Healthcare Industry Report

March 2026

2026

Report Highlights

Healthcare Sector Performance

- Healthcare generated $3.75 billion in nominal GRP in 2025, up 5.4% from 2024, representing 10% of total county economic output.
- Employment reached approximately 24,500 in 2025, up 1.5% year-over-year, though growth lags state and national rates and is uneven across care types.
- Job postings increased 20% from 2024 to 2025, driven by major healthcare systems (Kaiser, Sutter, Providence, St. Joseph Health) hiring registered nurses, physical therapists, and clinical professionals.

Demographic and Economic Pressures

- Sonoma County has a declining and aging population, placing increasing pressure on healthcare demand and the regional workforce.
- County unemployment peaked at 4.9% in July 2025 before cooling to 4.2% in December, reflecting an uneven recovery concentrated in healthcare, education, and hospitality sectors.
- National headwinds persist: unemployment at 4.4%, inflation above the Fed's 2% target, GDP growth of 2.2% for full-year 2025, and job openings down roughly 40% from their 2022 peak.

Critical Workforce Challenges

- Total healthcare employment reached an estimated 24,500 in 2025, growing steadily but trailing state and national rates, with ambulatory care shedding roughly 600 jobs since its 2022 peak.
- Healthcare job postings rose 24% in 2025, yet hiring rates lag well behind neighboring Bay Area counties, pointing to a structural supply shortage.
- Locally trained nurses tend to migrate to higher-paying urban markets, a physician shortage is projected to deepen statewide by 2030, and foreign-born workers representing 16% of the local healthcare workforce face growing uncertainty amid shifting immigration policy.

Federal and State Policy Challenges

- Medi-Cal covers more than one in three Californians at a total cost of $197 billion annually, while rising medical and pharmacy costs strain a system where over half of California hospitals already lose money daily.
- The One Big Beautiful Bill Act represents the largest federal Medicaid rollback in U.S. history, cutting an estimated $10 to $20 billion in annual federal support to California and projecting 1.2 million Californians to lose coverage statewide.
- Nearly 30% of Sonoma County residents rely on Medi-Cal, with approximately 20,000 expected to lose coverage, straining safety-net providers and eliminating an estimated 1,000 to 2,000 local jobs.

Healthcare: Heartbeat of Sonoma County

State of the Healthcare Sector

Healthcare represents a significant sector of the Sonoma County economy, accounting for a large share of regional employment and economic output. Structural demographic shifts — most notably the county's aging population — are driving sustained growth in healthcare demand and spending. Despite this favorable demand environment, the sector faces mounting headwinds: persistent workforce shortages, deteriorating provider financials, and a compounding set of state and federal policy-driven funding pressures that threaten both provider stability and the long-term health of Sonoma County residents.

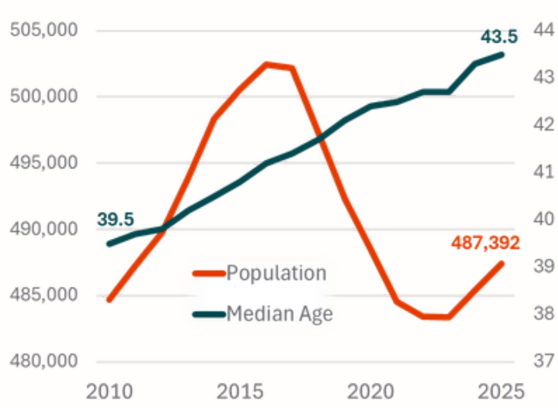
Primary Driver: Demographic Shifts

Sonoma County faces a considerable demographic decline. Though recent published data show modest growth in 2024 and 2025, the population has been on a downward trajectory since peaking at just over 502,000 in 2016. This declining population is also aging considerably, with the median age up 4 years since 2010. Rising cost of living and slow growth in historically valuable sectors (and decline in some) are contributing to a net out-migration of young workers and families.

Should Sonoma County's young working base continue to decline, the wedge driven between the demand for health care and the talent necessary to provide these services will expand, impacting senior care the most. Additional resources will thus be necessary to address this gap, adding further financial strain to the critical sector for Sonoma County's vitality. At the same time, the growing senior population requiring increased spending represents a significant driver for the healthcare industry and county's economy as a whole.

Figure 1: Population is Declining & Aging

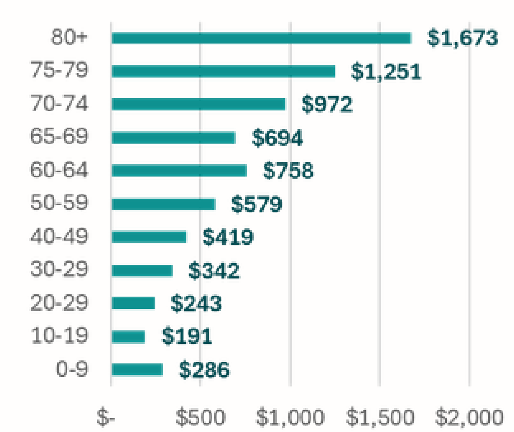
Population & Median Age



Source: U.S. Census - Census & American Community Survey

Figure 2: Older Groups Drive Healthcare Spending

Spending per member per month, $, Nationally



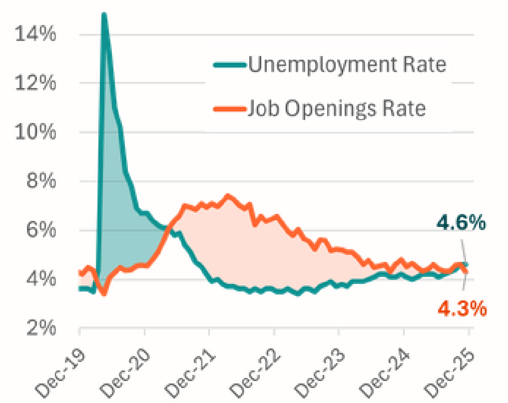
Source: CMS LDS claims data (2017-2023)

National Economy

The U.S. economy grew at a modest 2.2% in 2025, though the pace slowed notably in the fourth quarter amid ongoing headwinds. Inflation has remained elevated above the Federal Reserve's 2% target, and the unemployment rate stood at 4.4% in December 2025. Job openings have declined sharply from their pandemic-era peak, falling approximately 40% from 12 million in early 2022 to 7.1 million by late 2025. The Federal Reserve began cutting interest rates in late 2025 to support the labor market, though persistent inflation could limit its room to maneuver.

Figure 3: US Labor Market at a Crossroads

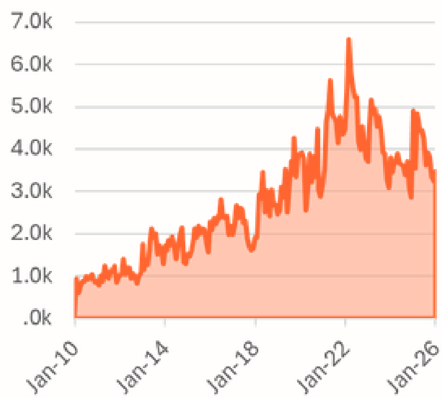
Unemployment Rate, Job Openings Rate



Source: BLS JOLTS Data; St. Louis Federal Reserve Bank

Figure 4: Job Postings Down Since 2022

Unique Job Postings, Sonoma County



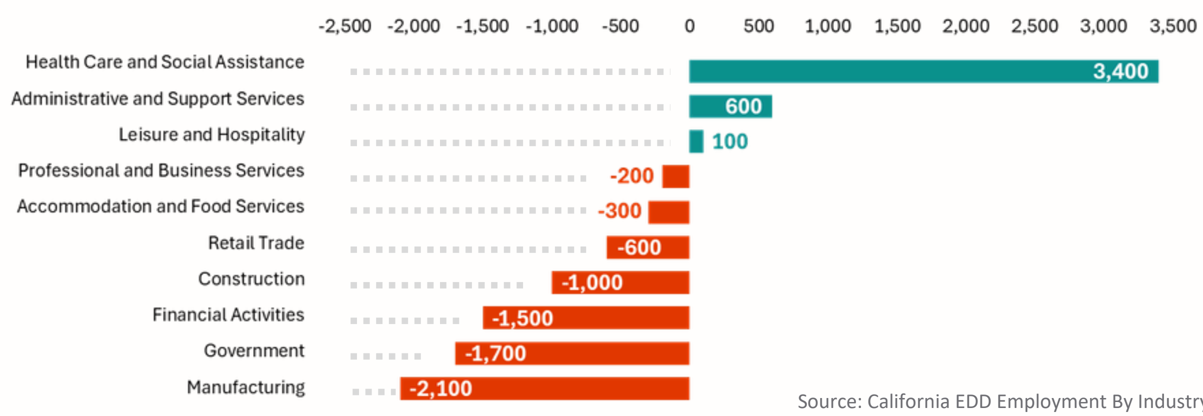
Source: Lightcast Job Postings Data

Sonoma County Slow to Recover

These trends were reflected in Sonoma County throughout 2025, with unemployment peaking at 4.9% in July before cooling to 4.2% by December. The county has still yet to fully rebound from the effects of the Pandemic, and has rather exhibited asymmetric growth with expansion in healthcare, social assistance, education, and hospitality sectors, contrasted with continued decline in historically strong industries like manufacturing and financial services. These job change trends are amplified by the rising outflow of Sonoma County workers to nearby Bay Area job centers.

Figure 5: Since the Pandemic, Healthcare leads Jobs Recovery

Net Change in jobs by industry in Sonoma County (February 2020 to November 2025)



Source: California EDD Employment By Industry

Industry Output

Sonoma County's healthcare sector generated a nominal gross regional product (GRP) of **$3.75 billion in 2025**, a **5.4% year-over-year** increase from $3.59 billion in 2023. This nearly $4 billion represents just **over 10% of Sonoma County's total regional output**, making it the third most productive sector in the county behind manufacturing and government.

$3.75 BILLION

Generated by the Healthcare Industry in Sonoma County GRP!

Healthcare Sector Buoying Local Economy

The healthcare industry is generally more resistant to economic downturns and volatility than other sectors. This is because healthcare spending is largely nondiscretionary and supported by a combination of public funds, private insurance, and government programs such as Medicare and Medi-Cal. California's healthcare sector is incredibly prominent, with the state hosting approximately 120,000 healthcare and social assistance establishments—representing 12.9% of all such businesses nationwide, the highest among all states. California has further strengthened its healthcare infrastructure through Medi-Cal, the state's expanded Medicaid program that provides coverage to over 15 million residents.

Locally, the healthcare industry has supported the Sonoma County economy's otherwise slow recovery since the COVID-19 pandemic in 2020. Job postings in the healthcare sector increased nearly 20% from 2024 to 2025, with a substantial portion coming from major regional and national healthcare systems including Kaiser Permanente, Sutter Health, Providence, and St. Joseph Health, and spanning high-demand, well-compensated occupations such as physicians, registered nurses, physical therapists, and other clinical professionals. However, as will be discussed, this growth is lagging behind state and national levels as the county faces persistent challenges recruiting and retaining skilled healthcare professionals, particularly in specialized clinical roles.

Median Annual Salary for Healthcare Occuaptions in Sonoma County

$313,150
Primary Care Physicians

$171,500
Registered Nurses

$133,200
Physical Therapists

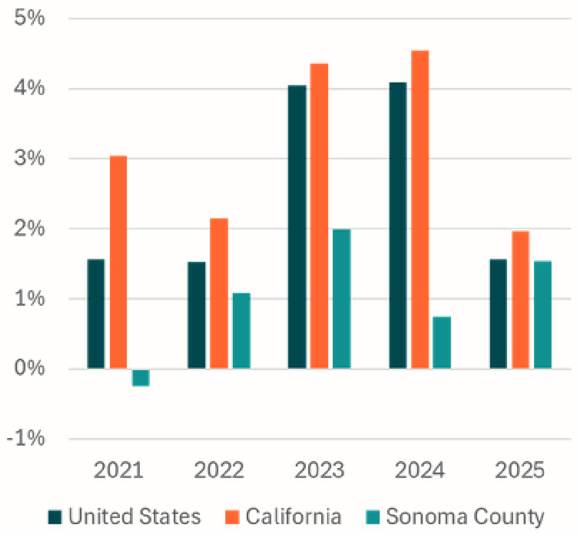
Source: Lightcast Industry Data

Healthcare Labor Market

Total healthcare employment growth in Sonoma County has remained steady, with estimates for total employment around 24,500 in 2025, up roughly 1.5% from the year prior. This growth, however, is outpaced by both the state and national levels since 2020. Furthermore, while hospitals and nursing/residential care facilities are beginning to experience moderate growth, ambulatory (outpatient) care, the largest component, has lost roughly 600 jobs since peaking in 2022 (Figure 7).

Figure 6: Health Care Job Growth is Slowing

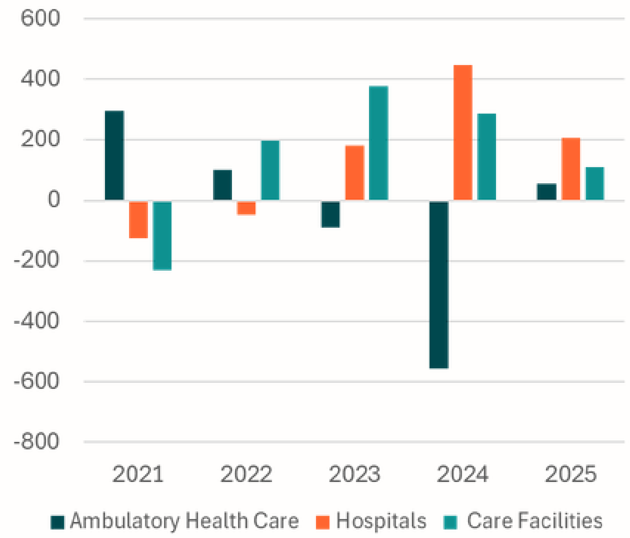
Year-over-Year % Change in Jobs



Source: Lightcast Industry Data

Figure 7: Divergent Employment Trends:

Outpatient Care Declines; Hospitals & Care Facilities Grow



Source: Lightcast Industry Data

Healthcare Workforce Shortage

While the Healthcare sector has served as a stabilizing anchor for the local economy, a state workforce shortage is emerging, especially for skilled primary care occupations like physicians and nurses, and is beginning to put pressure on health providers across the state. In Sonoma County, this shortage has grown out of increased demand for elderly care as the population ages and decreasing supply due to a constricted education pipeline and out-migration of young workers.

Online job postings were up approximately 24% in 2025 from 2024, signaling increasing demand for local healthcare workers. Hires and new jobs alike, however, did not increase at the same rate, leaving unfilled positions across several healthcare occupations. This low hiring rate for the county is especially apparent when other neighboring counties in the Bay Area which see much higher rates, and represents an exception to the otherwise loose labor market observed in other industries.

Nursing Shortage

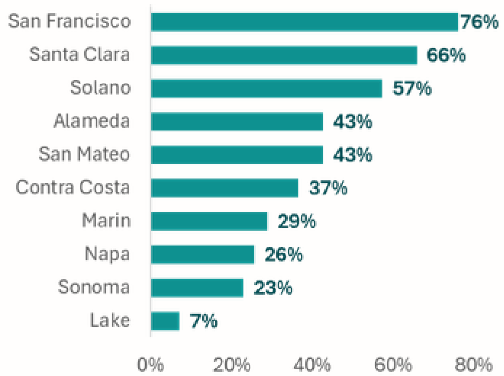
This shortage is most apparent among highly skilled health care occupations including physicians and nurses, the latter specifically for vocational nurses (LVNs) and nurse anesthetists (CRNAs). These fields represent early and later career occupations, respectively, indicating fewer are entering nursing programs and fewer are pursuing advanced opportunities after acquiring registered nursing (RN) credentials. The California Department of Health Care Access and Information estimates Sonoma County needs a 20% to 35% increase in these positions to adequately meet service needs.

Sonoma State University (SSU) and Santa Rosa Junior College (SRJC) are the region's primary healthcare workforce training institutions. In 2023, SSU's School of Nursing graduated 54 Bachelor of Science in Nursing (BSN) and 38 Master of Science in Nursing (MSN) students; SRJC's Associate Degree in Nursing (ADN) program admits approximately 120 students annually. As the county's population ages and demand for primary and acute care grows, program expansion and broader talent acquisition strategies will be needed to meet that demand. Figure 8 shows that Sonoma County's healthcare hiring rate relative to open job postings is low compared to other Bay Area counties.

Much of this gap can be attributed to outmigration of locally trained talent. Candidate profile data from Lightcast Profile Analytics indicates that only 30% of SSU Nursing graduates with active online profiles are employed within Sonoma County (see Figure 9). The largest share, approximately 17%, work in San Francisco, with the remainder distributed across other cities in-state and nationally. While online profiles do not represent all practicing nurses, they serve as a reliable proxy for post-graduation employment and migratory patterns and suggest that locally trained talent tends to migrate to urban markets outside the region.

Figure 8: Sonoma County Is Filling Nursing Job Openings more slowly than other counties

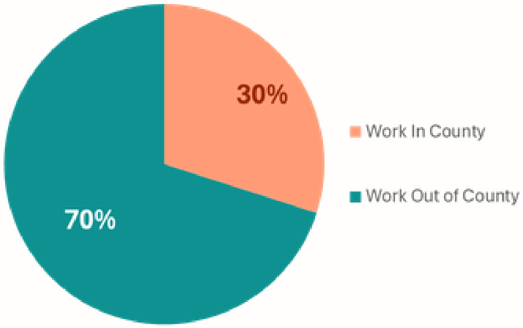
Monthly Hirings to Unique Postings for Registered Nurses



Source: Lightcast Job Postings Data

Figure 9: Most Sonoma State University Nursing Graduates Leave Sonoma County

Share of online SSU graduate profiles employed within and outside Sonoma County



Source: Lightcast Candidate Profile Analytics. Analysis: EDC

Physician Shortage

A similar shortage is observed across the state for primary care physicians, which requires more signficantly more training and education than nursing; roughly 8 to 11 years on average in California. The California Healthcare Foundation estimates that by 2030, the state will have a shortage of approximately 10,500 physicians. Currently the ratio of patients to primary care physicians for the state is 1,000 to one, with large disparities between urban and rural areas. Though Sonoma County shares this ratio with the state, it is considerably behind San Francisco with a ratio of around 580 to one, according to County Health Rankings by the Robert Wood Johnson Foundation. Moreover, nearly all of California counties fall well behind the national ratio of 270 to one.

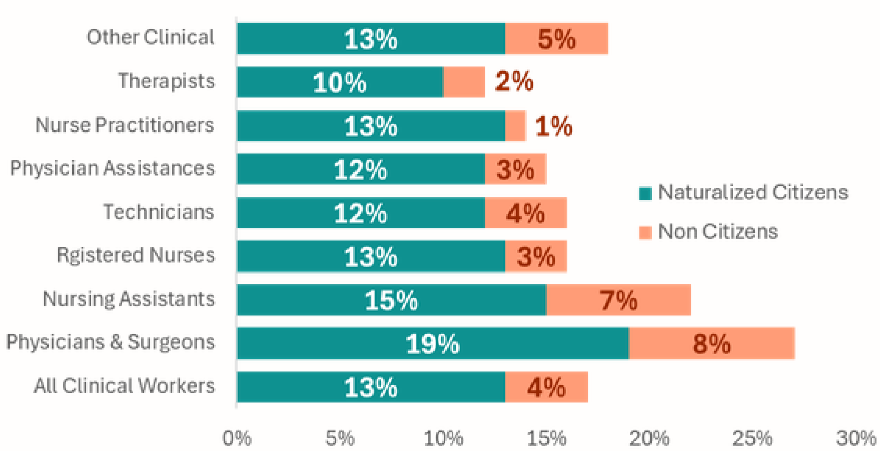
Health experts broadly point to two strategies for addressing physician shortages: increasing compensation and expanding medical education and residency programs. Both approaches have seen regional adoption. Kaiser Permanente launched a Family Medicine Residency Program in Santa Rosa in 2018 — the first new program in the county in over 40 years — while Providence Medical Group, in partnership with the Santa Rosa Memorial Hospital Foundation, offers up to $120,000 in student loan repayment to attract physicians.

Healthcare Relies on Foreign-Born Workers

Foreign-born workers make up a significant share of California's workforce, particularly in labor-intensive industries such as construction, agriculture, and healthcare. American Community Survey data finds that 32% of California hospital workers in select occupations are foreign-born, consistent with national trends shown in Figure 8. In Sonoma County, over 4,000 immigrants are employed in health services, representing 16% of the industry's total workforce.

Figure 10: Immigrants Account for More Than a Quarter of Physicians at U.S. Hospitals

Share of Hospital Workers who are immigrants by clinical occupation, 2023



Source: Kaiser Family Foundation (KFF); American Community Survey (ACS) Data, 2023

Medi-Cal's Critical Role

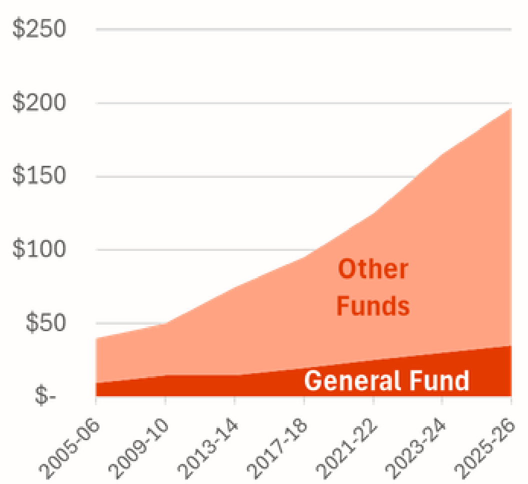
Medi-Cal, California's Medicaid program, has evolved from covering one in eight residents in 1990 to providing comprehensive health coverage for more than one in three Californians today. This growth accelerated after the Affordable Care Act allowed states to expand Medicaid in 2014, adding over five million enrollees by 2016. Currently, 46% of Medi-Cal participants are children and caregivers, 34% are adults who gained access under the ACA expansion, and 15% are seniors or people with disabilities. These expansions cut the state's uninsured rate in half and improved health and economic outcomes, though approximately three million residents, mostly noncitizens, remained uninsured.

California has led the nation in extending coverage to undocumented immigrants, gradually expanding Medi-Cal eligibility to undocumented children, young adults, seniors, and, as of January 2024, all income-eligible adults regardless of immigration status. Medi-Cal is now the largest item in the state budget, with total costs of $197 billion annually in 2025-26. This comprises approximately $162 billion in federal and other funds and $35 billion from the state General Fund, funded through federal matching dollars, state resources, local contributions, and a Managed Care Organization tax.

Rising healthcare costs intensify these pressures. According to McKinsey, medical costs have grown at 7 percent annually in recent years, while pharmacy costs have surged at 9 percent, driven largely by an aging population and specialty medications. California hospitals saw costs per patient increase 25 percent from 2019 to 2023, while more than half of California hospitals now lose money daily and 70 percent have unsustainably low operating margins, according to the California Hospital Association.

Figure 11: Medi-Cal's Budget has Quadrupled

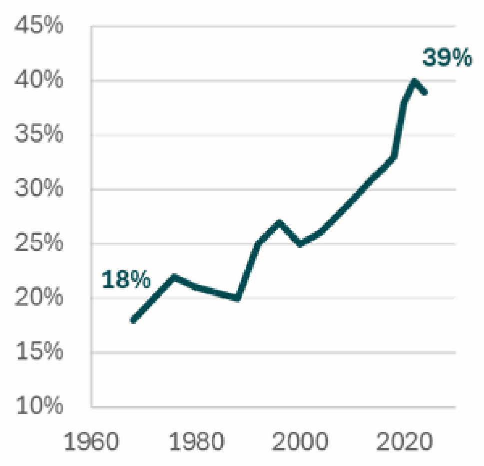
Medi-Cal Budget, General Fund & Other Funds, $ Billions



Source: California Legislative Analyst's Office

Figure 1: Percent Enrolled in Medi-Cal

Percent of Californians Enrolled in Medi-Cal



Source: California Legislative Analyst's Office

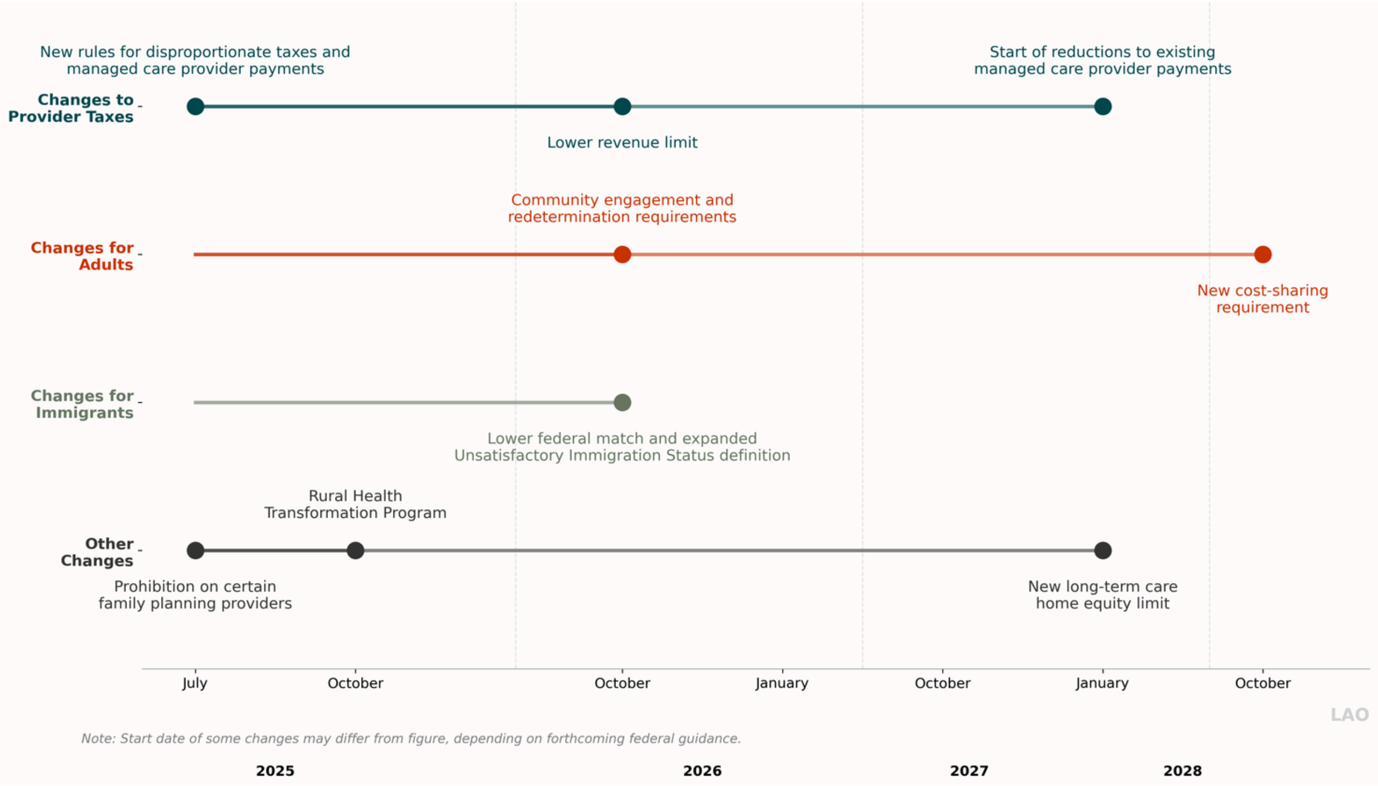
Federal Policies Threaten Medi-Cal Coverage

The One Big Beautiful Bill Act (OBBBA), signed into law in July 2025, represents the largest federal healthcare rollback in U.S. history. The law achieves cuts through two primary mechanisms that will cost California an estimated $10 to $20 billion in lost federal support annually over the next five years. First, it imposes strict financing restrictions that fundamentally alter how states fund Medicaid. New limits on provider taxes, historically a key tool for drawing down federal matching funds, will shrink California's Managed Care Organization tax from generating billions annually to just tens of millions. Combined with restrictions on hospital fees and managed care payments to providers, these changes strip billions in federal support from California each year.

OBBBA also creates significant eligibility and access barriers designed to reduce enrollment. Starting in late 2026, childless adults must verify 80 hours of work a month, education, or community service to maintain coverage. The law further increases redetermination frequency from annually to every six months and imposes new $30 copayments for certain services. The Congressional Budget Office projects these eligibility changes will cause approximately 1.2 million Californians to lose coverage, with most becoming uninsured rather than finding alternative insurance. The federal law phases in these changes over a three-year period.

Figure 13: Federal Changes Begin Over a Staggered Time Frame

Key Federal Changes Enacted By the One Big Beautiful Bill Act (OBBBA)



Source: California Legislative Analyst's Office: Considering Medi-Cal in the Midst of a Changing Fiscal and Policy Landscape

Local Impacts

These changes create significant pressures at the local level. Roughly one percent of Medi-Cal spending (approximately $1.6 billion) is allocated to Sonoma County, where **nearly 30% of residents, or about 142,000 people, rely on it for healthcare coverage**—higher than neighboring counties like Napa and Marin, which cover 26% and 21%, respectively. An estimated 20,000 Sonoma County residents could lose Medi-Cal coverage under current federal policies, with half being undocumented immigrants affected by California's enrollment freeze and new premium requirements.

The UC Berkeley Labor Center projects that federal Medi-Cal cuts will result in 1,000 to 2,000 direct job losses in Sonoma County across healthcare providers, suppliers, and local businesses where healthcare workers spend their income. As newly uninsured residents turn to emergency departments for care they can no longer access through regular channels, safety-net providers including community health centers and public hospitals will face mounting uncompensated care costs. Simultaneously, these same providers will experience revenue losses from reduced Medi-Cal reimbursement rates driven by provider tax restrictions and managed care payment cuts.

The community engagement requirements and increased redetermination frequency will disproportionately affect working families who struggle with the administrative burden of monthly verification, seniors navigating the reinstated asset limit, and individuals with chronic conditions who require continuous coverage. While some disenrolled individuals may eventually transition to employer-sponsored insurance or Covered California plans, many will face prolonged periods without coverage, leading to delayed or forgone care, increased reliance on local healthcare centers, and worsening health outcomes across the county.

Sonoma County will be able to insulate some of the damage caused by these cuts and restrictions through Measure O, a quarter-cent sales tax passed by voters in 2020 that generates approximately $25 million annually restricted to behavioral health and homelessness services. The Board of Supervisors recently awarded $10 million in Measure O funding across 26 projects spanning crisis response, school-based mental health care, interim housing, rapid rehousing, and culturally affirming behavioral health programs. While Measure O cannot replace the scale of federal Medi-Cal dollars flowing through the county, these services could provide a partial safety net for residents who lose Medi-Cal enrollment eligibility.

Trevor Bagan
March 2026

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