BOARD OF SUPERVISORS AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Submitted on:
(COB Stamp)

Department Name:	County Health Department
Department No.:	041
Agenda Date:	November 18, 2025
Placement:	Departmental Agenda
Estimated Time:	1 HOUR
Continued Item:	Yes
If Yes, date from:	October 7, 2005
Vote Required:	Majority

TO: Board of Supervisors

FROM: for Department Director: Mouhanad Hammami, County Health Department

DocuSigned by: Lars Seifert EB92ED3CE8A54FF...

Contact: Gus Mejia, Chief Financial Officer, County Health Department
Lindsay Walter, Deputy Director, Clinical Services

SUBJECT: County Health Department Budget Rebalancing Plan to Address Revenue Shortfall for Federally Qualified Health Centers in FY 2025-26

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence: CEO, Human Resources

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

a) Receive and file a presentation on the County Health Department's outreach to community stakeholders and the Human Resource Department's efforts with the unions to mitigate any potential layoffs;

b) Take no action on 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.

Summary Text:

This item is on the agenda today in response to the Board's continuation of the County Health Department (CHD) item presented on October 7, 2025. This item requested approval of a budget rebalancing plan to address anticipated revenue shortfalls for its Federally Qualified Health Centers

(FQHCs) due to evolving federal and state changes to healthcare coverage and federal funding, which would have resulted in a necessary reduction of salary positions in Fiscal Year 2025-26. Upon direction from the Board, CHD conducted a series of presentations and meetings with community stakeholders and healthcare organizations. CHD has decided to pause the transition of patients with unsatisfactory immigration status (UIS) to other providers and will continue to serve UIS through state-only funded Medi-Cal. As CHD is not currently anticipating revenue loss from the transition of UIS patients, CHD requests that the Board take no action on reducing 55.2 FTE (full-time equivalent) salary positions at this time. The Human Resources Department (HR) also initiated discussions with SEIU Local 620 and SEIU Local 721 primarily focused on reducing the impact of layoffs; these efforts were paused as well.

Discussion:

On October 7, 2025, the Board of Supervisors continued an item submitted by CHD to rebalance the current fiscal year budget and eliminate 55.2 FTE salary positions due to anticipated loss of revenue resulting from CHD's plan to transition UIS patients to other health providers to assure continuity of their medical care. This transition plan was prompted by a new federal interpretation of who can provide certain public benefits to individuals without satisfactory immigration status, which is currently in litigation.

Following a presentation by CHD, public comment, and Board discussion, the Board continued the item, and: (1) directed CHD to complete additional stakeholder outreach; (2) directed County Human Resources to coordinate with the unions for concessions to be made to mitigate any potential layoffs; and (3) requested that County Counsel keep the Board apprised of the ongoing federal litigation and the injunction related to the County's ability to serve patients with UIS.

CHD also established a robust care coordination plan and a transition team that will ensure the continuity of care for patients if a transfer to other providers is needed. By CHD's request, CenCal Health, the managed care health plan for these Medi-Cal patients, mapped out primary care providers that attested to accepting new patients and matched all patients with a new provider. Considering these actions and keeping the health and wellness of our patients as an ultimate priority, CHD is confident that we have the tools to initiate the transfer of patients anytime it becomes warranted.

Considering the coordinated efforts of CHD and CenCal and the confidence in the coordination plan and transition team that is now in place, CHD has decided to pause the transition of UIS patients to other providers pending further results in ongoing federal litigation.

Stakeholder Outreach

CHD continued its outreach in the community providing information, clarification and updates. Several activities took place in addition to receiving feedback and input from and through partners and other channels. CHD is appreciative of the feedback and suggestions received from our community stakeholders and partners.

- On October 9th, council members from the City of Goleta met with immigrant groups and advocates and forwarded questions through Supervisor Capps' office which CHD responded to thoroughly.
- On October 9th, CHD participated in the Community Steering Committee meeting held by CenCal Health that includes many community organizations and healthcare providers. CHD provided updates on CHD's plans and transition of care.

- On October 14th, CHD convened all primary care providers working at our Health Centers and provided updates and sought feedback on issues related to patient care and care transition.
- On October 17th, CHD met with officials from the City of Santa Barbara and provided updates and information on the transition.
- On October 22nd, CHD continued our established meetings with healthcare partners and other FQHCs in the County. CHD held a meeting that included Cottage Hospital, Lompoc Valley Medical Center, Marian Hospital, American Indian Health Services, Community Health Centers of the Central Coast, Indian Family Health Services, Hospital Association of Central America, CenCal Health and others. Updates and CHD's Care Coordination plan were presented.
- On October 22nd, CHD was invited to present at the community led "Juntos en Voz y Accion." Co-chaired by Tu Tiempo Digital and One Community Action, the meeting was attended by more than 50 community members representing organizations in north county such as MICOP, Santa Maria School District, Future Leaders of America, Vision Compromiso, Promotora de la comunidad and others. CenCal Health and Community Health Centers (CHC) presented as well.
- CHD also met with representatives from State elected officials and Congressman Carbajal.

Fiscal Analysis:

CHD does not anticipate a loss of revenue for the remainder of the fiscal year as a result of pausing the transition of UIS patients to other providers. However, upon conclusion of the federal litigation and/or lift of the current injunction, CHD will assess the financial impact on the current fiscal year budget and come back to the Board with recommendations.

As presented to the Board on October 7, 2025, a forecasted structural deficit in the amount of approximately $7.6 million is projected for next fiscal year, primarily driven by increasing salary and benefit costs, services and supplies, and other department costs, which are outpacing revenues.

Additionally, if services to UIS patients continue into the next fiscal year, changes in the adopted State budget will also pose financial challenges for CHD's FY 2026-27 budget. These changes include:

- Medi-Cal enrollment will be restricted for the 19 and over UIS population starting on January 1, 2026. This population will no longer be able to newly enroll in full-scope Medi-Cal.
- Reimbursement cuts by the State will eliminate Prospective Payment System (PPS) per-visit rate to Federally Qualified Health Care Centers (FQHCs) for individuals with UIS status after July 1, 2026. CHD is projecting that this will create an estimated $6.6 million annual shortfall in reimbursements.
- Moreover, there are other State and Federal impacts to Medi-Cal such as asset limit reinstatement, increased renewal frequency, premiums and cost sharing, and most significantly the Medicaid work requirement. CHD estimates that the potential financial impact of these changes may be up to an additional $3.2 million loss of revenue due to an expected reduction in Medi-Cal recipients.

Staffing Impacts:

At this time, CHD is asking that the Board take no action on the reduction of 55.2 FTE salary positions as CHD awaits further results from ongoing federal litigation.

Special Instructions:

Request the Clerk of the Board to provide a copy of the minute order to the County Health Department, PHDGROUPContractsUnit@sbcphd.org.

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