

County Health Department Budget Rebalancing Plan

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Background

- Recent changes in federal and state laws will impact our County Health Centers.
- The most direct impact to County programs is an intended federal change designating **FQHCs as a federal public benefit**. This will impact who qualifies to receive care at Federally Qualified Health Centers (FQHCs).
- All five of County Health's (CHD) Health Centers are FQHCs. This new designation means the facilities themselves are restricted from serving patients identified by Medi-Cal as having "unsatisfactory immigration status" (UIS).
- It is important to emphasize that the County's actions discussed in this report do not impact UIS patients' existing health insurance through State-Only funded Medi-Cal.

Current Status

- Based on these federal and state changes that restrict FQHCs from serving UIS patients, CHD's primary concern is ensuring continuity of care for these patients.
- 25% of the total assigned Medi-Cal patients to CHD's FQHCs are individuals with UIS and are anticipated to no longer be eligible to receive services at County Health.
- The department anticipates a significant Medi-Cal revenue shortfall in current FY 2025-26 due to these changes. These changes will translate into an ongoing loss of patient revenue and will have a major impact on next year's budget.
- Although there is pending litigation and an injunction in place in California to stay implementation of the federal change, there is no assurance on how long the injunction will last.
- Working with CenCal Health, we are making every effort possible for transitioning the care for these patients to other providers to ensure that impacted patients still have access to care and control of their medical decisions.

Projected Revenue Loss



- The CHD impact is approximately \$8.2 million annually
- FY 2025-26 projected revenue loss is approximately \$5.2 million

Cost Mitigation Strategies

1. Hiring Pause
2. Reduction of Work Force
 - Independent Contractors and Locums
 - Regular Staff and Extra Help
3. Service level reductions

Cost Mitigation Strategies

1. Hiring Pause:

- CHD proactively implemented a stringent hiring review process (July 2025)
- Only critical vacancies required to meet mandated and primary (or essential) functions, including grant funded positions, have been filled since these assignments cannot be delayed or transferred
- CHD will continue the hiring pause for the remainder of FY 2025-26 and through FY 2026-27 due to projected ongoing fiscal impacts

Cost Mitigation Strategies

2. Reduce Independent Contractors and Locums:

- Contracted providers and locums will be reduced to a minimum where clinical expertise and licensure is required to preserve patient care

Cost Mitigation Strategies

3. Staffing Reductions:

- Reduction in 55.2 FTE salary positions (18.6 FTEs are currently vacant)
- Staffing reductions have been based on adjusted patient numbers, using industry standards for healthcare staffing ratios

Cost Mitigation Strategies

4. Assessing Specialty Services, including:

- Endocrinology, Gastroenterology, Nephrology, Neurology, Orthopedics, Urology (Internal Medicine)
- Obstetrics (Women's Health)
- Phlebotomy Services (Clinical Laboratory)

Impact on Patient Care

- CHD will continue to provide health care services at its Health Centers as required by HRSA guidelines
- CHD will continue to offer **Primary Care, Family Planning, Gynecology, Immunizations, Pharmacy, Nutrition Services, and Well Child Exams**

Looking Forward to FY 26/27

- A forecasted structural deficit in the amount of approximately \$7.6 million is currently projected for next fiscal year, primarily driven by increasing salary and benefit costs which are outpacing revenues
- In addition, financial impacts are also expected to be compounded by state (AB 144 (2025)) and federal budget actions (H.R.1) that have occurred since adoption of the FY 2025-26 budget

Impact on Next Year's Budget - Federal

Federal Decision to Rescind Grants

Centers for Disease Control (CDC) rescinded grants

Examples – Epidemiology and Laboratory Capacity Grant, Immunization Grant, and California Equitable Recovery Initiative Grant

House Resolution 1 (H.R. 1)

Health care coverage and financing

Work mandates and stricter qualifications for Medi-Cal eligibility

Elimination of funding to programs and services

Example - Supplemental Nutrition Assistance Program Education (SNAP-Ed or CalFresh Healthy Living)

Impact on Next Year's Budget - State

State Budget Act of 2025

Medi-Cal Enrollment Limitations

Limits enrollment for undocumented immigrants beginning January 1, 2026

State Reimbursements Cuts to FQHCs

Eliminates Prospective Payment System (PPS) per-visit rate reimbursements for state-only services provided by FQHCs for individuals with UIS status after July 1, 2026

**Both actions are not expected to impact CHD due to our inability to serve UIS patients*

Next Steps

- Care coordination plans and transition for current patients (*Ongoing*)
- Establish agreements with providers for referrals for required services where necessary (*by December 1, 2025*)
- Return to the Board for termination of any Board contract(s) with independent contractor(s) (*by December 31, 2025*)
- Patient reassignments to alternative health center providers by CenCal Health (*Effective January 1, 2026*)

Recommended Actions

- a) Receive and file a report on the County Health Department's budget and fiscal outlook;
- b) Approve the County Health Department's Rebalancing Plan to reduce 55.2 FTE salary positions in the FY 2025-26 Adopted Budget; and
- c) Determine that the recommended actions are not a "Project" within the meaning of the California Environmental Quality Act (CEQA) and are exempt pursuant to CEQA Guidelines section 15378(b)(5), because the recommended actions consist of organizational or administrative activities of government that will not result in direct or indirect physical changes in the environment.