

# Key Messages

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

### **A prolonged shortage and maldistribution of physicians means that Californians living in rural and urban underserved communities have a harder time accessing needed health care services.**

- The state faces serious challenges in meeting the medical needs of 40 million Californians, especially when it comes to primary care services. These challenges are driven by substantial disparities in the geographic distribution of doctors that cut across counties and regions of the state.
- The problem will 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. By the end of this decade, California is projected to have a shortage of nearly 33,000 doctors.
- According to BRG, more than a quarter of California residents (28%) live in areas of the state that already have a shortage of primary care physicians and specialists. For example, Kern County has an average of only 47 primary care physicians per 100,000 people, well below the federally recommended per capita average of 60-80 primary care providers. Kern County, where almost 50% of the population is Hispanic, also has the worst ranking for poor health and overall health outcomes in California.

### **Empowering physicians to make their own choice about whether they want to be directly employed by a hospital will help improve access to care in California's most vulnerable communities.**

- Increasingly, physicians — especially new graduates — express a desire to be directly employed by a hospital rather than establish their own private practices because this option allows them to focus on patient care rather than the administrative hassles and economic uncertainties of running a small business. A recent study by Merritt Hawkins, a national health care recruitment firm, found that 45% of resident physicians would prefer becoming a hospital employee over any other option. In comparison, only 1% of new doctors said they wanted to open a solo medical practice, and only 10% said they wanted to partner with another doctor.
- In California, however, physicians do not generally have this choice because of laws dating back nearly a century that prohibit most hospitals and health systems from directly employing doctors to care for patients. This makes **California an outlier in the United States**. 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.

- According to the BRG report, the inability of most doctors to choose direct employment in California puts the state at a competitive disadvantage nationwide in recruiting and retaining an adequate physician workforce. These challenges are particularly heightened in underserved areas that already have difficulty recruiting physicians to meet patient needs.
- 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.

**Attracting physicians to California’s rural or urban underserved communities is particularly challenging without options that help provide a more secure career path.**

- Medi-Cal and Medicare are the dominant health care payers in most rural and urban underserved communities. 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 to patients.
- Most physicians graduate from medical school with significant student loan debt. Because of this, many new doctors simply cannot afford to work in rural or urban underserved communities — where they will receive inadequate governmental reimbursements and care for fewer patients with better-paying commercial insurance — unless they have the opportunity to be directly employed by a hospital.
- The physician choice proposal is based on addressing long-standing patient care inequities for specific hospitals serving rural and urban underserved communities, where the majority of patients are either covered by Medi-Cal or Medicare or are uninsured.