

Giving Physicians Greater Choice on How, Where They Work Will Help Address Health Inequities in California's Underserved Communities

The Issue

California is facing serious challenges in meeting the medical needs of its 40 million residents because of a prolonged shortage and maldistribution of physicians throughout the Golden State. These challenges are particularly grave in both rural and urban underserved communities.

This problem is only going to get worse. More than one-third of the current physician workforce is 60 or older and within five years of retirement, according to a recent [report](#) by the Berkeley Research Group (BRG). At the same time, the number of people 65 or older will grow by 50% by 2030 — increasing the gap between the supply and demand for physician services.

While the shortage of physicians is a national issue, the situation is aggravated in California because of a nearly century-old law that prohibits most hospitals and health systems from directly employing doctors to care for patients. Across the country, physicians are increasingly choosing to be directly employed because they can focus on providing patient care instead of the administrative hassles and economic uncertainties of running a small business.

California is an outlier in the United States, according to the BRG report. While every other state allows physicians to be employed by all or most hospitals, **California only permits 17% of its 448 hospitals to do so** — those facilities owned by the University of California; Shriners Hospitals for Children; county hospitals; and 36 critical access hospitals operating under a seven-year pilot program set to expire in 2023.

The inability of most doctors to choose direct employment in California puts the state at a competitive disadvantage in recruiting and retaining doctors. This is particularly true in rural and urban underserved communities, where Medicare and Medi-Cal are the dominant health care payers. Medi-Cal covers 15 million low-income Californians, nearly half of whom are children and two-thirds of whom are people of color. These governmental programs reimburse health care providers far below the actual cost of providing care, making it cost-prohibitive for many new physicians to establish independent medical practices.

While a final report on the impact of a state pilot program allowing physicians to be directly employed by critical access hospitals is expected later in 2023, initial indications are that both physicians who chose to be employed and the underserved communities in which they practiced benefited from this arrangement.

What's Needed

We must start to expand the opportunities in rural and urban underserved communities for California physicians to choose to be directly employed by hospitals. The physician choice proposal will address long-standing patient care inequities in communities where the majority of patients are either covered by Medi-Cal or Medicare or are uninsured.



By the Numbers

33,000

Projected shortage of
CA doctors by 2030

28%

Californians who live in
regions with a shortage
of primary care doctors
& specialists

49

States that permit
physicians to be
employed by all or
most hospitals

45%

Newly graduated
physicians who want to
be directly employed