



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: BC 25-043

April 10, 2025

Introduced: 3/24/2025

Current Status: Agenda Ready

Version: 1

Matter Type: Budget Committee

- a. Receive a report on the financial position of the Health Department Clinic Services Bureau and the benefits of converting standalone clinics on the Natividad campus to intermittent clinics; and
- b. Support the conversion of standalone clinics on the Natividad campus to intermittent clinics to improve financial stability of the Clinic Services Bureau effective May 3, 2025; and
- c. Direct staff to provide future updates to the Board of Supervisors Budget Committee as appropriate.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Receive a report on the financial position of the Health Department Clinic Services Bureau and the benefits of converting standalone clinics on the Natividad campus to intermittent clinics; and
- b. Support the conversion of standalone clinics on the Natividad campus to intermittent clinics to improve financial stability of the Clinic Services Bureau effective May 3, 2025; and
- c. Direct staff to provide future updates to the Board of Supervisors Budget Committee as appropriate.

SUMMARY/DISCUSSION:

The Health Department's Clinic Services Bureau clinics are Federally Qualified Health Centers (FQHC) that provide primary care, dental, chiropractic, and specialty care services to Monterey County residents. As an FQHC system, the Clinic Services Bureau is reimbursed under the Prospective Payment System (PPS), a state-administered model designed to cover the cost of providing care to Medi-Cal patients. These PPS rates, set by the Department of Health Care Services (DHCS), have seen only minimal adjustments over the years and are now insufficient to cover the Clinic Services Bureau's actual cost of providing care. As a result, the gap between the current PPS rate per visit and the actual cost per visit continues to widen, contributing to the projected financial shortfall in the current fiscal year and out years.

Recently, the Clinic Services Bureau received its final PPS rate for the NIDO (Infectious Disease Outpatient Clinic), which presents an opportunity to improve the Clinic Services Bureau's financial stability. By converting the standalone clinics on the Natividad campus, Family Practice, Internal Medicine, Laurel Vista, and Pediatrics, to intermittent clinics and linking them to NIDO as their parent clinic, the Clinic Services Bureau will be able to bill all encounters at the higher approved PPS rate of \$541 per visit, compared to the current average PPS rate of \$228 per visit.

An intermittent clinic is a clinic that operates for no more than 40 hours per week and must be

linked to a designated parent (standalone) clinic for PPS billing. Both standalone and intermittent clinics can provide the same scope of services, and there are no limitations with regards to service line offerings under this model. To assess the impact of this conversion on patient care, the Clinic Services Bureau conducted an analysis of patient visit data, which determined that the proposed 40-hour-per-week model will meet patient demand with minimal impact on access and continuity of care.

By converting the standalone clinics to intermittent clinics, the Clinic Services Bureau can bill an estimated 70,000 visits annually at the new PPS rate of \$541 per visit, generating approximately \$20 million in additional revenue. This increase in revenue will help offset the projected operating deficit and support the long-term stability of the Clinic Services Bureau.

The Clinic Services Bureau received approval from its Community Health Center Board (CHCB), its governing board over scope of services and hours of operation on March 13, 2025. Implementation of this plan is targeted for May 3, 2025, pending support from the Budget Committee and the Board of Supervisors. Once DHCS is notified of the conversion, billing for the Natividad campus clinics must be paused until the process is finalized, which is expected to take 6 to 9 months. After the audit is completed, billing will resume, and all held encounters will be submitted and reimbursed at the new PPS rate. We anticipate being in receipt of all pending revenue from date of implementation in FY 2025-26.

The pause in billing is expected to result in a revenue shortfall of approximately \$6.5 million in FY 2024-25. Additionally, the Clinic Services Bureau continues to face high operating costs that exceed reimbursement levels under the current PPS structure. This projection is conservative, and the financial outcome could improve as additional revenue is realized. The additional General Fund Contribution utilized by Clinic Services Bureau to close FY 2024-25 will be returned to the General Fund incrementally as the additional revenue is realized, commencing in FY 2025-26.

Each month the implementation of the intermittent clinic conversion is delayed results in an estimated \$1.6 million in lost patient revenue, highlighting the financial impact of delaying the conversion. By implementing May 3, 2025, Clinic Services Bureau will realize approximately \$3.1 million in patient revenue. Staff therefore seek the Budget Committee's support to implement intermittent clinics understanding that General Fund Contribution will be exceeded by an estimated \$6.5 million in the current fiscal year, and present Committee's recommendation to the Board of Supervisors for approval.

OTHER AGENCY INVOLVEMENT:

The County of Monterey Administrative Office has reviewed and supports the requested action.

FINANCING:

Approval of this action will result in an impact to the General Fund in the amount of \$6.5 million in FY 2024-25, which will be returned incrementally as the additional revenue is realized.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

? Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

? Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability, and transparency.

? Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services, promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

? Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

? Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses, and communities to thrive and grow by reducing violent crimes as well as crimes in general.

Prepared by: Mel Garcia, Finance Manager II, 783-7048

Reviewed by: Miriam Mendoza, Finance Manager III, 755-4622

Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachments:

Staff Report

Presentation