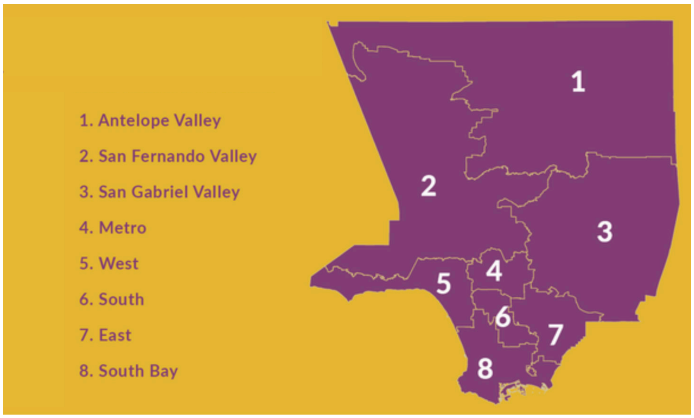
Given the county's diversity and size, characterizing Los Angeles at the county level masks huge variation in population characteristics and health indicators. To target services to local needs, the county Department of Public Health divides the county into eight subregions, known as service planning areas (SPAs), which vary dramatically in terms of geography, demographics, socioeconomics, health status, and access to health care (see Figure 1).[5]

Los Angeles County includes densely populated urban areas (Metro and South), large suburban areas (San Fernando Valley and San Gabriel Valley), and vast desert areas to the north (Antelope Valley). The largest concentration of Black residents (27%) and the second-largest proportion of Latinx residents (67%) among the county's SPAs is in the South, while the West has the largest percentage of White residents (48%) and the East has the largest concentration of Latinx residents (80%). The racial/ethnic distribution of Metro area residents is 44% Latinx, 30% Asian, and 21% White.[6]

Table 2 illustrates the stark variation on economic and health care indicators within Los Angeles County by highlighting the Metro, West, and South SPAs. Variation in income is particularly pronounced, with nearly one-third (32.9%) of households in the West earning more than $135,000, compared with less than one in 10 (6.6%) in the South. Access to care and health indicators are also highly divergent, and residents in lower-income areas report access challenges, chronic conditions like diabetes, and poorer health at up to twice the rate of those in other geographies.

Within-county variation in physician supply doubtless contributes to within-county variation in health care access and outcomes. While Los Angeles County has about the same number of primary care physicians and more specialists than the state as a whole, a greater share of the Los Angeles population resides in a federally designated primary care Health Professional Shortage Area (HPSA) compared to California, indicating a maldistribution of the clinical workforce across

FIGURE 1. Los Angeles County Service Planning Areas



Source: "What Is a Service Planning Area?," Coalition for Prevention and Awareness in LA Metro, accessed January 18, 2021.

TABLE 2. Selected Indicators, Los Angeles County Service Planning Areas vs. California, 2018

	Metro (SPA 4)	West (SPA 5)	South (SPA 6)	Los Angeles County
Population	1,148,000	653,000	1,029,000	10,094,000
Density (population per square mile)*	12,331	3,096	13,312	2,472
Below 100% federal poverty level	19.9%	9.5%†	40.7%	18.8%
Household income > $135,000	20.0%	32.9%	6.6%†	19.0%
Homeless/1,000 population‡	12.4	6.7	8.1	4.9
Always/usually get doctor appointment within two days	66.5%	68.5%	49.5%	63%
Excellent/very good health	48.8%	63.7%	38.6%	51.3%
Diagnosed with diabetes	9.8%	8.1%†	16.3%	11.0%
Leading cause of premature death (2017)	Coronary heart disease	Drug overdose (unintentional)	Homicide	Coronary heart disease

*Calculations made by Blue Sky Consulting Group using square mileage data from *HIV Prevention Plan 2009–2013, East Service Planning Area SPA 7* (PDF), Los Angeles County (pp. 3, 7–9), and population data from "AskCHIS," UCLA Center for Health Policy Research. All sources accessed October 14, 2020.

† Statistically unstable.

‡ Calculations made by Blue Sky Consulting Group using homeless count data from "2015 to 2020 Homeless Count by Service Planning Area," Los Angeles Homeless Services Authority, and population data from "AskCHIS." All sources accessed October 14, 2020.

Sources: *Patterns of Mortality in Los Angeles County (2008–2017)* (PDF), County of Los Angeles Public Health, Office of Health Assessment & Epidemiology, December 2019; "AskCHIS." All sources accessed October 14, 2020.

the county (Table 3). The west side of the county, home to the large academic medical centers, boasts a wide range of physician specialists. In contrast, rural northern Antelope Valley and inner-city South Los Angeles both struggle to recruit clinicians. A 2020 community needs assessment concluded that South Los Angeles has a shortfall of 1,300 physicians.[7] One respondent for this study remarked, "It's as hard to recruit someone to Lancaster [in rural Antelope Valley], as it is to Compton, one for inconvenience and the other for the name."

TABLE 3. Physicians: Los Angeles County vs. California, 2020

	Los Angeles	California	Recommended Supply*
Physicians per 100,000 population†	198.0	191.0	—
► Primary care	57.5	59.7	60–80
► Specialists	140.0	130.8	85–105
► Psychiatrists	12.0	11.8	—
% of population in HPSA (2018)	36.6%	28.4%	—

*The Council on Graduate Medical Education (COGME), part of the US Department of Health and Human Services, studies physician workforce trends and needs. COGME ratios include doctors of osteopathic medicine (DOs) and are shown as ranges above.

† Physicians with active California licenses who practice in California and provide 20 or more hours of patient care per week. Psychiatrists are a subset of specialists.

Sources: Healthforce Center at UCSF analysis of Survey of Licensees (private tabulation), Medical Board of California, January 2020; and Health Professional Shortage Area (HPSA) data from *Shortchanged: Health Workforce Gaps in California*, California Health Care Foundation, July 15, 2020.

Health Care Coverage

Compared with the state as a whole, Los Angeles has a larger share of residents covered by Medi-Cal (33.3% versus 28.7%) and a smaller share covered by private insurance (42.0% versus 47.7%) (Table 4).[8] In 2014, the year the ACA took effect, the percentage of uninsured LA residents fell sharply, with corresponding increases in the share of the population with Medi-Cal and private insurance. Since then, the percentage of uninsured LA residents has declined further, from 11.3% in 2015 to 9.9% in 2019. The greater Los Angeles metro area is home to almost a million undocumented people.[9] The fact that they are ineligible for public coverage may partly account for an uninsured rate in Los Angeles that is 2 percentage points higher than statewide.

The share of the Los Angeles population covered by Medicare increased about 1.5 percentage points (13.4% to 14.9%) between 2015 and 2019, similar to an increase seen statewide. Historically strong in Los Angeles, Medicare managed care enrollment also continued to grow; for the first time in 2019, more beneficiaries participated in Medicare Advantage than in original fee-for-service Medicare. On the commercial side, HMO enrollment outside Kaiser has stagnated.[10] In response, health systems and physician organizations with strong capabilities in managing financial risk and population health are seeking new opportunities, such as direct contracting with employers.

With 3.8 million Medi-Cal enrollees (including those dually eligible for Medicare and Medi-Cal) in 2019 — up 340,000 since 2014 — the county has 30% of the state's Medi-Cal enrollment. Approximately 730,000 enrollees were in fee-for-service Medi-Cal in 2019, while just over three million were enrolled in managed care.[11]

TABLE 4. Trends in Health Insurance, by Coverage Source
Los Angeles County vs. California, 2015 and 2019

	LOS ANGELES		CALIFORNIA	
	2015	2019	2015	2019
Medicare*	13.4%	14.9%	14.4%	15.9%
Medi-Cal	32.8%	33.3%	29.1%	28.7%
Private insurance†	42.5%	42.0%	47.8%	47.7%
Uninsured	11.3%	9.9%	8.6%	7.7%

*Includes those dually eligible for Medicare and Medi-Cal.

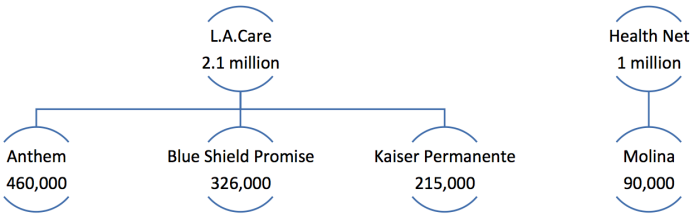
† Includes any other insurance coverage (excluding Medicare and Medi-Cal).

Source: Calculations made by Blue Sky Consulting Group using data from the US Census Bureau, the Centers for Medicare & Medicaid Services, and the California Department of Health Care Services.

Medi-Cal Managed Care

Operating under the Two-Plan model of Medi-Cal managed care, L.A. Care Health Plan, an independent local public agency created in 1997 and governed by a 13-member board representing various stakeholders, serves as the local initiative plan, and Health Net, a subsidiary of national carrier Centene, is the commercial plan. Both L.A. Care and Health Net have full-risk arrangements with partner plans (see Figure 2) but, for oversight purposes, remain responsible for meeting contractual requirements set by the state Department of Health Care Services (DHCS).

FIGURE 2. Medi-Cal Managed Care Health Plans and Partners
Los Angeles County, 2020



Source: Author compilation of data from L.A. Care and Health Net, October 2020.

About half of L.A. Care's 2.1 million enrollees are delegated to health plan partners Anthem Blue Cross (about 460,000), Blue Shield of California Promise Health Plan (about 326,000), and Kaiser Permanente (about 215,000); L.A. Care retains risk for 1.1 million members. Health Net's delegated plan partner in Los Angeles, Molina Healthcare, serves approximately 90,000 of Health Net's 1 million Medi-Cal managed care enrollees.

When choosing a plan, Medi-Cal managed care enrollees in Los Angeles County may select from all six options — the two lead plans and the four delegated plan partners. Both L.A. Care and Health Net are responsible for nonspecialty mental health services for Medi-Cal managed care enrollees and provide those services through contractual arrangement with behavioral health management companies. L.A. Care contracts with Beacon Health Options, acquired by Anthem in 2019; Health Net works with MHN, a Health Net company that also serves other clients.

Both L.A. Care and Health Net have full-risk arrangements in place with LACDHS, the county's integrated safety-net delivery system. Each plan pays LACDHS global capitation for Medi-Cal enrollees — about 220,000 L.A. Care enrollees and about 75,000 Health Net enrollees. These enrollees have access to the LACDHS network of four public hospitals and 27 county-operated clinics.

Most of the approximately 900,000 L.A. Care enrollees who are not assigned to partner plans or LACDHS receive care through "participating physician groups" (PPGs), which are medical groups and IPAs. Under this arrangement, L.A. Care delegates risk for professional services to PPGs and contracts with hospitals across the county for inpatient services, usually based on per diem payments or a percentage of fee schedule payments rather than capitation. A small but growing share of enrollees, up from 2,500 in 2016 to almost 25,000 in 2020, use L.A. Care's direct network, in which the plan contracts with physicians directly rather than through a group. Building a directly contracted physician network is reportedly part of L.A. Care's strategy to reduce the number of contractual layers and associated administrative costs and increase physicians' share of capitated payments. This shift has required L.A. Care to strengthen internal capabilities in such areas as care management, utilization management, and claims processing and payment that are typically delegated to the PPGs.

For the approximately 800,000 Health Net enrollees who are not assigned to Molina or LACDHS, Health Net delegates most professional risk to medical groups and IPAs and facility risk to hospitals. Health Net does not hold direct contracts with individual physicians; all Medi-Cal enrollees are cared for by medical groups and IPAs taking professional risk. Safety-net providers, including FQHCs, rural health centers, and Native American health centers, comprise the core of Health Net's primary care network, with large public and private health systems providing most specialty services and inpatient care.

Partner Health Plans for Medi-Cal Managed Care

As a delegated plan partner to L.A. Care, Anthem has two payment arrangements for its Medi-Cal provider network, covering about 460,000 enrollees in the county. About half of Anthem's enrollment is covered through arrangements that pay capitation to medical groups and IPAs for professional services and fee-for-service payment to hospitals through per diem or DRGs (diagnosis-related groups). The other half is served by providers paid through dual-risk contracts. Notably, Anthem's Medi-Cal provider network in Los Angeles County has little overlap with the plan's commercial and Medicare provider networks.

Blue Shield Promise is a new entry to the Los Angeles Medi-Cal market and reflects Blue Shield of California's acquisition of Care1st Health Plan in 2015. In Los Angeles, Blue Shield Promise generally capitates medical groups and IPAs for professional risk and retains institutional risk for its 326,000 Medi-Cal enrollees.

Through its delegated agreement with L.A. Care, Kaiser Permanente has more Medi-Cal members in Los Angeles than in any other California county, about 215,000 of Kaiser's approximately 750,000 Medi-Cal members statewide. Across California, Kaiser currently restricts Medi-Cal enrollment to those who have been Kaiser members in the previous 6 to 12 months (depending on the county) or those who have family members enrolled in a Kaiser plan. Unlike most health plans participating in Medi-Cal, Kaiser uses the same provider network for all lines of business and products.

Molina Healthcare, Health Net's delegated plan partner in Los Angeles, serves approximately 90,000 of the Health Net's one million Medi-Cal enrollees. Molina contracts with a wide array of IPAs, medical groups, and hospitals in the area.

Medicare

In 2019, about half the individuals in Los Angeles County's Medicare population of 1.5 million were enrolled in an MA product, an increase of more than 100,000 since 2015 (see Table 5). The MA market is seen as attractive for most health systems and physician organizations, with one respondent saying, "Everyone is trying to increase their MA growth." Between 2015 and 2020, three health plans — Kaiser, SCAN Health Plan, and UnitedHealthcare — maintained more than half of Los Angeles's MA enrollment, with Kaiser's share holding at 36%, SCAN's share increasing slightly to 11%, and UnitedHealthcare's share decreasing slightly to 10% in 2020.[12]

TABLE 5. Medicare Coverage Source

Los Angeles County vs. California, 2015 and 2019

	LOS ANGELES		CALIFORNIA	
	2015	2019	2015	2019
Original Medicare				
► Percentage	52.9%	49.5%	59.6%	56.2%
► Count	721,758	740,642	3,370,508	3,528,546
Medicare Advantage and Other Health Plan Enrollment				
► Percentage*	47.1%	50.5%	40.4%	43.8%
► Count*	642,123	756,307	2,283,388	2,748,620

*Medicare beneficiaries enrolled in health plans that are offered by private companies approved by Medicare to provide health care coverage offered at a uniform premium and uniform level of cost-sharing to all Medicare beneficiaries residing in the service area (or segment of the service area). Each type of plan has special rules and exceptions.

Source: "Medicare Enrollment Dashboard," Centers for Medicare & Medicaid Services, accessed October 5, 2020.

In 2020, about 451,000 people were eligible for both Medicare and Medi-Cal in Los Angeles County, and just over 30,000 were enrolled in the Cal MediConnect demonstration program designed to integrate benefits through a single health plan responsible for both Medicare and Medi-Cal benefits. L.A. Care was responsible for 16,300 Cal MediConnect enrollees; Health Net was responsible for 7,300; and the remaining enrollees were split among Anthem, Blue Shield Promise, and Molina.[13] California Advancing and Innovating Medi-Cal (CalAIM) was intended to replace Cal MediConnect beginning in 2023, with DHCS requiring all Medi-Cal managed care plans to offer dual-eligible special needs

plans, including coverage of Medi-Cal long-term care services. DHCS in April 2020 postponed CalAIM, citing the need to focus on the COVID-19 pandemic.

Covered California

The percentage of Los Angeles County residents enrolled in Covered California, the state's health insurance marketplace, held steady between December 2015 and December 2019, with total growth of about 8% over the four years (Table 6). However, between December 2019 and March 2020, the county's enrollment grew by 20%, reaching 419,360.[14] Respondents noted that contributors to growth likely included two California-specific changes that took effect in 2020: an individual mandate to have health insurance (passed following the federal government's removal of any financial penalty for violating the ACA's individual mandate) and new premium subsidies for those with income up to 600% of the FPL.[15] The plans with the largest market share in Los Angeles are Health Net and Blue Shield, each of which has 23%; Kaiser follows with 22%, and L.A. Care with 20%; Oscar Health Plan of California has 8% of market share; and Molina and Anthem each has less than 3%.[16] Anthem is rebuilding market share, having reentered the Covered California market in the Los Angeles region in 2020 after pulling back from the individual market in 2018.[17]

L.A. Care is the only Medi-Cal managed care local initiative plan in the state participating in Covered California. As of March 2020, L.A. Care's enrollment had grown to 83,000 members, making it the fourth-largest Covered California plan in the state, even though enrollment is limited to Los Angeles. Since L.A. Care participates in both Medi-Cal and Covered California, enrollees can stay with the plan through coverage transitions — though L.A. Care competes in the marketplace with its Medi-Cal plan partners (Kaiser, Blue Shield, and Anthem). L.A. Care views its role as a public option in the Covered California market, with a goal of driving price competition that results in more affordable rates.[18]

Health System Affiliations Gain Traction

Over the past several years, the Los Angeles market has seen some hospital consolidation but remains much more competitive than the Bay Area, which now features a small number of hospital-based systems with substantial market power. One respondent noted that Los Angeles "is still somewhat the wild west from the hospital side." Los Angeles has the least concentrated hospital market of all 58 California counties as measured by the Herfindahl-Hirschman Index (HHI).[19] The county's hospital market has more beds per 100,000 population than the state as a whole and a lower overall operating margin (see Table 7).

TABLE 6. Covered California Premiums and Enrollment
Los Angeles County vs. California, 2015 and 2019

	LOS ANGELES		CALIFORNIA	
	2015	2019	2015	2019
Monthly premium* (Silver Plan on the exchange for a 40-year-old individual)	$267	$389	$312	$454
Population enrolled				
► Percentage	3.2%	3.4%	3.0%	3.1%
► Number	321,080	346,280	1,190,590	1,233,360

*The monthly premium for the Silver plan for Los Angeles is a weighted average of the premiums for Rating Regions 15 and 16 by enrollment.

Sources: Blue Sky Consulting Group analysis of data files from "Active Member Profiles: March 2019 Profile" (as of May 31, 2020) and "2019 Covered California Data: 2019 Individual Product Prices for All Health Insurance Companies," Covered California.

TABLE 7. Hospital Performance (Acute Care)
Los Angeles County vs. California, 2018

	Los Angeles	California
Beds per 100,000 population	205	178
Operating margin*	3.9%	4.4%
Paid FTEs per 1,000 adjusted patient days*	15.8	15
Total operating expenses per adjusted patient day*	$5,020	$4,488

*Excludes Kaiser.

Note: *FTE* is full-time equivalent.

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

As of 2018, 84 general acute licensed facilities operated in the county, including four county hospitals, one district hospital (Antelope Valley Hospital), 29 investor-owned hospitals, and 50 nonprofit hospitals. The six largest health systems (all nonprofit or county-owned) accounted for 48% of acute inpatient market share, ranging from 11% to 4% of discharges. The largest health system, Kaiser, has seven acute care hospitals with 2,376 beds and accounted for 11.3% of discharges in 2018 (see Table 8). The second-largest, Cedars-Sinai Health System, has four affiliated hospitals (including Huntington Hospital, for which final approval is pending) and accounted for 10.6% of discharges.

TABLE 8. Largest General Acute Care Hospital Systems, by Share of Inpatient Discharges, Los Angeles County, 2018

	Number of Hospitals	Number of Inpatient Beds	Inpatient Discharges
Kaiser Foundation Hospitals	7	2,376	11.3%
Cedars-Sinai Health System*	4	2,076	10.6%
Providence St. Joseph Health	6	1,663	9.2%
County of Los Angeles	4	1,595	6.7%
Dignity Health (CommonSpirit)	4	1,212	5.8%
PIH Health*	3	1,037	4.4%
Total of six health systems	**28**	**9,959**	**48%**
Total of all hospitals†	84	20,607	100%

*Includes affiliations made after 2018.

† Excludes Community Hospital Long Beach, which closed in 2018.

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

Study respondents noted that Los Angeles's scale, lack of countywide public transportation, and notoriously gridlocked traffic combine to create distinct submarkets in the county, including the San Fernando Valley, San Gabriel Valley (bordering the Inland Empire to the east), the downtown/metro area, and the South Bay (bordering Orange County to the south). Kaiser and LACDHS are the only health systems with geographic reach across almost all of the county; even so, neither one operates a hospital in rural Antelope Valley, the expansive high desert area in the northeast portion of the county. Several health systems, including Providence, MemorialCare, and UCLA Health, cross county boundaries and serve patients to the south in Orange County, to the east in the Inland Empire, or to the north in Kern County.

Cedars-Sinai Extends Reach and Brand with Affiliations and Joint Ventures

In the past five years, Cedars-Sinai Medical Center has expanded the geographic footprint of its medical network and extended its reach through partnerships and affiliations with health systems and community hospitals in other Los Angeles submarkets. Cedars-Sinai Medical Center, an 886-bed hospital providing tertiary and quaternary services, is a major center for graduate medical education and research and the largest individual Medicare hospital provider in California. The hospital's affiliated physician network includes the Cedars-Sinai Medical Group and nine other single-specialty medical groups; Cedars-Sinai Health Associates, an IPA with 100 primary care physicians and 500 specialists; and 400 faculty physicians.

In 2015, Cedars-Sinai acquired 133-bed Marina Del Rey Hospital, facilitating access to services in the community through a lower-cost site of care than the flagship medical center. Plans are in place to replace Marina Del Rey with a new 170-bed hospital, targeting a 2025 opening. In 2016 Cedars-Sinai, UCLA Health, and investor-owned Select Medical, a national provider of postacute rehabilitation services, formed a joint venture to establish the 130-bed California Rehabilitation Institute on the site of the former Century City Hospital. In 2019, Cedars-Sinai Medical Center entered a joint venture with Providence to rebuild Tarzana Medical Center in the San Fernando Valley, creating a foothold in a growing submarket of the county. Completion is expected in 2022.

Cedars-Sinai Health System, an entity created in 2017 to facilitate partnerships, has affiliated with two highly regarded community hospitals — Torrance Memorial Medical Center and Huntington Hospital in Pasadena. The affiliations extend Cedars-Sinai's reach from the South Bay to the San Gabriel Valley with the purpose of enhancing access to clinical

services in these areas and broadening the medical center's referral base for tertiary/quaternary care. The Torrance Memorial affiliation was formalized in February 2018; the partnership with Huntington Hospital is pending final approval by the California attorney general. Both hospitals will retain independent boards of directors and physician networks and will have access to the scale and resources — both clinical and operational — of Cedars-Sinai.

PIH Health Affiliates with Good Samaritan, Pioneer

In 2019, 408-bed Good Samaritan Hospital near downtown Los Angeles joined PIH Health system. Together with PIH hospitals in Downey and Whittier, the network now operates 1,130 licensed beds and 26 outpatient clinics. PIH also acquired Pioneer Medical Group in the Long Beach area in 2019 and rebranded its eight practice sites as PIH Health Physicians.[20]

Verity's Bankruptcy Dissolves Six-Hospital System

After multiple changes of ownership and a 2018 bankruptcy, the six-hospital Verity Health System, formerly Daughters of Charity, dissolved in 2020. Verity's six hospitals included two in Los Angeles — 366-bed St. Vincent Medical Center in the downtown/metro area and 384-bed St. Francis Medical Center in South Los Angeles — and four in the San Francisco Bay Area. Both St. Vincent and St. Francis are long-time local institutions known for caring for the underserved, and Verity's bankruptcy raised concerns about the hospitals' future.

St. Vincent closed in January and reopened temporarily in April and May as a state-funded pandemic surge hospital, providing additional capacity to treat COVID-19 patients.[21] Kaiser Permanente and Dignity Health were recruited to oversee the hospital, where 64 patients were treated at a cost of $21.5 million.[22] In April 2020, the sale of St. Vincent was finalized for $135 million to Patrick Soon-Shiong, a physician and owner of the *Los Angeles Times*, who had a controlling interest in the company that managed Verity; he also assumed the six-month lease with the state of California.[23]

In August 2020, the state attorney general approved the sale of St. Francis Medical Center to investor-owned Prime Healthcare for $350 million with additional requirements for charity care and community benefit.[24] Prime Healthcare, which operates 46 hospitals in 14 states, also owns Centinela Hospital Medical Center and San Dimas Community Hospital in Los Angeles County; additional California hospitals are located in San Diego County, the Inland Empire, and Orange County.

AHMC Healthcare Inc., an investor-owned system based in Los Angeles, purchased two Verity hospitals in Northern California. AHMC operates four hospitals in the San Gabriel Valley and one in South Los Angeles; across the five hospitals, Medi-Cal accounts for 43% of discharges and 31% of net patient revenue.[25] AHMC purchased Seton Medical Center in Daly City and Seton Coastside in Moss Beach (south of San Francisco) for $40 million in April 2020, AHMC's first Northern California facilities.

MemorialCare Pursues Portfolio Approach to Bearing Risk

In recent years, MemorialCare health system has focused on developing its ambulatory care network, provider affiliations, and infrastructure to allow the system to take on more risk. The system serves both Orange County and southern Los Angeles County, where MemorialCare has two hospitals in Long Beach: 369-bed Long Beach Medical Center and 357-bed Miller Children's and Women's Hospital. MemorialCare's network across both counties includes about 2,300 physicians, with 230 employed through the foundation model and the remainder participating in an affiliated IPA.

Over the past five years, MemorialCare has grown its risk-bearing business in Los Angeles and Orange Counties from about 75,000 managed care lives to almost 300,000 lives in some form of value-based contract. MemorialCare has gained experience taking risk for attributed lives through an array of partial- and full-risk contracts, including commercial HMO and accountable care organization (ACO), MA, Medicare ACO, and direct-to-employer contracting.[26] A

restricted Knox-Keene licensed plan, MemorialCare Select Health Plan, holds risk-based contracts for approximately 50,000 enrollees, primarily those dually eligible for Medicare and Medi-Cal.

In January 2017, MemorialCare launched its first direct-to-employer preferred provider organization (PPO) plan with Boeing for 7,000 workers, retirees, and dependents. In direct-to-employer arrangements, a self-insured employer contracts directly with a health system for care, rather than going through a health plan. Boeing, as a self-insured employer, retains the insurance risk; a value-based contract provides incentives to manage total cost of care while maintaining quality. Care is delivered through the MemorialCare Health Alliance, a network that includes Torrance Memorial (now a Cedars-Sinai affiliate), PIH Health, and UCI (University of California, Irvine) Health as well as MemorialCare. Based on results to date, including reduced inpatient admissions, ED visits, and prescription drug spending, the contract has been extended through 2024.[27]

Providence Builds Network to Support Flexible Product Strategy

In recent years, Providence has taken steps toward becoming a hospital-anchored integrated delivery network positioned to provide broad geographic coverage in the region. Providence, a nonprofit 51-hospital system headquartered in Washington State with nearly 1,000 clinics and other facilities across seven western states, expanded the system's regional presence significantly through a 2016 merger with St. Joseph Health, headquartered in Irvine. Providence now operates six hospitals in Los Angeles County — three in the San Fernando Valley, two in the South Bay, and one in coastal Santa Monica.

Providence has built a broad network that encompasses two distinct areas of focus: risk-bearing products and fee-for-service products. Providence Health Network holds a restricted Knox-Keene license that enables full-risk contracting for commercial and MA products in Los Angeles and Orange Counties. Providence St. Joseph Health Network is a noncapitated platform developed for value-based PPO contracting. The impetus for the network strategy was a deal with Oscar, a New York–based health plan that operates individual, small-group, and MA lines of business across multiple states. Oscar delegated creation of its Los Angeles provider network to Providence, which focused on recruiting network partners to fill remaining gaps in its regional LA footprint after merging with St. Joseph. Enrollment has grown to about 50,000 Covered California members in Los Angeles County as of March 2020.

Additionally, in 2018, Providence entered into a direct-to-employer arrangement with self-insured employer Whole Foods to serve as the network provider in Los Angeles and Orange Counties. Providence is continuing to build out its network, recently signing Sharp HealthCare in San Diego as a partner and pursuing network expansion in Ventura County and the Inland Empire. Network partners come together on a quarterly basis to share data on quality performance and identify opportunities to lower the cost of care; data are shared through a private health information exchange.

Providence has focused its full-risk efforts on commercial and MA business but is reportedly interested in entering the high-growth Medi-Cal market in Los Angeles and other Southern California counties. For a sustainable financial equation in Medi-Cal, Providence envisions partnering with FQHCs to create a "high-touch" network with more retail care, virtual care, and urgent care available to members — and greater visibility to clinical data to support care management — than is the case with Providence's broader networks.

UCLA Expands Community Footprint, Enters Medi-Cal Market

UCLA (University of California, Los Angeles) Health encompasses a flagship location on the university's campus in Westwood that houses Ronald Reagan UCLA Medical Center, UCLA Mattel Children's Hospital, and UCLA Resnick Neuropsychiatric Hospital; a fourth hospital, UCLA Health–Santa Monica Medical Center, is just four miles away. The system is actively establishing primary and specialty care

sites throughout the area. As one respondent said, "academic medical centers used to assume everyone will come to them; now they're reaching out to put physicians in surrounding areas of LA."

Efforts to expand into the community have reportedly resulted in 170 points of access, including ambulatory surgery, imaging, and various support services. Oncology services are now offered as far north as San Luis Obispo County and as far south as Orange County. Orthopedic services were expanded in 2019 when UCLA Health entered into an exclusive arrangement with Southern California Orthopedic Institute's 50 surgeons and purchased its four ambulatory surgery centers. The more than 1,100 active members of UCLA Health's Faculty Practice Group, with 400 primary care physicians, see patients and teach at sites across the system with support from a 600-plus staff management services organization.

In 2018, UCLA Health signed a three-year contract with L.A. Care. The agreement allows access for L.A. Care's Medi-Cal enrollees to UCLA Health's tertiary and quaternary care at the Ronald Reagan and Santa Monica campuses and makes UCLA a referral access point for specialty care. In addition, 3,500 L.A. Care enrollees can receive primary care from the UCLA physician network. In 2019, UCLA Health opened its first primary and specialty care clinic in downtown Los Angeles, in part to serve new Medi-Cal patients. For UCLA, the arrangement, which includes incentives for quality performance, has improved the financial calculus of serving more Medi-Cal patients.

Kaiser Permanente's Performance and Market Power Elicit Admiration and Irritation

As a vertically integrated delivery system anchored by a health plan, Kaiser controls both the financing and delivery of care through owned hospitals and tightly aligned physicians employed by the Southern California Permanente Medical Group who care exclusively for Kaiser patients. Kaiser's closed network has a substantial footprint in Los Angeles County with seven hospitals spread across the metro, South Bay, West Los Angeles, Woodland Hills, Baldwin Park, Downey, and Panorama City areas. While Kaiser leads the hospital market in terms of share of general acute care beds (11.5%) and discharges (11.3%), Kaiser also has an occupancy rate (47.0%) well below its countywide counterparts (61.8%).

Across all market segments, Kaiser has about the same enrollment in Los Angeles County as L.A. Care: 2.1 million.[28] Kaiser's Southern California division receives consistently high quality ratings, earning a rating of 4.5 out of 5 for commercial HMOs in 2019–20 from the National Committee for Quality Assurance and 5 out of 5 stars from Medicare in 2020 for Kaiser MA plans.[29] Kaiser also is "decades ahead" of competing health systems, as one respondent said, in investing in and maximizing the use of an electronic health record system — Kaiser uses Epic — in its closed system. These investments allowed Kaiser to quickly ramp up virtual services at the outset of the COVID-19 pandemic: virtual encounters at Kaiser Permanente Southern California increased from 38% of ambulatory visits in February 2020 to 87% at the end of April, declining to 77% in July.[30]

In addition to respect, Kaiser draws ire from some in the region for perceived financial advantages. Some respondents viewed Kaiser's EDs as benefiting from a more lucrative payer mix (more patients covered by commercial and Medicare, fewer Medi-Cal enrollees and uninsured) than most community hospitals as a result of both Kaiser's low ratio of Medi-Cal to commercial enrollees and what one respondent described as Kaiser's "magic trick," adding, "It's common knowledge that if you don't have a blue Kaiser membership card, you don't go there."

All Kaiser hospitals are staffed by physicians employed by the affiliated Southern California Permanente Medical Group, which consists of about 7,800 physicians across the counties of Los Angeles, Orange, Kern, San Bernardino, Riverside, and San Diego.[31] Kaiser has furthered its vertical orientation by starting a medical school in Pasadena, the Kaiser Permanente Bernard J. Tyson School of Medicine, which welcomed an

inaugural class of 50 students in July 2020. While students are not required to commit to Kaiser residencies upon graduation, the intention is to retain doctors trained in Kaiser's delivery system.[32] Kaiser is offering free tuition to the first five cohorts of 48 to 50 students — to encourage more to choose primary care specialties — using community benefit funds (hospital revenue spent to benefit the community as required per Kaiser's federal nonprofit tax-exempt status).[33]

Risk-Bearing Physician Organizations Continue Leading Role

Southern California continues to be a stronghold for capitated, delegated physician organizations. According to the state Department of Managed Health Care (DMHC), 93 risk-bearing organizations (RBOs) operate in Los Angeles County. The groups range in size: 37 had fewer than 5,000 lives, while 18 had at least 75,000 lives, and six of those had more than 200,000.[34] (For RBOs operating across multiple counties, numbers represent total enrollment, not just Los Angeles County.)

Optum Creates Regional Powerhouse

In a move described by one respondent as "nationalization of local markets," Optum, a part of UnitedHealth Group (national parent company of UnitedHealthcare), has acquired large and well-respected physician groups across the region, including DaVita HealthCare Partners. The June 2019 deal included DaVita Medical Group's physician practices in California, Colorado, Florida, New Mexico, and Washington. Optum's earlier acquisitions in the region include AppleCare Medical Group, serving southeast Los Angeles County and northern Orange County; Monarch HealthCare, the largest physician organization in Orange County; and NAMM/PrimeCare with physician groups in the Inland Empire and San Diego. The result is a regional powerhouse — though neither Optum nor any other physician organization holds a dominant market share in Los Angeles. Across Southern California, Optum either employs or is affiliated through IPAs with more than 7,000 physicians — a scale rivaled only by Kaiser's Southern California Permanente Medical Group (7,800 physicians). Optum holds full risk for almost a half million lives in Los Angeles County — about two-thirds in commercial and one-third in MA lines of business.

The acquisitions position Optum to enable data exchange and population health analytics across Southern California. In 2019, UnitedHealthcare rolled out a new narrow-network HMO product for the commercial market, SignatureValue Harmony, that relies entirely on Optum-affiliated medical groups in Los Angeles, Orange, San Bernardino, and Riverside Counties. At present, Optum does not participate in Medi-Cal managed care except for a contract for about 4,000 dually eligible seniors in Cal MediConnect, though a full-risk contract with L.A. Care is in place for about 18,000 Covered California enrollees. Optum's Southern California physician groups do have experience with Medi-Cal in other counties, and Optum reportedly is interested in entering the Medi-Cal market in Los Angeles.

In Los Angeles, Optum's national technology resources supported rapid ramp-up of telehealth services as the pandemic began to spread and face-to-face visits dropped. Increased use of technology at home for remote monitoring has been another focus, such as by providing seniors with computer tablets that are simple to use and send data to care providers. Study respondents believe many of these changes are likely to persist beyond the pandemic.

Los Angeles County Plays Central — but Fragmented — Safety-Net Role

Los Angeles County, which plays a critical role in the safety net even as FQHCs have expanded, splits responsibility for patient care across three separate departments: LACDHS, with an operating budget of $6.2 billion, runs an integrated delivery system that takes full financial risk for approximately 300,000 Medi-Cal enrollees; the Department of Mental Health operates a countywide plan for Medi-Cal enrollees requiring specialty mental health services (serving all three million-plus managed Medi-Cal enrollees in the county, not

just those delegated to LACDHS), as well as serving Medi-Cal fee-for-service enrollees; and the Department of Public Health is responsible for SUD treatment services, including the county's Drug Medi-Cal Organized Delivery System. As is the case in many California counties that share responsibility for health, mental health, and SUD services, several respondents noted that coordination among departments is a significant challenge.

LACDHS Takes Global Risk for Medi-Cal Enrollees

LACDHS operates four hospitals: LAC+USC Medical Center (676 licensed beds) in downtown; Harbor-UCLA Medical Center (453 licensed beds) in the southern end of the county; Olive View–UCLA Medical Center (355 licensed beds) in the San Fernando Valley; and Rancho Los Amigos National Rehabilitation Center (277 licensed beds) in South Los Angeles. Collectively, in 2018, the four hospitals had 60,000 acute care discharges, down from 64,000 in 2014; by contrast, ED visits increased from 275,000 to 300,000 in the same period. Reflecting expansion of Medi-Cal, the share of net patient revenue contributed by Medi-Cal across the four hospitals increased from 73% to 84% between 2014 and 2018, while uncompensated care as a share of operating expenses fell by half, from just over 20% to just over 10%. LACDHS also operates 27 clinics across the county, from the High Desert Regional Health Center in the rural north to the Long Beach Comprehensive Health Center near Orange County, west to San Fernando Valley and east to San Gabriel Valley, as well as primary and specialty care sites at the four teaching hospitals (LAC+USC, Harbor, Olive View, and Rancho). Collectively, LACDHS provides care for about 450,000 empaneled patients.

The county's delivery system is a closed network for assigned Medi-Cal managed care enrollees, with the exception of inpatient care in the remote northern portion of Antelope Valley, which is carved out of the county's capitation payment and handled through a contract between the Medi-Cal managed care plan and the two area hospitals (Palmdale Regional Medical Center and Antelope Valley Hospital). Nonspecialty mental health services are also carved out, provided through Beacon (for L.A. Care members) or MHN (for Health Net members). Out-of-network utilization is reportedly a major issue for the county, which is financially responsible when Medi-Cal enrollees go to other hospitals and EDs rather than county-run facilities.

In addition to the delivery system, LACDHS manages the county's Medi-Cal Whole Person Care program, which brings together health and social services on behalf of the most vulnerable Medi-Cal enrollees, including those experiencing homelessness, serious mental illness, SUD, or some combination of these. Whole Person Care funds programs and services in the county that are not typically reimbursed through Medi-Cal, such as recuperative care beds, tenancy navigation, and support for disability benefits. The county also opened a sobering center in 2017 under the program. The five-year Whole Person Care pilot was scheduled to end in 2020 and was to be replaced by CalAIM, but implementation is on hold as a result of the pandemic and resulting recession. Instead, the state is seeking a one-year waiver extension, which would encompass a continuation of the Whole Person Care pilots.

Other LACDHS responsibilities include managing My Health LA for the remaining uninsured and providing health care to youth in the juvenile justice system and inmates in Los Angeles County jails. LACDHS also operates the county's Emergency Medical Services Agency, the Office of Diversion and Reentry (ODR), and Housing for Health (H4H).

My Health LA Strives to Fill Gap in Care for Uninsured

While many Los Angeles County residents gained Medi-Cal coverage under the ACA expansion, others were ineligible and remain uninsured — primarily those with undocumented immigration status. The county fills this access gap by caring for 150,000 uninsured people assigned to LACDHS medical homes. In addition, in 2014, LACDHS launched My Health LA, a program through which the county contracts with "community partner" health centers to provide primary

care to Los Angeles County adults with household income at or below 138% of FPL and who are ineligible for health insurance. In August 2020, nearly 140,000 people were enrolled.[35] Enrollment has declined by about 2,000 in the last year, in part because of California's expansion of full-scope Medi-Cal to young adults (ages 19 to 25) regardless of immigration status. In fiscal year 2018–19, 49 health centers with 214 sites received $49.4 million for primary care services and $7 million for dental services.[36] My Health LA participants receive other services, including specialty care and inpatient care, at LACDHS.

System "Broken" for Medi-Cal Behavioral Health Services

Respondents noted that the division of responsibility across Los Angeles County departments for Medi-Cal behavioral health services creates challenges for all involved. The county Department of Mental Health (DMH) operates the state-contracted Medi-Cal county mental health plan, which carves out specialty services for adults with serious mental illness and children/youth with serious emotional disturbances, while nonspecialty services for Medi-Cal enrollees (generally for lower-acuity conditions) are the responsibility of Medi-Cal managed care plans — L.A. Care, Health Net, and their partner plans.[37] DMH also maintains responsibility for nonspecialty mental health services for uninsured people.

To provide specialty mental health services to Medi-Cal enrollees, DMH contracts with hundreds of providers across Los Angeles County. In calendar year 2018, DMH served 210,337 Medi-Cal enrollees; 86% of services were provided by contract agencies.[38] While DMH does directly provide some outpatient specialty mental health services, it does not directly provide inpatient services. Rather, LACDHS operates the county's public hospitals, including 166 psychiatric beds and three psychiatric emergency services (PES) units. DMH contracts with private hospitals for additional acute and subacute inpatient psychiatric services. In calendar year 2018, psychiatric inpatient admissions for Medi-Cal enrollees totaled 91,861.[39] Because of a lack of adequate subacute beds within Los Angeles County, there is poor flow through the system of care, with patients often experiencing long waits in PES units and acute inpatient beds.[40]

Adding additional complexity to the bifurcation between DHS and DMH, the county Department of Public Health is responsible for SUD treatment and runs the county's Drug Medi-Cal Organized Delivery System pilot. Because of the multiple payers and provider networks involved, a Medi-Cal patient with complex mental health needs may have six or more care managers across health plans, primary care providers, housing support, and multiple county departments. The flow of funds is byzantine, with multiple funding sources restricted to specific uses. Given that SUD and mental health conditions frequently co-occur, and as growing attention is focused on integrating physical and behavioral health services, the fragmentation of responsibility across departments is generally viewed as counterproductive at best and dysfunctional at worst. One respondent said simply, "The system is broken." According to another, "behavioral health is a disaster." And a third noted, "You couldn't design something less user-friendly to consumers."

While coordination challenges encountered in Los Angeles County are not unique, respondents note that the number of patients navigating the system compounds them. One bright spot is the work underway to create an integrated site for obtaining behavioral health services on the campus of the Martin Luther King, Jr. Community Hospital. The "one-stop operation" will provide medical, mental health, substance use, and social services; colocated services will include probation, public health, workforce development, and reintegration assistance.[41]

MLK, Jr. Community Hospital Revitalizes Access to Care in South Los Angeles

Just south of downtown, the South Los Angeles area (SPA 6), including the cities of Compton and Lynwood and the neighborhoods of Hyde Park and Crenshaw, had the largest share of the population living under the FPL (before the pandemic).[42] Homelessness grew by 73% over the past five years.[43] Rates of obesity, diabetes, heart disease, and stroke are higher in South LA than they are in the county as a whole.[44] Access to high-quality care has been a major issue for the community for years. Los Angeles County–run King/Drew Medical Center, nicknamed "Killer King" for quality and patient safety failures that resulted in loss of accreditation in 2005, closed its doors in 2007.[45]

After years of work on the part of stakeholders committed to increasing access to high-quality medical care in South Los Angeles, the 131-bed Martin Luther King, Jr. Community Hospital (MLKCH) opened in 2015. The new hospital is the result of a public-private partnership among Los Angeles County, the University of California (UC), and a newly created private nonprofit organization with a board of directors responsible for hospital governance. The county built the facility and provided start-up capital; the county owns the campus and buildings, and the hospital leases the building from the county under a 40-year lease agreement. The county also operates a clinic on the campus. UC agreed to help with physician staffing, quality and safety program development, and graduate medical education. The state of California created a supplemental funding program specific to MLKCH to supplement Medi-Cal payments, similar to disproportionate share hospital funding but as a distinct revenue stream to ensure that other hospitals did not lose revenue. Los Angeles County contributes $50 million annually, which the state uses to access federal matching funds, resulting in $100 million in supplemental funding for the hospital. In addition, the county provides $18 million annually in indigent care payments. In 2018, the hospital had a 70% occupancy rate, with 95% of discharges associated with government payers — 71% Medi-Cal and 24% Medicare.[46]

As noted earlier, South Los Angeles has a sizable physician deficit — estimated at 1,300 physicians in 2020. To increase physician supply in the area, the hospital pursued creation of the multispecialty MLK Community Medical Group. Recruitment occurs through several pathways, including a program at UCLA's Family Medicine Department that helps physicians trained in other countries obtain licensure and residency training in exchange for a service commitment in an underserved community. Start-up funding of $20 million from private philanthropy has allowed the group to pay market-competitive salaries. However, sustainability is a challenge because the medical group is ineligible for the supplemental funding received by the inpatient facility. One respondent said, "The hospital can get extra funding to cut someone's foot off, but the outpatient services can't get supplemental money to prevent that foot being cut off." In spite of the challenges, the medical group now has three sites, including a new medical office building that opened in March 2020.

The hospital's ED has 29 beds and had almost 100,000 visits in 2018, equating to 3,399 visits per "treatment station," among the highest in Los Angeles County and far higher than the county's median of 1,933.[47] About 10% of ED visits — 10,000 visits annually — are for primary behavioral health conditions. Grant funding has allowed MLKCH to expand its behavioral health team to include psychiatry, addiction medicine, and licensed clinical social workers, increasing support for patients with complex needs in both the emergency department and the inpatient facility.[48] MLKCH reportedly sometimes struggles to transfer nonemergency patients who need more specialized care to other hospitals. Private hospitals may be concerned about payment, and county-run facilities may lack a bed. Delays in care can negatively impact patient health.[49]

FQHCs Pursue Shared Mission Through Diverse Approaches

Collectively serving 1.7 million patients in 2018, FQHCs play an essential role in providing care to Medi-Cal enrollees and uninsured people in Los Angeles County.[50] The ACA's infusion of FQHC funding to ensure access to care for the Medi-Cal expansion population resulted in the creation of many new FQHCs. Between 2014 and 2018, the number of health center sites increased by 27%, the number of FQHC patients grew by 33%, and the number of FQHC patients covered by Medi-Cal increased by 50%.[51] Across the 351 health center sites, in 2018, 61% of patients were Medi-Cal enrollees and another 29% were uninsured.[52] While FQHCs in Los Angeles share a common mission, they vary tremendously in size, geography, strategies, and areas of focus. As one respondent said, "you've seen one FQHC, you've seen one FQHC."

Many FQHCs in Los Angeles County participate in Health Care LA, a nonprofit IPA that contracts with health plans and manages the network for physician professional services — specialist as well as primary care. Most of the 300,000 lives under contract at Health Care LA are Medi-Cal enrollees, but the IPA also holds contracts in other lines of business: MA, Cal MediConnect, Covered California, and commercial HMO. Health Care LA, in turn, delegates responsibility for Medi-Cal (or other) enrollees to FQHCs and pays them a capitated rate, generally for primary care services. (The FQHCs reconcile with the state at year-end to ensure they receive the reimbursement they are entitled to under the prospective payment system.)[53]

For many FQHCs, including those contracting through Health Care LA, ensuring adequate access for Medi-Cal enrollees across all specialties is reportedly a challenge. Respondents noted that many specialists simply won't accept Medi-Cal patients, while others will treat Medi-Cal patients but not at the Medi-Cal rate. "Medi-Cal rates are low, bureaucracy is high," noted one respondent. For participating FQHCs, Health Care LA is responsible for recruiting specialists and paying for specialty care, in partnership with L.A. Care and Health Net, which are ultimately responsible, under contract with DHCS, to ensure availability of specialty care. LACDHS specialists care for county-assigned Medi-Cal enrollees and uninsured patients but not for Medi-Cal enrollees assigned to other networks, so Health Care LA recruits private specialists — with mixed success. Moreover, higher rates paid to specialists to ensure access and referrals to out-of-network specialists can create financial challenges for the IPA. To facilitate access to specialists, FQHCs rely on virtual consultations with specialists to alleviate some demand. Respondents reported strategies ranging from hiring specialists to relying on a network of private specialists willing to see Medi-Cal patients for free "as long as they don't have to deal with billing Medi-Cal."

In recent years, FQHCs across the region have focused on building capacity to improve care delivery with the additional resources generated by the ACA and Medi-Cal expansion: infrastructure for data analytics and quality improvement, financial and managed care acumen and operations, and health information technology. Major areas of emphasis include team-based care, integration of care for mental health conditions and SUD services with physical health services, and addressing social determinants of health, particularly housing and food insecurity.

AltaMed Leverages Lessons from PACE, Takes Full Risk for Medi-Cal

Started as a free clinic in East Los Angeles in 1969, AltaMed, the largest FQHC in the county, now cares for about 300,000 patients in Los Angeles and Orange Counties, 78% of whom are Latinx. In Los Angeles, sites cluster in the downtown area with several locations to the east and south. While the majority of patients are Medi-Cal enrollees, AltaMed participates in other lines of business — Covered California, MA, and commercial — contracting with a wide array of health plans and operating its own IPA and management services organization as for-profit entities distinct from the FQHC.

PACE — the Program for All-Inclusive Care for the Elderly — has played a key role in AltaMed's growth and development, both as a training ground for caring for people with complex needs and as a major revenue source. PACE serves people aged 55 and older who are certified to need nursing home care but who can reside safely in the community with supportive services; most of them are dually eligible for Medi-Cal and Medicare, with enrollees eligible only for Medicare paying a premium for the long-term care portion of the PACE benefit.[54] While PACE enrollees comprise a small minority of AltaMed's patients, the program accounts for a substantial share of revenue. Started in 1996, AltaMed's program grew to 1,600 enrollees in 2014[55] and 2,800 in 2020 — the largest PACE in California and the second-largest in the US.[56] AltaMed takes global risk for PACE enrollees, and required services include adult day care, inpatient services, prescription drugs, home health, and nursing home care in addition to routine medical services. Taking financial responsibility for this population requires active management of inpatient care, and AltaMed hires hospitalists who track every PACE enrollee admitted to the hospital and coordinate with the enrollee's outpatient providers.

Building on experience with PACE and following an extended planning period, AltaMed in January 2020 entered into a full-risk contract with L.A. Care for about 52,000 Medi-Cal enrollees. The FQHC holds a restricted Knox-Keene license permitting assumption of global risk for Medi-Cal; AltaMed reportedly plans to expand to additional Medi-Cal enrollees.

Emerging Experience with COVID-19

COVID-19 hit Los Angeles particularly hard. Through August 2020, Los Angeles County experienced an infection rate about a third higher than the state as a whole and a COVID-19 death rate 75% higher than statewide.[57] The unemployment rate in Los Angeles was on par with the state before the pandemic, at 4.6% in February 2020 compared with 4.3% for the state (see Table 9). But by August 2020, Los Angeles County's unemployment rate skyrocketed to 16.6%, more than 3.5 times the rate in February and almost 50% higher than the state as a whole. Medi-Cal enrollment had not increased as of August 2020, though observers expected that job losses would lead to additional Medi-Cal enrollment as the pandemic continued. Los Angeles County benefited from the CARES (Coronavirus Aid, Relief, and Economic Security) Act, receiving more funding per capita — both Provider Relief Funds and High Impact Funds — than the state average.

TABLE 9. COVID-19 Impacts: Los Angeles County vs. California, August 2020

	Los Angeles	California
UNEMPLOYMENT RATE		
► Pre-pandemic (FEBRUARY 2020)	4.6%	4.3%
► Mid-pandemic (AUGUST 2020)	16.6%	11.4%
MEDI-CAL ENROLLMENT		
► Percentage change (FEBRUARY TO AUGUST 2020)	–0.1%	1.0%
CARES ACT, PER CAPITA (AUGUST 2020)		
► Provider Relief Funds	$180	$148
► High Impact Funds	$34	$16

Sources: "Employment by Industry Data," State of California Employment Development Department; "Month of Eligibility, Dual Status, by County, Medi-Cal Certified Eligibility," California Health and Human Services, Open Data; and "HHS Provider Relief Fund," Centers for Disease Control and Prevention. CARES Act data accessed August 31, 2020; all other data accessed September 30, 2020.

Many respondents commented on the disproportionate effect of COVID-19 on Black and Latinx populations, including a higher death rate than for people who are White — a consistent finding as the pandemic has unfolded.[58] According to one, "again and again, it reveals underlying health disparities: how communities of color and low-income communities are at risk and disproportionately affected." Another commented that COVID-19 "exposed institutional racism."

Across Los Angeles, leaders are working to support individuals, families, and health care providers on the front lines by preventing the transmission of COVID-19 and caring for those who have been diagnosed. A few examples of these efforts — which, like Los Angeles itself, are many and varied — are described in the following sections.

Repurposing Empty Hotel Rooms to Shelter At-Risk People Experiencing Homelessness

Through Project Roomkey, the county secured hotel and motel rooms as temporary shelters for people experiencing homelessness who are at high risk for hospitalization if they contract COVID-19, including those over the age of 65 and those with chronic illness. Project Roomkey sites provide supportive services, on-site supervision, and three meals daily to participants, who must be referred by a social services provider or outreach team. The state of California has supported Project Roomkey initiatives across counties and cities in California, beginning with a March 2020 executive order from Governor Gavin Newsom.[59] According to the Los Angeles Homeless Services Authority dashboard, between July 15 and October 15, 2020, Project Roomkey served 5,899 clients at 36 sites and distributed 677,758 meals.[60] The initiative, begun in March 2020, will close in early 2021 as a result of concern about ongoing funding from the Federal Emergency Management Agency, which pays 75% of the cost.[61] Observers generally viewed the effort as successful, though serving a smaller number of people than expected. Efforts are transitioning to Project Homekey, the next phase of the state's response. Cities and counties are eligible to apply for grant funding to purchase housing and make it available to those experiencing homelessness who are at high risk for serious illness and are impacted by the pandemic.[62]

FQHCs Confront Pandemic, Grapple with Health Inequity

FQHCs reportedly face an uphill battle in meeting the needs of the communities they serve — particularly in light of the pandemic and resulting economic recession. As one respondent said, "if you overlay a map of clinics and a map of COVID inequities, they line up — and the economy will make it worse." Telehealth has been a silver lining, with FQHCs rapidly pivoting to phone and video visits as face-to-face visits dropped precipitously during the early months of the pandemic. An unanticipated benefit has been reduction in no-show rates, which have fallen as low as 1% for behavioral health phone visits.

Respondents noted the essential role played by state flexibility, including allowing FQHCs to count telehealth interactions as billable visits and allowing providers to operate clinics outdoors in parking lots for services such as COVID-19 testing and flu shots; concern is widespread about whether that flexibility will remain in place. Quality of care metrics in 2020 are expected to fall well short of expectations based on standard metrics, given the dramatic decline in face-to-face visits that are required for key measures, such as preventive screenings and immunizations. The Medi-Cal pay-for-performance dollars at stake are significant, and quality measures also factor into FQHC grants.

Personal Protective Equipment and Technology Support for Private Physician Practices

Regional results (Los Angeles and Orange Counties) of a statewide survey by the California Medical Association of independent physicians released in April 2020 found that practice revenue had declined by an average of 67%, half of practices reported having to lay off or furlough physicians and staff, and 14% of practices closed temporarily during the pandemic.[63] In response, the Los Angeles County Medical Association (LACMA) organized a "rapid response" initiative to help private practices with their top two needs: acquiring personal protective equipment (PPE) and obtaining assistance with technology (including help implementing telehealth and support with website builds for practice relaunch after closure). In late June, LACMA held a five-day $12 million event to distribute boxes of PPE and technology subsidies to physicians in need.

Two FQHCs Step Up Pandemic-Related Services

During the pandemic, St. John's Well Child and Family Center, an FQHC that served over 100,000 patients in 2019, has focused on COVID-19 testing and contact tracing. In response to a lack of available testing in late March, St. John's secured test swabs, identified a small private lab, and set up 28 testing tents across South Los Angeles, reportedly reaching 50,000 people by October 2020, with positivity rates peaking at 30% during the summer months. A contact tracing program calls the 10 most recent contacts of each person positive for COVID-19 to bring them in for testing. Through a partnership with California Hospital Medical Center, St. John's monitors positive cases by calling them every day to check on symptoms; if the individual worsens, an ambulance is sent for immediate hospital transport. St. John's also participates in COVID-19 research efforts: in September, St. John's began to track individuals who test positive for COVID-19 to study long-term impacts and will be testing a new treatment for COVID-19 in fall 2020 in collaboration with UCLA and the University of Southern California (USC).

Venice Family Clinic (VFC), an FQHC based in West Los Angeles that served 28,000 patients in 2019, has expanded services for homeless people since the pandemic began, with regular visits to multiple Project Roomkey sites and encampments where people live. In addition to street medicine teams, VFC offers mobile clinics that provide privacy for services such as breast and pelvic exams. Food insecurity has spiked during the pandemic as well, and VFC's trial of pop-up free food markets has taken off. Initially 200 to 300 people were reached each week; a partnership with UCLA has enabled expansion to 2,000 meals a week. UCLA is contributing the labor, keeping food service workers employed while the campus is closed, and donors cover food costs; VFC handles distribution.

Issues to Track

- Will health system affiliations and network expansions gather steam, or have the prime candidates already affiliated? How will the pandemic affect market consolidation?
- Will Optum and Providence decide to enter the Medi-Cal managed care market? If so, how will new market entrants affect existing providers?
- Will expansion of provider networks among large health systems and physician organizations result in the erosion of independent physician practice in Los Angeles?
- How will risk-bearing arrangements evolve? Will health system direct-to-employer contracting take hold?
- How will telehealth evolve among providers? How much of the pandemic-related increase in virtual care will take hold and become routine?
- Will Los Angeles County move toward a more integrated approach to delivery of services, particularly to patients with complex needs that include behavioral health services?
- Will access to specialty care improve, for both Medi-Cal enrollees and the uninsured?
- How will the pandemic-related recession affect the Los Angeles County budget and the county's ability to provide health care and social services to residents, including those experiencing homelessness?

ENDNOTES

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Background on Regional Markets Study: Los Angeles

Between August and October 2020, researchers from Blue Sky Consulting Group conducted interviews with health care leaders in Los Angeles County to study the market's local health care system. The market is located in the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area, which also stretches into Orange County (not included in this study).

Los Angeles 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 fourth round of the study; the first set of regional reports was released in 2009. The seven markets included in the project — Humboldt/Del Norte, Inland Empire, Los Angeles, Sacramento Area, San Diego, San Francisco Bay Area, and the San Joaquin Valley — reflect a range of economic, demographic, care delivery, and financing conditions in California.

Blue Sky Consulting Group interviewed nearly 200 respondents for this study with 30 specific to Los Angeles County. 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. The onset of the COVID-19 pandemic occurred as the research and data collection for the regional market study reports were already underway. While the authors sought to incorporate information about the early stages of the pandemic into the findings, the focus of the reports remains the structure and characteristics of the health care landscape in each of the studied regions.

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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.

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