Chapter 1

INTRODUCTION
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WHAT IS THE PROBLEM?

At first glance, health care services in California are flourishing and the health of California's population is improving.

Health care is one of the State's largest industries and the biggest item in the State budget. In 1977, Californians used 18,400,000 days of hospital care; in 1976 they visited physicians a reported six times per person. Average life expectancy now approaches 70 years; mortality rates have been declining steadily since 1935, and, adjusted for age differences, the California average has been consistently below the U.S. average since the 1950s. Neonatal mortality (deaths of infants from birth to 28 days) dipped below eight per 1,000 live births in 1976, as low as any national rate in the world. Californians are health conscious; about 55 percent report they engage in one or more types of regular exercise.

Yet this impressive picture obscures serious problems in California:

- significant and persistent differences among racial groups and across counties in birth related mortality experience
- barriers to and unacceptability of services due to geography, income, racial and cultural differences
- expenditures for hospital care increasing at 18 percent per year from 1973-1976 and 15 percent per year from 1977-1978
- financial incentives in reimbursement for health services (in particular cost reimbursement of hospitals under Medicare and Medi-Cal, fee-for-service payment to physicians and widespread health insurance coverage) that do not penalize high rates of use, high costs, maldistribution of resources and duplication of facilities, services and equipment
- rapid introduction of complex medical technology and dramatic procedures before their effectiveness has been sufficiently demonstrated.

This combination—the size and wealth of the system interlocked with debilitating illness, preventable death, unequal access, extreme cost increases and doubts about technological efficacy—is the problem.
PURPOSE OF THE STATE HEALTH PLAN

The fundamental purpose of the California State Health Plan (Plan) is to provide objective direction to the people of California in determining the future of their health care system. The Plan presents a comprehensive set of policy recommendations to guide enhancement of health and improvements in health services in the State over the next five years.

The Plan serves a number of related purposes:

- to form the foundation for an action plan for government in California, including legislative proposals, policies for administration of State health programs and coordination of all State plans related to health and health services
- to initiate the development of State health policy on a coordinated basis and to serve as a compilation of State health policy
- to provide a set of principles to help assess conflicting policy directives arising from multiple sources
- to provide authoritative resource needs projections to guide both private and government decisions concerning capital investment in health facilities and services
- to stimulate policy makers, consumers and providers to jointly identify and resolve health problems in the State
- to assist consumers and providers of health services, county and State government officials, federal agencies, insurers and purchasers, lenders, suppliers and observers to better understand current issues and future choices in California health care.

The Plan is intended for use by persons, organizations and agencies throughout the State concerned with health and health care. The Office of Statewide Health Planning and Development (OSHPD), the Advisory Health Council [or the Statewide Health Coordinating Council (SHCC), when established in conformance with P.L. 93-641] and the 14 Health Systems Agencies (HSAs) will use it to:

- help make decisions on certificate of need applications (HSAs, OSHPD)
- guide review of other health related State plans (SHCC)
- assist in development of procedures and criteria for appropriateness review of institutional health services (HSAs, OSHPD).

All others are urged to use the Plan and to contact the OSHPD concerning interpretation, gaps or omissions with respect to particular services, people or problems.
A STATEWIDE PERSPECTIVE ON HEALTH AND HEALTH CARE

The Plan establishes a planning approach to health and the health care system that is statewide in focus and design. Elements of a statewide approach include:

- a statement of planning assumptions and principles to form the framework for development of State health policy
- six priority statewide health care issues and their proposed resolution through policy recommendations
- a classification of health services that brings together interrelated services and attempts to address whole institutions (hospitals), major health problems (oncology services, reproductive services) and complex delivery systems (long-term care)
- review of current federal, State and voluntary professional policy in each service section
- discussion of each service which highlights statewide demand and supply and major service specific issues and proposes policy recommendations.

The result is an approach to planning at once comprehensive and suited to a large and diverse state rife with experiments, questions, pressures and challenges to traditional views.

LEGAL BASIS

Federal

The OSHPD is the designated State planning agency under P.L. 93-641, the National Health Planning and Resources Development Act of 1974 as amended by P.L. 96-79. The Act requires that the OSHPD:

"Prepare, review at least triennially, and revise as necessary a preliminary State health plan which shall be made up of the HSPs of the health systems agencies within the State." (Section 1523(a)(2))

The Act likewise requires that the SHCC (as yet nonexistent in California):

"Prepare, review at least triennially, and revise as necessary a State Health Plan..."
The federal regulations governing the designation and funding of the OSHPD as California's "State Agency" under the Act require that a preliminary State Health Plan be submitted as part of the OSHPD's application for full designation (Section 123.103).

Federal "Final Guidelines Concerning the Development of State Health Plans" which elaborate on the regulations, describe the State health plan as follows:

"The SHP should be a statement of the policies and plans for improving the health status of the residents of the State and for achieving desired changes in the health systems in the State. . .The purposes of the SHP are: 1) to develop a coordinated and comprehensive approach to the identification and resolution of health problems within the State; 2) to develop State health and health related policies; and 3) to guide resource allocation in the achievement of equitable access to quality health care, at a reasonable cost."4

Current State law (Chapter 854, Statutes of 1976) requires the OSHPD to conduct a Certificate of Need Program based on a "Statewide Health Facilities and Services Plan" (SHFSP), but does not require the development of a "State Health Plan." This Plan is complemented by a second volume entitled the Statewide Health Facilities and Services Plan 1980-85. Inventory and projections of facilities needed (or excess), projection methods and adjustments and discussion of standards in the National Guidelines For Health Planning5 are provided in that document. The SHFSP is specifically required by regulations that implemented Chapter 854 (Division 7, Title 22, California Administrative Code) to be "... the plan which reflects statewide needs and desirability for projects requiring a Certificate of Need," (Section 90059). The SHFSP is the product of the Advisory Health Council, which "... integrates area plans in a single Statewide Health Facilities and Services Plan" (Section 90101) upon the "recommendation" of the OSHPD (Section 90301). Because the Advisory Health Council is charged with the adoption of the SHFSP under State law, they have also reviewed and commented on the SHP, in the absence of a SHCC.
It is intended that the SHP in two volumes, will fulfill federal requirements for a "State Health Plan" and that state requirements will be met by the second volume.

At the time of this writing, California does not conform to federal health planning law. However, proposals for conformity are being considered by the Legislature.

RELATIONSHIP TO HEALTH SYSTEMS PLANS

The relationship between both volumes of the Plan and the HSPs is a product of several factors, including federal requirements, the need for a statewide perspective, conversations between the OSHPD and the 14 California HSAs through their California Association of HSAs (CAHSA), legal interpretations and timing considerations. The relationship, in sum, is not simple and is expected to change over time.

Federal requirements form the point of departure. As noted, the preliminary State Health Plan "shall be made up of" the HSPs in each state. However, this is tempered by the stipulation that:

"(The) preliminary plan may, as found necessary by the (OSHPD), contain such revisions of such HSPs to achieve their appropriate coordination or to deal more effectively with statewide health needs." 6

It is further intended that the SHCC will provide "planning guidance" to the HSAs concerning preparation of the HSPs, guidance which will anticipate the eventual use of the HSPs for a State Health Plan:

"To facilitate aggregation of the HSPs and the plan development process of the preliminary State health plan, it is recommended that the planning guidance outline both plan development and policy components." 7

At the State level, the balance between a statewide perspective and the goals and objectives of the 14 HSPs is a subject of continual discussion. Certificate of need considerations, in essence a desire for uniformity and "rationality" in both volumes of the Plan that can withstand legal challenge, are central. The need for objectivity and consistency in Plan policy recommendations must also be accommodated. On the other hand, while they do not address services in terms of issues or explicitly identify State-level policy problems, the HSPs express local perceptions and propose numerous goals, objectives and actions with policy implications.

The resultant relationship of HSPs and both volumes of this Plan have these features:
Relationship to Other State Health Related Plans

Introduction

- the HSPs were viewed as the strongest, but not the only, source of opinion for the OSHPD in developing both volumes of the Plan, particularly the services Chapters (V-X)
- a comprehensive compendium of HSP goals, objectives and recommended actions covering all services was prepared by the OSHPD, to form a reference for each service covered in both volumes of the Plan
- each service section in Volume I of the Plan includes a summary of related HSP goals, objectives and recommended actions
- Volume II of the Plan contains a service specific analysis and comparison of federal, State and HSP planning guidelines and methodologies for each service reviewable under State Certificate of Need law
- Volume II of the Plan contains HSA-specific facility and service resource requirements and summaries of HSP recommended actions relevant to identified shortages in services reviewable under the State Certificate of Need law.

RELATIONSHIP TO OTHER STATE HEALTH RELATED PLANS

P.L. 93-641 provides for increased coordination between health planning carried out by the OSHPD and SHCC and planning for particular kinds of health services carried out by other departments in the California Health and Welfare Agency. The SHCC is required to:

"(6) Review annually and approve or disapprove any State plan and any application (or any revision...) submitted to the Secretary of DHEW as a condition to the receipt of any funds under allotments made to the States under this Act the Public Health Service Act, the Community Mental Health Center Act, or the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (Section 1524(c)(B)(6))."
SCOPE AND CONTENT: A GUIDE TO READING BOTH VOLUMES OF THE PLAN

Volume I of the Plan discusses, and makes policy recommendations concerning, six current priority issues (Chapter III) and six categories of health services (Chapters VI through X), including:

**Priority Issues**
- improving health status
- encouraging cost effectiveness in health care delivery
- supply and regulation of health personnel
- the future of publicly financed health services
- planning for health systems with statewide impact
- coordination of existing State health policies and programs

**Service Categories**
- environmental health
- health promotion and disease/disability prevention
- diagnosis and treatment
- long-term care
- mental health
- alcohol and drug abuse

The planning assumptions and basic principles underlying the policy recommendations throughout the Plan are presented in Chapter II. A profile of California's population and its health status appears in Chapter IV and environmental health services are described in Chapter V.

The discussion of each priority issue contains a Statement of the Problem, Background and Analysis and Policy Recommendations responding to the issue and flowing from the analysis. The discussion of each health service in the service categories contains Definitions and Scope of Services, Background, Analysis and Policy Recommendations. The Background sections include:

- the relationship (of the service) to health status (i.e., the known or reasonably assumed effect of the service on health status)
- national trends
- national policy (current)
California trends

California policy (current)

Health Systems Plan highlights.

The Analysis sections include:

- analysis of demand (i.e., disease incidence, service utilization and population survey data as available, and their interpretation)
- analysis of supply (i.e., quantity and selected characteristics of resources—for inventories and resource "needs," see below)
- analysis of issues (a selected number, varying with each service).

Policy Recommendations conclude each service section. These Recommendations are intended to respond to the analysis of demand, supply and issues. A single recommendation may relate to several issues.

Volume II of the Plan (SHFSP) provides a description and comparative analysis of federal, State and HSA planning methodologies (Part II) and a summary of the supply and distribution of existing California health facilities and services (Part III). Volume II also contains a projection of the health facility and service resources required in California by 1985 as well as HSA recommended actions relevant for identified 1985 resource shortages (Part III). Volume II provides this information for the following services reviewable under the State Certificate of Need law:

- Medical/Surgical
- Pediatric
- Intensive Care and Coronary Care
- Perinatal
- Acute Psychiatric
- Skilled Nursing
- Intermediate Care
- Burn Center
- Cardiovascular Surgery
- Cardiac Catheterization
- Chronic Dialysis
- CT Scanners
- Basic Emergency Medical Services
- Intensive Care Newborn Nursery
- Radiation Therapy
- Surgical Clinics
While the Plan and its contents are comprehensive, several omissions were imposed by time and staffing constraints during preparation and by space considerations in production. Examples of services and issues not addressed include:

- critical care units (ICU/CCU and related beds)
- health care in jails
- the impact of health professions education on hospital services, quality and costs
- the role of research and the diffusion of new medical technology and specialists
- the impact of physician malpractice insurance on demand for and cost of health services.

Likewise, identification and comparison of alternative responses to issues are omitted. 8

Frequently both volumes of this Plan will make reference to existing State regulations which are located in two separate Divisions of Title 22 of the California Administrative Code, Division 5 and Division 7. Division 5 regulations specify facility and service licensing requirements which the Department of Health Services is responsible for enforcing. Division 7 regulations specify health planning and certificate of need requirements which the OSHPD is responsible for enforcing. The Plan will attempt to make clear these distinctions when discussing State regulations.
NOTES


2. R. Williams, "Measuring the Effectiveness of Perinatal Medical Care," Medical Care, XVII:95-100, February, 1979.

3. Two bills were introduced in the 1979 Legislative Session, AB 1050 (Berman) and AB 314 (Tucker), to establish a California Statewide Health Coordinating Council.


6. op. cit. ("Guidelines") II, 2.1.

7. Ibid., III, 3.1

8. Discussion of alternatives appears in the original drafts of many Chapter VII (Diagnosis and Treatment) services. These drafts are available for inspection at the OSHPD.