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Health Services
LOS ANGELES COUNTY

June 25, 2024

TO: Supervisor Lindsey P. Horvath, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Janice K. Hahn
Supervisor Kathryn Barger

FROM: Christina R. Ghaly, M.D.
Director

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK**

This is to provide an update to DHS' fiscal forecast for Fiscal Years (FY) 2023-24 through 2026-27 (Attachment I-A). DHS (excluding DHS Community Programs [CP] and Correctional Health Services [CHS]) is forecasting an available fund balance of $1.3 billion in FY 2023-24, $1.2 billion in FY 2024-25, $1.1 billion in FY 2025-26, and $235.6 million in FY 2026-27.

There are only a few key changes from the December 19, 2023 Fiscal Outlook. First, DHS has paid off $203.0 million in commercial paper that was used to short-term finance previously approved capital projects (further explained in this letter). Second, this forecast adjusts the timing of revenue recognition for the Enhanced Payment Program (EPP) and Rate Range programs. DHS is working with the Department of Health Care Services (DHCS) to reduce the Long-Term Receivables (LTRs) for the two programs. The resolution of the LTRs for Rate Range is anticipated in FY 2024-25 and for EPP in FY 2025-26. Third, DHS expects the federal Office of Inspector General to formally issue the audit results for the Provider Relief Fund revenues in FY 2024-25, which is currently accounted for as a non-spendable reserve in the fiscal forecast.

Attachment I-A provides details for DHS' department-wide operations (excluding DHS CP and CHS); Attachment I-B provides details for DHS CP; Attachment I-C provides details for DHS CHS; and Attachment I-D provides a department-wide summary including DHS CP and CHS.

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Available Fund Balance

The significant decrease in DHS' available fund balance over the four-year fiscal forecast period reflected in Attachment I-A demonstrates our continuing structural deficit. The root cause of the ongoing structural deficit is the fact that the current financial system for financing public hospitals does not provide sufficient funding in Medi-Cal managed care and fee-for-service (FFS) revenues to cover costs. Public hospitals in California must self-finance (i.e., provide the non-federal share) for a large portion of their budgets, leaving public hospitals without sufficient revenue to fully cover their costs.

DHS has been working with the other public hospitals which are experiencing similar revenue shortfalls to request that DHCS and California's Medi-Cal managed care plans address managed care funding shortfalls. Discussions with DHCS and the managed care health plans are expected to be protracted as the current financing system for the public hospitals is complicated. The FFS shortfalls are also being discussed with DHCS. Any potential changes that may be forthcoming as a result of these protracted discussions will still not guarantee a resolution to DHS' structural deficit.

Due to the significant imbalance between DHS' estimated expenditures and revenues which result in an ongoing structural deficit, one-time positive adjustments made in earlier years increase the available fund balance offsetting the existing annual structural deficit.

Updates to Major Fiscal Issues

Current Year Surplus/(Deficit)

For 2023-24, DHS is forecasting a surplus of approximately $21.1 million at year-end closing.

New Managed Care Rules

On May 10, 2024, the Centers for Medicare and Medicaid Services (CMS) issued finalized Medicaid rules imposing new requirements on both states and Medicaid managed care plans to report and analyze payment rates and access to services. To determine access levels, the new rules establish federal standards for appointment wait times for various services, e.g., primary care, OB/GYN, mental health, etc., beginning in July 2027. Compliance with these standards requires the rate of appointment availability to be at least 90%.

Also, CMS establishes a numerical floor for FFS Medicaid rates, requiring the rates, in the aggregate, i.e., including base and supplemental payments, to equal at least 80% of the comparable Medicare rate. In addition, FFS payments for a benefit category may not be reduced by more than 4% per year. Both states and Medicaid plans will be required to conduct and report rate analyses for certain core services compared to Medicare physician fee schedule payments for the same services by July 1, 2026. The rule also establishes an aggregate cap on in-lieu of services of no more than 5% of total capitation payments.

In addition, the rules codify the ability of states to use directed payments to Medicaid providers to enhance payment rates to equal the average commercial rate for the same services. While the rule does not establish a cap on directed payments, the rates have to be "reasonable, appropriate, and attainable" and must utilize permissible sources for the non-federal share of the enhanced payments. Given that the new rules have only recently been released and the State's implementation plans are pending development, DHS does not have enough information to estimate an impact at this time.

Managed Care Contracting

Pursuant to DHCS' competitive procurement process for Medi-Cal managed care, in Los Angeles County, Health Net Health Plan (Health Net) was awarded the commercial plan and has a subcontracting agreement with Molina Healthcare (Molina). DHS has finalized contracts for base rates with Molina and Health Net for Calendar Year (CY) 2024. Negotiations with LA Care for the CY 2024 base rates are currently ongoing and an agreement is anticipated by the end of June. Accordingly, the fiscal forecast does not include the impact of any negotiated rate changes with LA Care.

Disproportionate Share Hospital (DSH) Funding

On March 9, 2024, President Biden signed the Consolidated Appropriations Act that eliminates the scheduled Medicaid DSH cut for federal fiscal year (FFY) 2024 and delays the FFY 2025 cut to January 1, 2025. DHS will continue to closely monitor any legislative activities related to DSH.

Updates to Major Revenue Categories

Medi-Cal Redetermination

As reported previously, because of the COVID-19 pandemic and the issuance of a public health emergency order, the annual Medi-Cal requirement to redetermine a beneficiary's eligibility was suspended and large numbers of beneficiaries retained continuous Medi-Cal coverage throughout the pandemic. This resulted in a significant increase in the number of beneficiaries assigned to DHS.

The redetermination process in California resumed in July 2023 and is expected to be fully phased in by June 2024. As the redetermination process returns to normal, DHS estimates a loss of 135,000 members (due to those individuals either not completing the redetermination process or no longer being eligible for Medi-Cal) and an estimated decrease of approximately $200.0 million annually in net capitation revenue.

Expanded Medi-Cal Coverage

Effective May 1, 2022, DHCS implemented the Older Adult Expansion (OAE) Medi-Cal program that expanded eligibility for full-scope Medi-Cal benefits to individuals who are 50 years of age or older, regardless of their citizenship or immigration status. DHS estimates approximately 40,000 of its assignments are in the OAE program.

Effective January 2024, the State expanded full Medi-Cal eligibility to the remaining group of income-eligible California residents, aged 26-49, regardless of their citizenship or immigration status. The coverage expansions may result in increased DHS member assignments; however, any potential increase is expected to be reduced to some extent, depending on the rate at which these Medi-Cal beneficiaries fail to complete the redetermination process and ultimately lose their Medi-Cal coverage. DHS continues to monitor the impact as the redetermination process is being phased in and will update the fiscal forecast accordingly.

California Advancing & Innovating Medi-Cal (CalAIM)

DHS participates in a number of CalAIM programs which provide Medi-Cal revenue for a number of care coordination and social supports programs offered and/or operated by DHS. These programs include Enhanced Care Management, which is estimated to provide $7.3 million in revenue for FY 2023-24, and Community Supports, which comprises a number of housing and social supports, estimated at approximately $58.0 million in revenue for FY 2023-24. Revenues are subject to annual contract negotiations with Medi-Cal managed care plans and are projected to be stable for FY 2024-25.

DHS is also preparing for the mandated CalAIM Justice Involved Initiative and submitted an application for planning funds under Providing Access and Transforming Health (PATH) Round 3. Funding awards have not been announced as of the date of this report.

AB 85 Realignment

AB 85 establishes a formula to redirect a certain portion of “excess” state health realignment funds to social services programs based on a sharing ratio of 80% State and 20% County. Based on current estimates, DHS is projecting the AB 85 redirection amount to be $0 for the current fiscal year and continuing at $0 going forward.

In-Home Supportive Services (IHSS) Provider Health Plan

The cost for DHS to provide healthcare services to the IHSS providers enrolled in the health plan exceeds the net capitation revenue that DHS receives annually by approximately $85.0 million. This is primarily due to cost escalations over the last decade without any corresponding increases in the capitation rate DHS receives per member to provide health care services. DHS has evaluated the need to increase the health plan capitation rate to cover DHS’ financial losses and to provide an investment in the IHSS network. LA Care proposed a rate increase for the IHSS program; however, DHS has asked for revisions and is currently waiting for LA Care’s response.

Summary

Until DHS can fully resolve shortfalls with additional revenue or implementation of additional cost reduction strategies, DHS will need to continue to use one-time fund balance to close the annual funding gap.

DHS Community Programs (Attachment I-B)

DHS CP includes the Housing for Health program and the Office of Diversion and Reentry, including Harm Reduction activities. Housing for Health provides housing, intensive case management and health care to individuals experiencing homelessness. The Office of Diversion and Reentry provide services that primarily diverts people with mental illness and substance use disorder from the LA County jails and places them in permanent supportive housing. Harm Reduction activities include conducting overdose prevention work and other community programs that serve individuals who use drugs. In addition, the DHS CP unit also manages Community Supports under the CalAIM Medi-Cal waiver and includes programs such as the Medical-Legal Community Partnership.

DHS CP is projecting that replacement funding of approximately $14.4 million will be needed starting in FY 2024-25 and up to $96.6 million will be needed in FY 2026-27. This is primarily due to the loss of CalAIM funding, one-time American Rescue Plan Act-enabled funding, and one-time Housing for a Healthy California grant funding, with no ability to reduce associated program costs without cutting services and/or housing placements. As a plan to mitigate this funding gap is still to be determined, DHS will work closely with the CEO Homeless Initiative to identify potential strategies to mitigate existing costs and/or identify potential alternative funding sources.

Correctional Health Services (Attachment I-C)

While DHS manages CHS operations, CHS is primarily funded with net County cost. DHS requests additional funding for CHS, as needed, through the County's budget process. At this time, DHS is estimating a balanced budget for CHS through FY 2026-27; however, DHS continues to work with the CEO and the Sheriff to address various Department of Justice (DOJ)-related operational and staffing issues. DHS will continue to discuss any supplemental funding needs with the CEO should additional funding be necessary to comply with the DOJ consent decree.

Updates to Major Cost Categories

Salary & Employee Benefits (S&EB) Increases

DHS is required to fund any increases in its S&EB that result from increased labor costs, including those due to new or revised labor agreements with our majority represented workforce. The forecast includes the additional S&EB costs for those bargaining tables that have been closed and approved by the Board, estimated to exceed $120.0 million annually.

The County has reached a tentative agreement in its negotiations with the Union of American Physicians and Dentists (UAPD). The next steps are review and ratification by the members of UAPD Bargaining Units 324 and 325 and, if approved by the membership, will be submitted to the County Board of Supervisors for approval. Any additional costs negotiated with UAPD and approved by the Board that are beyond the standard County COLA are not included in this forecast.

SB 525, enacted on October 13, 2023, is a new minimum wage law setting pathways to a $25 minimum wage for health care workers. Due to the size of our hospital system and being County-owned or operated, the new healthcare worker minimum hourly wage will be phased in on the expedited timeframe listed below:

- $23.00 in January 2025
- $24.00 in June 2025
- $25.00 in June 2026
- minimum wage after 2026 will be indexed to the lower of inflation or 3.5%

In addition to the hourly minimum wage provisions, the bill requires that salaried health care employees earn a monthly salary equivalent to no less than 150% of the health care worker minimum wage or 200% of the applicable minimum wage, whichever is greater. A workgroup has been created with the CEO, County Counsel, and DHS, DMH, and Public Health Departments to review classifications and SB 525 eligibility criteria, and to develop implementation steps for the new minimum wage requirements.

DHS has included the projected impact of both provisions of SB 525 to its S&EB in the DHS fiscal forecast as follows:

- FY 2024-25: $45.0 million
- FY 2025-26: $95.0 million
- FY 2026-27: $100.0 million

Harbor-UCLA Medical Center Replacement Project (H-UCLA Replacement Project)

In February 2022, the Board approved the design-build contract with Hensel-Phelps for the construction of the H-UCLA Replacement Project. The long-term debt service costs for the H-UCLA Replacement Project will be shared based on the total project cost split between DHS (90%), and DMH (10%), whose share of cost will fund the construction of psychiatric emergency services and psychiatric inpatient beds. Working with DMH, these percentages will be revised to account for DHS paying down a portion of the replacement costs before it gets converted into long-term debt financing.

Since the Board's approval, a series of meetings have been held with clinical users to develop the design for the hospital, clinic, lab, and support service buildings and parking structure. The plans for the Clinic and Hospital buildings are currently going through jurisdictional approvals. Construction of the Support Services Building has been completed and the Facilities Management, Information Technology, and Safety programs took occupancy of the building in May 2024. The 1,500-space parking structure will be completed and open for use in June 2024. Construction began in May 2023 on the Clinic Building and the steel structure was topped off in March 2024. Completion of this building is anticipated in mid-2026.

Demolition and site preparation for the hospital is underway and construction is anticipated to begin this summer. The H-UCLA Replacement Project is expected to be completed by 2028. DHS used its fund balance to pay a total of $580.0 million in FYs 2021-22 through 2023-24 for the planning, design, and construction costs for the H-UCLA Replacement Project and other projects as they occurred. Latest estimates are

predicting a project cost overrun. As firm numbers are available, we will update our estimated debt service payment assumptions. DHS will continue to work with CEO and Public Works on this matter.

Implementation of Cost Accounting System

DHS has completed the implementation of the new Cost Accounting Decision Support System. Multiple labor-intensive activities related to data capture, data quality, and data accuracy are ongoing. DHS is in the process of closely evaluating and analyzing the cost of primary care and urgent care services provided across DHS facilities. The detailed analysis is expected to assist in operational and strategic planning decisions.

Implementation of Patient Accounting System

DHS currently uses the Affinity Revenue Cycle Only (RCO) patient accounting system. DHS is planning to request Board approval to purchase the Cerner patient accounting system in spring of 2025 to replace the RCO system. The Cerner system will be integrated with DHS' electronic health record system (ORCHID) which will result in new billing protocols. In the existing RCO system, data is transferred to the billing vendor who then prepares and submits the claims through their own system. Under the new Cerner system, the data will reside in DHS' system and the billing vendors will submit claims through the DHS system.

DHS Finance has met with DHS' Contracts and Grants regarding the development of the Statement of Work for a Request for Proposals to select vendors for DHS' billing and recovery services for billing claims from the Cerner Patient Accounting System. We anticipated a phased implementation timeline starting in summer of 2026. Once implementation of the Cerner Patient Accounting System begins, DHS will be operating dual billing systems, i.e., services provided after the new system's start date will be billed in the new Cerner system, while services provided before that date will be billed using the old RCO system. We estimate the termination of the dual systems will occur in December 2029, at which time only the new system will be online.

If you have any questions or need additional information, please let me know, or you may contact Allan Wecker, Chief Financial Officer, at (626) 525-6100.

CRG:aw
Fiscal Outlook 062524
609:005

Attachments (4)

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

ATTACHMENT I-A

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FORECAST
FISCAL YEARS 2023-24 THROUGH 2026-27
($ IN MILLIONS)

A

DHS
(Excluding Community Programs and Correctional Health Services)

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2023-24 Forecast	Adjustments	FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 3,992.991	$ 389.190	$ 4,382.181	$ 225.702	$ 4,607.883	$ 187.432	$ 4,795.315	(2)
(3)	Net Services & Supplies	2,856.699	21.486	2,878.185	103.738	2,981.923	105.534	3,087.457	(3)
(4)	Debt Service - Harbor Master Plan	202.711	(160.314)	42.397	23.353	65.750	25.822	91.572	(4)
(5)	Debt Service - Other	78.989	(16.675)	62.314	(0.049)	62.265	0.711	62.976	(5)
(6)	Other Charges	1,766.207	(282.877)	1,483.330	47.967	1,531.297	25.308	1,556.605	(6)
(7)	Capital Assets	59.191	(8.927)	50.264	-	50.264	-	50.264	(7)
(8)	Capital Projects & Deferred Maintenance	56.941	32.725	89.666	1.171	90.837	(1.811)	89.026	(8)
(9)	Operating Transfers Out	100.064	(68.506)	31.558	1.262	32.820	1.313	34.133	(9)
(10)	Intrafund Transfer	(120.006)	(50.356)	(170.362)	-	(170.362)	-	(170.362)	(10)
(11)	**Total Expenses**	$ 8,993.787	$ (144.254)	$ 8,849.533	$ 403.144	$ 9,252.677	$ 344.309	$ 9,596.986	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	1,225.740	(165.011)	1,060.729	(10.312)	1,050.417	(16.884)	1,033.533	(13)
(14)	Enhanced Payment Program (EPP)	953.825	231.450	1,185.275	155.490	1,340.765	61.443	1,402.208	(14)
(15)	Quality Incentive Program (QIP)	413.281	0.052	413.333	19.113	432.446	19.820	452.266	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	7.573	(1.624)	5.949	-	5.949	(2.973)	2.976	(16)
(17)	Providing Access & Transforming Health (PATH)	14.443	(12.537)	1.906	(1.906)	-	-	-	(17)
(18)	Global Payment Program (GPP)	1,399.831	(62.705)	1,337.126	26.392	1,363.518	23.449	1,386.967	(18)
(19)	Medi-Cal Inpatient	472.772	13.821	486.593	16.854	503.447	17.457	520.904	(19)
(20)	Medi-Cal Outpatient - E/R	104.395	1.491	105.886	1.818	107.704	1.883	109.587	(20)
(21)	Medi-Cal CBRC	232.631	7.653	240.284	18.217	258.501	9.242	267.743	(21)
(22)	Medi-Cal SB 1732	11.128	-	11.128	-	11.128	-	11.128	(22)
(23)	Specialty Mental Health Services (SMHS)	197.882	-	197.882	-	197.882	-	197.882	(23)
(24)	Managed Care Graduate Medical Education (GME)	180.660	-	180.660	-	180.660	-	180.660	(24)
(25)	Hospital Provider Fee	28.324	(1.450)	26.874	2.159	29.033	-	29.033	(25)
(26)	Medicare	377.747	0.531	378.278	-	378.278	-	378.278	(26)
(27)	Hospital Insurance Collection	111.303	-	111.303	-	111.303	-	111.303	(27)
(28)	Self-Pay	2.857	-	2.857	-	2.857	-	2.857	(28)
(29)	In-Home Supportive Services (IHSS)	94.075	25.112	119.187	27.079	146.266	-	146.266	(29)
(30)	Federal & State - Other	156.997	2.339	159.336	-	159.336	-	159.336	(30)
(31)	Measure H	1.918	1.102	3.020	-	3.020	-	3.020	(31)
(32)	Other County Department (OCD)	526.897	(2.817)	524.080	-	524.080	-	524.080	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	1.861	0.035	1.896	(1.896)	-	-	-	(33)
(34)	Other	112.517	12.600	125.117	-	125.117	-	125.117	(34)
(35)	**Total Revenues**	$ 6,628.657	$ 50.042	$ 6,678.699	$ 253.008	$ 6,931.707	$ 113.437	$ 7,045.144	(35)
(36)	**Net Cost - Before PY**	$ 2,365.130	$ (194.296)	$ 2,170.834	$ 150.136	$ 2,320.970	$ 230.872	$ 2,551.842	(36)
(37)	AB 85 Redirection	-	-	-	-	-	-	-	(37)
(38)	Prior-Year Surplus / (Deficit)	836.850	(836.850)	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 1,528.280	$ 642.554	$ 2,170.834	$ 150.136	$ 2,320.970	$ 230.872	$ 2,551.842	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	425.313	-	425.313	-	425.313	-	425.313	(41)
(42)	County Contribution	825.508	47.409	872.917	29.943	902.860	26.431	929.291	(42)
(43)	Tobacco Settlement	52.159	-	52.159	-	52.159	-	52.159	(43)
(44)	Measure B	246.410	-	246.410	-	246.410	-	246.410	(44)
(45)	**Total Operating Subsidies**	$ 1,549.390	$ 47.409	$ 1,596.799	$ 29.943	$ 1,626.742	$ 26.431	$ 1,653.173	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ 21.110**	$ (595.145)	**$ (574.035)**	$ (120.193)	**$ (694.228)**	$ (204.441)	**$ (898.669)**	(46)
(47)	Replacement Funding Needed	-	-	-	-	-	-	-	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ 21.110**	$ (595.145)	**$ (574.035)**	$ (120.193)	**$ (694.228)**	$ (204.441)	**$ (898.669)**	(48)
(49)	**Beginning Fund Balance**	**$ 1,791.644**	$ (128.741)	**$ 1,662.903**	$ (497.458)	**$ 1,165.445**	$ (21.414)	**$ 1,144.031**	(49)
(50)	Surplus / (Deficit)	21.110	(595.145)	(574.035)	(120.193)	(694.228)	(204.441)	(898.669)	(50)
(51)	Long Term Receivables	(149.851)	226.428	76.577	596.237	672.814	(682.589)	(9.775)	(51)
(52)	**Ending Fund Balance**	**1,662.903**	(497.458)	**1,165.445**	(21.414)	**1,144.031**	(908.444)	**235.587**	(52)
(53)	Restricted - Provider Relief Fund	(325.274)	325.274	-	-	-	-	-	(53)
(54)	**Available Fund Balance**	**$ 1,337.629**	$ (172.184)	**$ 1,165.445**	$ (21.414)	**$ 1,144.031**	$ (908.444)	**$ 235.587**	(54)

ATTACHMENT I-B

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FORECAST
FISCAL YEARS 2023-24 THROUGH 2026-27
($ IN MILLIONS)

B

Community Programs

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2023-24 Forecast	Adjustments	FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 51.653	$ 19.209	$ 70.862	$ 2.734	$ 73.596	$ 2.865	$ 76.461	(2)
(3)	Net Services & Supplies	725.367	198.103	923.470	5.655	929.125	(17.042)	912.083	(3)
(4)	Debt Service - Harbor Master Plan	-	-	-	-	-	-	-	(4)
(5)	Debt Service - Other	2.382	-	2.382	-	2.382	-	2.382	(5)
(6)	Other Charges	37.079	29.667	66.746	(39.818)	26.928	(15.404)	11.524	(6)
(7)	Capital Assets	0.832	(0.664)	0.168	(0.168)	-	-	-	(7)
(8)	Capital Projects & Deferred Maintenance	-	-	-	-	-	-	-	(8)
(9)	Operating Transfers Out	-	-	-	-	-	-	-	(9)
(10)	Intrafund Transfer	(232.401)	(36.087)	(268.488)	27.166	(241.322)	8.936	(232.386)	(10)
(11)	**Total Expenses**	$ 584.912	$ 210.228	$ 795.140	$ (4.431)	$ 790.709	$ (20.645)	$ 770.064	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	0.657	(0.063)	0.594	(0.003)	0.591	(0.012)	0.579	(13)
(14)	Enhanced Payment Program (EPP)	0.428	0.091	0.519	0.068	0.587	0.027	0.614	(14)
(15)	Quality Incentive Program (QIP)	-	-	-	-	-	-	-	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	58.791	(6.485)	52.306	(26.684)	25.622	(12.767)	12.855	(16)
(17)	Providing Access & Transforming Health (PATH)	-	-	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	-	-	-	-	-	-	-	(18)
(19)	Medi-Cal Inpatient	-	-	-	-	-	-	-	(19)
(20)	Medi-Cal Outpatient - E/R	-	-	-	-	-	-	-	(20)
(21)	Medi-Cal CBRC	-	-	-	-	-	-	-	(21)
(22)	Medi-Cal SB 1732	-	-	-	-	-	-	-	(22)
(23)	Specialty Mental Health Services (SMHS)	-	-	-	-	-	-	-	(23)
(24)	Managed Care Graduate Medical Education (GME)	-	-	-	-	-	-	-	(24)
(25)	Hospital Provider Fee	-	-	-	-	-	-	-	(25)
(26)	Medicare	-	-	-	-	-	-	-	(26)
(27)	Hospital Insurance Collection	-	-	-	-	-	-	-	(27)
(28)	Self-Pay	-	-	-	-	-	-	-	(28)
(29)	In-Home Supportive Services (IHSS)	0.001	-	0.001	-	0.001	-	0.001	(29)
(30)	Federal & State - Other	214.355	88.266	302.621	(21.042)	281.579	(4.600)	276.979	(30)
(31)	Measure H	175.295	69.472	244.767	23.847	268.614	(0.806)	267.808	(31)
(32)	Other County Department (OCD)	-	-	-	-	-	-	-	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	-	-	-	-	-	-	-	(33)
(34)	Other	18.050	8.320	26.370	(1.494)	24.876	(1.700)	23.176	(34)
(35)	**Total Revenues**	$ 467.577	$ 159.601	$ 627.178	$ (25.308)	$ 601.870	$ (19.858)	$ 582.012	(35)
(36)	**Net Cost - Before PY**	$ 117.335	$ 50.627	$ 167.962	$ 20.877	$ 188.839	$ (0.787)	$ 188.052	(36)
(37)	AB 85 Redirection	-	-	-	-	-	-	-	(37)
(38)	Prior-Year Surplus / (Deficit)	-	-	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 117.335	$ 50.627	$ 167.962	$ 20.877	$ 188.839	$ (0.787)	$ 188.052	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	7.667	-	7.667	-	7.667	-	7.667	(41)
(42)	County Contribution	106.868	36.231	143.099	(5.598)	137.501	(56.503)	80.998	(42)
(43)	Tobacco Settlement	2.800	-	2.800	-	2.800	-	2.800	(43)
(44)	Measure B	-	-	-	-	-	-	-	(44)
(45)	**Total Operating Subsidies**	$ 117.335	$ 36.231	$ 153.566	$ (5.598)	$ 147.968	$ (56.503)	$ 91.465	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ -**	$ (14.396)	**$ (14.396)**	$ (26.475)	**$ (40.871)**	$ (55.716)	**$ (96.587)**	(46)
(47)	Replacement Funding Needed	-	14.396	14.396	26.475	40.871	55.716	96.587	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	(48)

ATTACHMENT I-C

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FORECAST

FISCAL YEARS 2023-24 THROUGH 2026-27

($ IN MILLIONS)

C

Correctional Health Services

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2023-24 Forecast	Adjustments	FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 358.003	$ 31.958	$ 389.961	$ 20.045	$ 410.006	$ 16.588	$ 426.594	(2)
(3)	Net Services & Supplies	131.583	9.931	141.514	2.826	144.340	4.914	149.254	(3)
(4)	Debt Service - Harbor Master Plan	-	-	-	-	-	-	-	(4)
(5)	Debt Service - Other	-	-	-	-	-	-	-	(5)
(6)	Other Charges	4.382	-	4.382	-	4.382	-	4.382	(6)
(7)	Capital Assets	4.600	-	4.600	-	4.600	-	4.600	(7)
(8)	Capital Projects & Deferred Maintenance	-	-	-	-	-	-	-	(8)
(9)	Operating Transfers Out	-	-	-	-	-	-	-	(9)
(10)	Intrafund Transfer	(3.337)	0.145	(3.192)	-	(3.192)	-	(3.192)	(10)
(11)	**Total Expenses**	$ 495.231	$ 42.034	$ 537.265	$ 22.871	$ 560.136	$ 21.502	$ 581.638	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	-	-	-	-	-	-	-	(13)
(14)	Enhanced Payment Program (EPP)	-	-	-	-	-	-	-	(14)
(15)	Quality Incentive Program (QIP)	-	-	-	-	-	-	-	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	-	-	-	-	-	-	-	(16)
(17)	Providing Access & Transforming Health (PATH)	-	-	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	-	-	-	-	-	-	-	(18)
(19)	Medi-Cal Inpatient	-	-	-	-	-	-	-	(19)
(20)	Medi-Cal Outpatient - E/R	-	-	-	-	-	-	-	(20)
(21)	Medi-Cal CBRC	-	-	-	-	-	-	-	(21)
(22)	Medi-Cal SB 1732	-	-	-	-	-	-	-	(22)
(23)	Specialty Mental Health Services (SMHS)	-	-	-	-	-	-	-	(23)
(24)	Managed Care Graduate Medical Education (GME)	-	-	-	-	-	-	-	(24)
(25)	Hospital Provider Fee	-	-	-	-	-	-	-	(25)
(26)	Medicare	-	-	-	-	-	-	-	(26)
(27)	Hospital Insurance Collection	-	-	-	-	-	-	-	(27)
(28)	Self-Pay	-	-	-	-	-	-	-	(28)
(29)	In-Home Supportive Services (IHSS)	-	-	-	-	-	-	-	(29)
(30)	Federal & State - Other	29.995	-	29.995	-	29.995	-	29.995	(30)
(31)	Measure H	1.918	-	1.918	-	1.918	-	1.918	(31)
(32)	Other County Department (OCD)	-	-	-	-	-	-	-	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	1.861	0.035	1.896	(1.896)	-	-	-	(33)
(34)	Other	0.103	-	0.103	-	0.103	-	0.103	(34)
(35)	**Total Revenues**	$ 33.877	$ 0.035	$ 33.912	$ (1.896)	$ 32.016	$ -	$ 32.016	(35)
(36)	**Net Cost - Before PY**	$ 461.354	$ 41.999	$ 503.353	$ 24.767	$ 528.120	$ 21.502	$ 549.622	(36)
(37)	AB 85 Redirection	-	-	-	-	-	-	-	(37)
(38)	Prior-Year Surplus / (Deficit)	1.341	(1.341)	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 460.013	$ 43.340	$ 503.353	$ 24.767	$ 528.120	$ 21.502	$ 549.622	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	-	-	-	-	-	-	-	(41)
(42)	County Contribution	460.013	43.340	503.353	24.767	528.120	21.502	549.622	(42)
(43)	Tobacco Settlement	-	-	-	-	-	-	-	(43)
(44)	Measure B	-	-	-	-	-	-	-	(44)
(45)	**Total Operating Subsidies**	$ 460.013	$ 43.340	$ 503.353	$ 24.767	$ 528.120	$ 21.502	$ 549.622	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(46)
(47)	Replacement Funding Needed	-	-	-	-	-	-	-	(47)
(48)	**Adjusted Surplus / (Deficit)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(48)

ATTACHMENT I-D

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FORECAST

FISCAL YEARS 2023-24 THROUGH 2026-27

($ IN MILLIONS)

D = A + B + C

DHS Total

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2023-24 Forecast	Adjustments	FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 4,044.644	$ 408.399	4,453.043	$ 228.436	$ 4,681.479	$ 190.297	$ 4,871.776	(2)
(3)	Net Services & Supplies	3,582.066	219.589	3,801.655	109.393	3,911.048	88.492	3,999.540	(3)
(4)	Debt Service - Harbor Master Plan	202.711	(160.314)	42.397	23.353	65.750	25.822	91.572	(4)
(5)	Debt Service - Other	81.371	(16.675)	64.696	(0.049)	64.647	0.711	65.358	(5)
(6)	Other Charges	1,803.286	(253.210)	1,550.076	8.149	1,558.225	9.904	1,568.129	(6)
(7)	Capital Assets	60.023	(9.591)	50.432	(0.168)	50.264	-	50.264	(7)
(8)	Capital Projects & Deferred Maintenance	56.941	32.725	89.666	1.171	90.837	(1.811)	89.026	(8)
(9)	Operating Transfers Out	100.064	(68.506)	31.558	1.262	32.820	1.313	34.133	(9)
(10)	Intrafund Transfer	(352.407)	(86.443)	(438.850)	27.166	(411.684)	8.936	(402.748)	(10)
(11)	**Total Expenses**	$ 9,578.699	$ 65.974	$ 9,644.673	$ 398.713	$ 10,043.386	$ 323.664	$ 10,367.050	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	1,226.397	(165.074)	1,061.323	(10.315)	1,051.008	(16.896)	1,034.112	(13)
(14)	Enhanced Payment Program (EPP)	954.253	231.541	1,185.794	155.558	1,341.352	61.470	1,402.822	(14)
(15)	Quality Incentive Program (QIP)	413.281	0.052	413.333	19.113	432.446	19.820	452.266	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	66.364	(8.109)	58.255	(26.684)	31.571	(15.740)	15.831	(16)
(17)	Providing Access & Transforming Health (PATH)	14.443	(12.537)	1.906	(1.906)	-	-	-	(17)
(18)	Global Payment Program (GPP)	1,399.831	(62.705)	1,337.126	26.392	1,363.518	23.449	1,386.967	(18)
(19)	Medi-Cal Inpatient	472.772	13.821	486.593	16.854	503.447	17.457	520.904	(19)
(20)	Medi-Cal Outpatient - E/R	104.395	1.491	105.886	1.818	107.704	1.883	109.587	(20)
(21)	Medi-Cal CBRC	232.631	7.653	240.284	18.217	258.501	9.242	267.743	(21)
(22)	Medi-Cal SB 1732	11.128	-	11.128	-	11.128	-	11.128	(22)
(23)	Specialty Mental Health Services (SMHS)	197.882	-	197.882	-	197.882	-	197.882	(23)
(24)	Managed Care Graduate Medical Education (GME)	180.660	-	180.660	-	180.660	-	180.660	(24)
(25)	Hospital Provider Fee	28.324	(1.450)	26.874	2.159	29.033	-	29.033	(25)
(26)	Medicare	377.747	0.531	378.278	-	378.278	-	378.278	(26)
(27)	Hospital Insurance Collection	111.303	-	111.303	-	111.303	-	111.303	(27)
(28)	Self-Pay	2.857	-	2.857	-	2.857	-	2.857	(28)
(29)	In-Home Supportive Services (IHSS)	94.076	25.112	119.188	27.079	146.267	-	146.267	(29)
(30)	Federal & State - Other	371.352	90.605	461.957	(21.042)	440.915	(4.600)	436.315	(30)
(31)	Measure H	177.213	70.574	247.787	23.847	271.634	(0.806)	270.828	(31)
(32)	Other County Department (OCD)	526.897	(2.817)	524.080	-	524.080	-	524.080	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	1.861	0.035	1.896	(1.896)	-	-	-	(33)
(34)	Other	130.567	20.920	151.487	(1.494)	149.993	(1.700)	148.293	(34)
(35)	**Total Revenues**	$ 7,096.234	$ 209.643	$ 7,305.877	$ 227.700	$ 7,533.577	$ 93.579	$ 7,627.156	(35)
(36)	**Net Cost - Before PY**	$ 2,482.465	$ (143.669)	$ 2,338.796	$ 171.013	$ 2,509.809	$ 230.085	$ 2,739.894	(36)
(37)	AB 85 Redirection	-	-	-	-	-	-	-	(37)
(38)	Prior-Year Surplus / (Deficit)	836.850	(836.850)	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 1,645.615	$ 693.181	$ 2,338.796	$ 171.013	$ 2,509.809	$ 230.085	$ 2,739.894	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	432.980	-	432.980	-	432.980	-	432.980	(41)
(42)	County Contribution	932.376	83.640	1,016.016	24.345	1,040.361	(30.072)	1,010.289	(42)
(43)	Tobacco Settlement	54.959	-	54.959	-	54.959	-	54.959	(43)
(44)	Measure B	246.410	-	246.410	-	246.410	-	246.410	(44)
(45)	**Total Operating Subsidies**	$ 1,666.725	$ 83.640	$ 1,750.365	$ 24.345	$ 1,774.710	$ (30.072)	$ 1,744.638	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ 21.110**	$ (609.541)	**$ (588.431)**	$ (146.668)	**$ (735.099)**	$ (260.157)	**$ (995.256)**	(46)
(47)	Replacement Funding Needed	-	14.396	14.396	26.475	40.871	55.716	96.587	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ 21.110**	$ (595.145)	**$ (574.035)**	$ (120.193)	**$ (694.228)**	$ (204.441)	**$ (898.669)**	(48)
(49)	**Beginning Fund Balance**	**$ 1,791.644**	$ (128.741)	**$ 1,662.903**	$ (497.458)	**$ 1,165.445**	$ (21.414)	**$ 1,144.031**	(49)
(50)	Surplus / (Deficit)	21.110	(595.145)	(574.035)	(120.193)	(694.228)	(204.441)	(898.669)	(50)
(51)	Long Term Receivables	(149.851)	226.428	76.577	596.237	672.814	(682.589)	(9.775)	(51)
(52)	**Ending Fund Balance**	**1,662.903**	(497.458)	**1,165.445**	(21.414)	**1,144.031**	(908.444)	**235.587**	(52)
(53)	Restricted - Provider Relief Fund	(325.274)	325.274	-	-	-	-	-	(53)
(54)	**Available Fund Balance**	**$ 1,337.629**	$ (172.184)	**$ 1,165.445**	$ (21.414)	**$ 1,144.031**	$ (908.444)	**$ 235.587**	(54)

Health Services
LOS ANGELES COUNTY

March 25, 2025

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TO: Supervisor Kathryn Barger, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Janice K. Hahn

FROM: Christina R. Ghaly, M.D.
Director

SUBJECT: **DEPARTMENT OF HEALTH SERVICES' (DHS) FISCAL OUTLOOK**

This fiscal outlook report focuses on the potential impacts to DHS' finances that would occur if current proposals being considered by the federal government are implemented, in addition to ongoing fiscal pressures affecting DHS' budget.

With respect to the new federal administration, on February 25, 2025, the House of Representatives approved a fiscal year (FY) 2025 budget resolution that directs the Energy and Commerce (E&C) Committee to reduce the federal deficit by no less than $880 billion over 10 years. The E&C Committee has jurisdiction over the Medicaid budget and, in order to meet this target, it is expected that the majority of the $880 billion reductions would come from Medicaid. There are a variety of technical mechanisms through which these cuts could be achieved and, as a result, the specific impact to DHS as a public hospital system is unknown at this time. The following are a partial list of ideas that the E&C committee are considering to reach their goal of $880 billion in reductions.

Establish Medicaid Block Grants or Per Capita Caps

Under the current federal-state partnership for funding the Medicaid program, the federal government pays a fixed percentage of states' Medicaid costs, without limits. Under the new proposal, the federal contribution would be capped, and the state would receive a capped amount of federal Medicaid funding either in the aggregate or on a per-beneficiary basis. Because the annual increase in costs is expected to exceed annual increases in the block grant or per capita grant, such actions would have a substantial negative impact on DHS revenues.

Phase out 90% federal matching rate for the Affordable Care Act's Medicaid Expansion Program

This proposal would reduce the current Federal Medical Assistance Percentage (FMAP) matching rate of 90% for Medicaid expansion programs to a state's current FMAP percentage, e.g., in California, the FMAP is 50%. A reduction of this magnitude would shift substantial costs to both the state and the county in order to maintain expansion program coverage. Such a significant loss of federal funding may require states, including California, to severely limit or even eliminate their expansion programs. If this occurs, it will result in the loss of Medi-Cal coverage for a large number of DHS patients who would become uninsured.

Lower Medicaid Federal Matching Rates

Since the Medicaid program began in 1965, the FMAP minimum matching rate has been set at 50%, which is the FMAP percentage for California. There is a proposal to cut the minimum FMAP to 40% or less. The amount of federal matching funds lost would be substantial.

Establish work requirements for Medicaid Eligibility

Eligibility requirements for Medicaid vary by state, but generally include age, disability, and income but do not include work requirements. The imposition of onerous bureaucratic steps needed to document compliance with work requirements, which could significantly reduce the pool of individuals who are currently eligible for Medicaid, thus reducing DHS' Medi-Cal revenues and increasing our uninsured population.

Eliminate Provider Taxes

Almost all states, including California, use provider taxes to help finance a portion of the state Medicaid share and also help to pay for adjustments in provider reimbursements to keep pace with increases in health costs. Without provider taxes, it is likely that most states would be unable to generate sufficient alternative revenues to finance their Medicaid programs. In California, the main impact of eliminating provider taxes would be on private hospitals.

Regardless, as the Medicaid program represents approximately 80% of DHS' revenues, the implementation of any proposals to reduce Medicaid funding would have a materially negative fiscal impact on DHS. Without replacement revenues, service reductions and/or facility closures would likely be unavoidable.

In addition to the potential cuts stemming from E&C Committee, DHS is also concerned about the State's 1115 Waiver which is due to expire at the end of 2026 and needs to be renewed by the Centers for Medicare & Medicaid Services (CMS). A lack of renewal would also have a substantial negative impact on DHS' budget.

Since the Congressional budget reconciliation process is in the beginning phases, there are an unlimited number of possibilities that could occur that would affect DHS' revenues. In order to provide some perspective, DHS is providing two reduction scenarios in Attachment I that estimate the potential financial impacts to DHS, in addition to the "Baseline" budget forecast which reflects a continuation of existing programs and revenues. These two scenarios reflect neither the best nor the worst case scenarios of future possibilities, but are two "middle-ground" scenarios with two different magnitude of cuts from either regulatory or congressional action (or a combination thereof), each of which would have a moderately negative impact on DHS' budget.

Our Baseline projection is based on current law and existing regulatory policy. This includes the expectation that the Waiver for the Global Payment Program (GPP) will be renewed in Calendar Year (CY) 2027. This program was launched in 2016 as part of California's Medicaid 1115 Waiver. GPP targets patients with limited access to primary and preventive care services and aims to shift their care from high-cost emergency departments to more appropriate and cost-effective care in outpatient settings. Renewal of the GPP program is key to the continued success of emphasizing primary care over emergency care, allowing patients to access necessary primary and preventive care in the least costly settings possible. GPP is the first payment effort of its kind to use Medicaid Disproportionate Share Hospital (DSH) funds to encourage increased access to primary and preventive care, including care for chronic medical conditions among other medical diagnoses, for the uninsured.

The significant decrease in DHS' available fund balance and increasing yearly deficits over the four-year fiscal forecast period reflected in Attachment I (see Baseline, Line 4, FYs 2024-25 through 2027-28) reflects a continuing structural deficit, even assuming continuation of current funding structures. The root cause of the ongoing structural deficit is the fact that the current system for financing public hospitals does not provide sufficient funding in Medi-Cal managed care and Fee-For-Service (FFS) revenues to cover the ongoing increases in costs that DHS' experiences and does not have revenues to cover. Public hospitals in California must self-finance (i.e., provide the non-federal share) for a large portion of their budgets, leaving public hospitals without sufficient revenues to fully cover their costs.

In our Baseline projection, the fund balance deficit starts in FY 2027-28 (see Column G, Line 4). In Scenario 1, we assume Medicaid funding would start to experience reductions in FY 2025-26 and DHS' deficit would occur one fiscal year earlier, i.e., in FY 2026-27 (see Column E, Line 8). Scenario 2 assumes that Medicaid funding would start to be reduced in CY 2027 with DHS' deficit occurring in FY 2027-28 (see Column G, Line 12). While there is much uncertainty pertaining to these scenarios, DHS anticipates having a better sense of which scenario, or which new scenario, may prevail within the next several months.

Updates to Major Fiscal Issues

DHS excluding Community Programs (CP) and Correctional Health Services (CHS) (Attachment II-A)

In the Baseline forecast, DHS is estimating a current fiscal year deficit of ($300.6) million, which is an improvement from our last fiscal outlook report on June 25, 2024. The reduction in the deficit for the current fiscal year is a result of various program updates and adjustments which increased revenues from those programs. The deficit is projected to increase to ($944.8) million by FY 2027-28. DHS plans to fund these annual deficits using fund balance; however, by FY 2027-28, there will not be enough fund balance left to balance DHS' budget. The estimated operating deficits and their impact on fund balance does not include any reductions in revenues that are being proposed by the current administration. The Baseline forecast makes the following assumptions for select major funding categories.

Disproportionate Share Hospital (DSH) Funding

Currently DSH cuts are on hold until April 1, 2025. DHS anticipates a further delay in cuts will be approved by Congress. DHS will continue to closely monitor any legislative activities related to DSH.

California Advancing & Innovating Medi-Cal (CalAIM)

DHS participates in a number of CalAIM programs which provide Medi-Cal revenues for a number of care coordination and social supports programs offered and/or operated by DHS. These programs include Enhanced Care Management, which is estimated to provide $7.1 million in revenues for FY 2024-25, and Community Supports, which comprises a number of housing and social supports, estimated at approximately $52.5 million in revenues for FY 2024-25. Revenues are subject to annual contract negotiations with Medi-Cal managed care plans and are projected to be stable for FY 2025-26.

DHS submitted an application for planning funds under Providing Access and Transforming Health (PATH) Round 3 for the mandated CalAIM Justice Involved Initiative. On December 23, 2024, the County was awarded $47.5 million for the program.

AB 85 Realignment

AB 85 establishes a formula to redirect a certain portion of "excess" state health realignment funds to social services programs based on a sharing ratio of 80% State and 20% County. Based on current estimates, DHS is projecting the AB 85 redirection amount to be $0 for the current fiscal year and continuing at $0 going forward.

DHS Community Programs (CP) (Attachment II-B)

DHS CP includes the Housing for Health program and the Office of Diversion and Reentry, including Harm Reduction activities. Housing for Health provides housing, intensive case management and health care to individuals experiencing homelessness. The Office of Diversion and Reentry provide services that primarily diverts people with

mental illness and substance use disorder from the LA County jails and places them in permanent supportive housing. Harm Reduction activities include conducting overdose prevention work and other community programs that serve individuals who use drugs. In addition, the DHS CP unit also manages Community Supports under the CalAIM Medi-Cal waiver and includes programs such as the Medical-Legal Community Partnership.

DHS CP is projecting that replacement funding of approximately $23.7 million will be needed starting in FY 2026-27 and up to $66.9 million will be needed in FY 2027-28. This is primarily due to the loss of CalAIM funding, one-time American Rescue Plan Act-enabled funding, one-time Encampment Resolution funding, and one-time Housing for a Healthy California grant funding, with no ability to reduce associated program costs without cutting services and/or housing placements. As a plan to mitigate this funding gap is still to be determined, DHS will work closely with the CEO Homeless Initiative to identify potential strategies to mitigate existing costs and/or identify potential alternative funding sources.

Correctional Health Services (CHS) (Attachment II-C)

While DHS manages CHS operations, CHS is primarily funded with net County cost. DHS requests additional funding for CHS, as needed, through the County's budget process. At this time, one-time funds will be used to ensure that CHS balances its budget for FY 2024-25. For FY 2025-26 and forward. both one-time and ongoing funds will be needed to balance CHS' budget. DHS continues to work with the CEO and the Sheriff to address various Department of Justice (DOJ)-related operational and staffing issues. DHS will continue to discuss any supplemental funding needs with the CEO should additional funding be necessary to comply with the DOJ consent decree.

Cost Reduction and Revenue Enhancement Activities

To address DHS' ongoing fiscal challenges, DHS is pursuing several cost reduction and revenue enhancement opportunities.

We have implemented expenditure targets for each budget unit for FY 2024-25 and are developing targets for FY 2025-26 requiring each budget unit to look for ways to improve cost efficiencies and meet their expenditure targets.

In order to help with the deficit, by summer, DHS will be requesting the Board to approve an increase in Measure B funds which will generate $50 million to $75 million annually.

DHS is currently implementing the Monarch system to improve revenues. The Monarch system includes: (1) Voice Recognition Dictation which will improve the accuracy and timeliness of clinical documentation and create opportunities for higher levels of coding; (2) Computer Assisted Coding which will improve coding efficiency and accuracy by assisting with proper selection of All Patient Refined Diagnosis Related Groups (APR DRG); and (3) Clinical Documentation Improvement (CDI) Concurrent Reviews which

will provide more accurate and higher-level coding and improve case mix index through use of staff intervention and faster feedback on clinical documentation while patients are still in-house.

In addition, DHS is continuing its work on developing plans for a new patient accounting system. DHS currently uses the Affinity Revenue Cycle Only (RCO) patient accounting system, which is a legacy system that DHS needs to replace in order to meet current billing practices and maximizing revenues. DHS is planning to request Board approval to purchase the Cerner patient accounting system in spring of 2025 to replace the RCO system. The Cerner system will be integrated with DHS' electronic health record system (ORCHID) which will result in new billing protocols and efficiencies. In the existing RCO system, data is transferred to the billing vendor who then prepares and submits the claims through their own system, as well as following up on claims and management and appeals of denials. Under the new Cerner system, the data will reside in DHS' system and the billing vendors will perform these functions within the DHS system. Thus, creating transparency and creating a more robust collaboration between clinical and administrative functions.

DHS Finance is working with DHS' Contracts and Grants regarding the development of the Statement of Work for a Request for Proposals to select vendors for DHS' billing and recovery services for billing claims from the Cerner Patient Accounting System. We anticipate a phased implementation timeline starting in summer of 2026 ahead of the Cerner "go-live" to assure alignment of the implementation with our newly selected vendors internal policies and procedures. Once implementation of the Cerner Patient Accounting System begins, DHS will be operating dual billing systems, i.e., services provided after the new system's start date will be billed in the new Cerner system by the new vendor, while services provided before that date will be billed using the old RCO system and managed by the existing vendor. We estimate the termination of the dual systems will occur in December 2029, at which time only the new system will be online. Once the new system is live, DHS will be able to produce itemized bills, improve data capture, and maximize revenues from all payors.

DHS is also taking steps aimed at reducing costs including:

- Hiring of county staff upon attrition of items. This will be done across the board with close consideration of each vacated item, but, in particular, will be done for higher-level management positions that are not directly involved in patient care
- Continuing to reduce registry costs
- Limiting overtime to ensure it is used only for essential patient care
- Limiting purchase of new equipment and supplies
- Placing all non-critical capital projects on hold
- Suspending all non-essential travel and training

The current federal political environment poses substantial threats to DHS' fiscal sustainability. Our team will continue to keep your Board updated as expected federal actions become clear, including discussions of steps that DHS may need to take in

response. As always, we appreciate the Board's ongoing input and support as we navigate these difficult times.

If you have any questions or need additional information, please let me know, or you may contact Allan Wecker, Chief Financial Officer, at (626) 525-6100.

CRG:aw
Fiscal Outlook March 2025
609:005

Attachments (5)

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

ATTACHMENT I

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
SUMMARY SCHEDULE:
BASELINE AND TWO SCENARIOS

		A	B	C	D	E	F	G
		FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	Adjustments	FY 2027-28 Forecast
	BASELINE							
(1)	**Beginning Fund Balance**	**$ 1,710.582**	$ (832.718)	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (725.651)	**$ 762.778**
(2)	Surplus / (Deficit)	(300.552)	(179.146)	(479.698)	(230.784)	(710.482)	(234.281)	(944.763)
(3)	Long Term Receivables	(532.166)	1,622.429	1,090.263	(1,105.432)	(15.169)	(0.618)	(15.787)
(4)	**Ending Available Fund Balance**	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (725.651)	**$ 762.778**	$ (960.550)	**$ (197.772)**
	SCENARIO 1							
(5)	**Beginning Fund Balance**	**$ 1,710.582**	$ (832.718)	**$ 877.864**	$ (22.326)	**$ 855.538**	$ (1,296.983)	**$ (441.445)**
(6)	Surplus / (Deficit)	(300.552)	(812.037)	(1,112.589)	(169.225)	(1,281.814)	(184.131)	(1,465.945)
(7)	Long Term Receivables	(532.166)	1,622.429	1,090.263	(1,105.432)	(15.169)	(0.618)	(15.787)
(8)	**Ending Available Fund Balance**	**$ 877.864**	$ (22.326)	**$ 855.538**	$ (1,296.983)	**$ (441.445)**	$ (1,481.732)	**$ (1,923.177)**
	SCENARIO 2							
(9)	**Beginning Fund Balance**	**$ 1,710.582**	$ (832.718)	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (1,011.317)	**$ 477.112**
(10)	Surplus / (Deficit)	(300.552)	(179.146)	(479.698)	(516.450)	(996.148)	(469.797)	(1,465.945)
(11)	Long Term Receivables	(532.166)	1,622.429	1,090.263	(1,105.432)	(15.169)	(0.618)	(15.787)
(12)	**Ending Available Fund Balance**	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (1,011.317)	**$ 477.112**	$ (1,481.732)	**$ (1,004.620)**

ATTACHMENT II-A

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FORECAST
FISCAL YEARS 2024-25 THROUGH 2027-28
($ IN MILLIONS)

A

DHS
(Excluding Community Programs and Correctional Health Services)

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	Adjustments	FY 2027-28 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 4,030.320	$ 263.116	$ 4,293.436	$ 177.587	$ 4,471.023	$ 183.049	$ 4,654.072	(2)
(3)	Net Services & Supplies	2,726.266	135.065	2,861.331	123.303	2,984.634	145.464	3,130.098	(3)
(4)	Debt Service - Harbor Master Plan	164.811	(79.896)	84.915	(0.002)	84.913	-	84.913	(4)
(5)	Debt Service - Other	73.399	(3.970)	69.429	(0.395)	69.034	(0.798)	68.236	(5)
(6)	Other Charges	1,890.734	(29.111)	1,861.623	46.996	1,908.619	59.891	1,968.510	(6)
(7)	Capital Assets	92.179	-	92.179	-	92.179	-	92.179	(7)
(8)	Capital Projects & Deferred Maintenance	65.118	10.381	75.499	(11.593)	63.906	(20.630)	43.276	(8)
(9)	Operating Transfers Out	31.558	1.262	32.820	1.313	34.133	1.365	35.498	(9)
(10)	Intrafund Transfer	(155.773)	-	(155.773)	-	(155.773)	-	(155.773)	(10)
(11)	**Total Expenses**	$ 8,918.612	$ 296.847	$ 9,215.459	$ 337.209	$ 9,552.668	$ 368.341	$ 9,921.009	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	1,404.148	(15.834)	1,388.314	(18.050)	1,370.264	(18.788)	1,351.476	(13)
(14)	Enhanced Payment Program (EPP)	1,284.048	279.761	1,563.809	63.749	1,627.558	66.348	1,693.906	(14)
(15)	Quality Incentive Program (QIP)	611.753	117.138	728.891	9.082	737.973	30.084	768.057	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	6.290	(0.676)	5.614	(2.807)	2.807	(2.807)	-	(16)
(17)	Providing Access & Transforming Health (PATH)	3.253	(3.253)	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	1,277.392	35.811	1,313.203	22.585	1,335.788	23.036	1,358.824	(18)
(19)	Medi-Cal Inpatient	396.293	17.519	413.812	18.307	432.119	19.157	451.276	(19)
(20)	Medi-Cal Outpatient - E/R	72.868	1.722	74.590	1.803	76.393	1.887	78.280	(20)
(21)	Medi-Cal CBRC	200.964	12.180	213.144	6.760	219.904	10.076	229.980	(21)
(22)	Medi-Cal SB 1732	11.043	-	11.043	-	11.043	-	11.043	(22)
(23)	Specialty Mental Health Services (SMHS)	180.025	-	180.025	-	180.025	-	180.025	(23)
(24)	Managed Care Graduate Medical Education (GME)	217.725	-	217.725	-	217.725	-	217.725	(24)
(25)	Hospital Provider Fee	26.228	-	26.228	-	26.228	-	26.228	(25)
(26)	Medicare	366.659	-	366.659	-	366.659	-	366.659	(26)
(27)	Hospital Insurance Collection	137.436	-	137.436	-	137.436	-	137.436	(27)
(28)	Self-Pay	2.634	-	2.634	-	2.634	-	2.634	(28)
(29)	In-Home Supportive Services (IHSS)	71.603	64.755	136.358	-	136.358	-	136.358	(29)
(30)	Federal & State - Other	143.472	-	143.472	-	143.472	-	143.472	(30)
(31)	Measure H	-	-	-	-	-	-	-	(31)
(32)	Other County Department (OCD)	558.516	4.375	562.891	-	562.891	-	562.891	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	-	-	-	-	-	-	-	(33)
(34)	Other	128.224	22.683	150.907	-	150.907	-	150.907	(34)
(35)	**Total Revenues**	$ 7,100.574	$ 536.181	$ 7,636.755	$ 101.429	$ 7,738.184	$ 128.993	$ 7,867.177	(35)
(36)	**Net Cost - Before PY**	$ 1,818.038	$ (239.334)	$ 1,578.704	$ 235.780	$ 1,814.484	$ 239.348	$ 2,053.832	(36)
(37)	Prior-Year Surplus / (Deficit)	423.840	(423.840)	-	-	-	-	-	(37)
(38)	AB 85 Redirection	-	-	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 1,394.198	$ 184.506	$ 1,578.704	$ 235.780	$ 1,814.484	$ 239.348	$ 2,053.832	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	420.916	-	420.916	-	420.916	-	420.916	(41)
(42)	County Contribution	375.136	5.360	380.496	4.996	385.492	5.067	390.559	(42)
(43)	Tobacco Settlement	48.226	-	48.226	-	48.226	-	48.226	(43)
(44)	Measure B	249.368	-	249.368	-	249.368	-	249.368	(44)
(45)	**Total Operating Subsidies**	$ 1,093.646	$ 5.360	$ 1,099.006	$ 4.996	$ 1,104.002	$ 5.067	$ 1,109.069	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ (300.552)**	$ (179.146)	**$ (479.698)**	$ (230.784)	**$ (710.482)**	$ (234.281)	**$ (944.763)**	(46)
(47)	Replacement Funding Needed	-	-	-	-	-	-	-	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ (300.552)**	$ (179.146)	**$ (479.698)**	$ (230.784)	**$ (710.482)**	$ (234.281)	**$ (944.763)**	(48)
(49)	**Beginning Fund Balance**	**$ 1,710.582**	$ (832.718)	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (725.651)	**$ 762.778**	(49)
(50)	Surplus / (Deficit)	(300.552)	(179.146)	(479.698)	(230.784)	(710.482)	(234.281)	(944.763)	(50)
(51)	Long Term Receivables	(532.166)	1,622.429	1,090.263	(1,105.432)	(15.169)	(0.618)	(15.787)	(51)
(52)	**Ending Available Fund Balance**	**877.864**	610.565	**1,488.429**	(725.651)	**762.778**	(960.550)	**(197.772)**	(52)

ATTACHMENT II-B

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FORECAST
FISCAL YEARS 2024-25 THROUGH 2027-28
($ IN MILLIONS)

B

Community Programs

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	Adjustments	FY 2027-28 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 72.666	$ 5.960	$ 78.626	$ 3.564	$ 82.190	$ 3.570	$ 85.760	(2)
(3)	Net Services & Supplies	840.807	8.335	849.142	(16.906)	832.236	27.116	859.352	(3)
(4)	Debt Service - Harbor Master Plan	-	-	-	-	-	-	-	(4)
(5)	Debt Service - Other	2.381	(0.001)	2.380	(0.001)	2.379	0.003	2.382	(5)
(6)	Other Charges	105.148	(23.569)	81.579	0.208	81.787	0.468	82.255	(6)
(7)	Capital Assets	1.755	-	1.755	-	1.755	-	1.755	(7)
(8)	Capital Projects & Deferred Maintenance	-	-	-	-	-	-	-	(8)
(9)	Operating Transfers Out	-	-	-	-	-	-	-	(9)
(10)	Intrafund Transfer	(233.592)	-	(233.592)	-	(233.592)	-	(233.592)	(10)
(11)	**Total Expenses**	$ 789.165	$ (9.275)	$ 779.890	$ (13.135)	$ 766.755	$ 31.157	$ 797.912	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	0.821	(0.018)	0.803	(0.023)	0.780	(0.022)	0.758	(13)
(14)	Enhanced Payment Program (EPP)	1.126	0.246	1.372	0.056	1.428	0.059	1.487	(14)
(15)	Quality Incentive Program (QIP)	-	-	-	-	-	-	-	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	53.326	(2.596)	50.730	(37.755)	12.975	(12.975)	-	(16)
(17)	Providing Access & Transforming Health (PATH)	-	-	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	48.942	1.372	50.314	0.865	51.179	0.883	52.062	(18)
(19)	Medi-Cal Inpatient	-	-	-	-	-	-	-	(19)
(20)	Medi-Cal Outpatient - E/R	-	-	-	-	-	-	-	(20)
(21)	Medi-Cal CBRC	-	-	-	-	-	-	-	(21)
(22)	Medi-Cal SB 1732	-	-	-	-	-	-	-	(22)
(23)	Specialty Mental Health Services (SMHS)	-	-	-	-	-	-	-	(23)
(24)	Managed Care Graduate Medical Education (GME)	-	-	-	-	-	-	-	(24)
(25)	Hospital Provider Fee	-	-	-	-	-	-	-	(25)
(26)	Medicare	-	-	-	-	-	-	-	(26)
(27)	Hospital Insurance Collection	-	-	-	-	-	-	-	(27)
(28)	Self-Pay	-	-	-	-	-	-	-	(28)
(29)	In-Home Supportive Services (IHSS)	0.001	-	0.001	-	0.001	-	0.001	(29)
(30)	Federal & State - Other	252.219	-	252.219	-	252.219	-	252.219	(30)
(31)	Measure H	263.358	-	263.358	-	263.358	-	263.358	(31)
(32)	Other County Department (OCD)	0.190	-	0.190	-	0.190	-	0.190	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	-	-	-	-	-	-	-	(33)
(34)	Other	23.534	-	23.534	-	23.534	-	23.534	(34)
(35)	**Total Revenues**	$ 643.517	$ (0.996)	$ 642.521	$ (36.857)	$ 605.664	$ (12.055)	$ 593.609	(35)
(36)	**Net Cost - Before PY**	$ 145.648	$ (8.279)	$ 137.369	$ 23.722	$ 161.091	$ 43.212	$ 204.303	(36)
(37)	Prior-Year Surplus / (Deficit)	38.622	(38.622)	-	-	-	-	-	(37)
(38)	AB 85 Redirection	-	-	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 107.026	$ 30.343	$ 137.369	$ 23.722	$ 161.091	$ 43.212	$ 204.303	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	17.305	-	17.305	-	17.305	-	17.305	(41)
(42)	County Contribution	87.293	30.343	117.636	-	117.636	-	117.636	(42)
(43)	Tobacco Settlement	2.428	-	2.428	-	2.428	-	2.428	(43)
(44)	Measure B	-	-	-	-	-	-	-	(44)
(45)	**Total Operating Subsidies**	$ 107.026	$ 30.343	$ 137.369	$ -	$ 137.369	$ -	$ 137.369	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ -**	$ -	**$ -**	$ (23.722)	**$ (23.722)**	$ (43.212)	**$ (66.934)**	(46)
(47)	Replacement Funding Needed	-	-	-	23.722	23.722	43.212	66.934	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	(48)

ATTACHMENT II-C

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FORECAST
FISCAL YEARS 2024-25 THROUGH 2027-28
($ IN MILLIONS)

C

Correctional Health Services

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	Adjustments	FY 2027-28 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 387.806	$ 20.275	$ 408.081	$ 16.519	$ 424.600	$ 17.097	$ 441.697	(2)
(3)	Net Services & Supplies	175.275	(9.252)	166.023	5.803	171.826	6.220	178.046	(3)
(4)	Debt Service - Harbor Master Plan	-	-	-	-	-	-	-	(4)
(5)	Debt Service - Other	-	-	-	-	-	-	-	(5)
(6)	Other Charges	0.465	-	0.465	-	0.465	-	0.465	(6)
(7)	Capital Assets	7.336	-	7.336	-	7.336	-	7.336	(7)
(8)	Capital Projects & Deferred Maintenance	-	-	-	-	-	-	-	(8)
(9)	Operating Transfers Out	-	-	-	-	-	-	-	(9)
(10)	Intrafund Transfer	(2.543)	-	(2.543)	-	(2.543)	-	(2.543)	(10)
(11)	**Total Expenses**	$ 568.339	$ 11.023	$ 579.362	$ 22.322	$ 601.684	$ 23.317	$ 625.001	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	-	-	-	-	-	-	-	(13)
(14)	Enhanced Payment Program (EPP)	-	-	-	-	-	-	-	(14)
(15)	Quality Incentive Program (QIP)	-	-	-	-	-	-	-	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	-	-	-	-	-	-	-	(16)
(17)	Providing Access & Transforming Health (PATH)	-	-	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	-	-	-	-	-	-	-	(18)
(19)	Medi-Cal Inpatient	-	-	-	-	-	-	-	(19)
(20)	Medi-Cal Outpatient - E/R	-	-	-	-	-	-	-	(20)
(21)	Medi-Cal CBRC	-	-	-	-	-	-	-	(21)
(22)	Medi-Cal SB 1732	-	-	-	-	-	-	-	(22)
(23)	Specialty Mental Health Services (SMHS)	-	-	-	-	-	-	-	(23)
(24)	Managed Care Graduate Medical Education (GME)	-	-	-	-	-	-	-	(24)
(25)	Hospital Provider Fee	-	-	-	-	-	-	-	(25)
(26)	Medicare	-	-	-	-	-	-	-	(26)
(27)	Hospital Insurance Collection	-	-	-	-	-	-	-	(27)
(28)	Self-Pay	-	-	-	-	-	-	-	(28)
(29)	In-Home Supportive Services (IHSS)	-	-	-	-	-	-	-	(29)
(30)	Federal & State - Other	37.128	5.000	42.128	-	42.128	-	42.128	(30)
(31)	Measure H	1.728	-	1.728	-	1.728	-	1.728	(31)
(32)	Other County Department (OCD)	-	-	-	-	-	-	-	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	1.310	(1.310)	-	-	-	-	-	(33)
(34)	Other	0.946	-	0.946	-	0.946	-	0.946	(34)
(35)	**Total Revenues**	$ 41.112	$ 3.690	$ 44.802	$ -	$ 44.802	$ -	$ 44.802	(35)
(36)	**Net Cost - Before PY**	$ 527.227	$ 7.333	$ 534.560	$ 22.322	$ 556.882	$ 23.317	$ 580.199	(36)
(37)	Prior-Year Surplus / (Deficit)	1.958	(1.958)	-	-	-	-	-	(37)
(38)	AB 85 Redirection	-	-	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 525.269	$ 9.291	$ 534.560	$ 22.322	$ 556.882	$ 23.317	$ 580.199	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	-	-	-	-	-	-	-	(41)
(42)	County Contribution	525.269	(28.880)	496.389	-	496.389	-	496.389	(42)
(43)	Tobacco Settlement	-	-	-	-	-	-	-	(43)
(44)	Measure B	-	-	-	-	-	-	-	(44)
(45)	**Total Operating Subsidies**	$ 525.269	$ (28.880)	$ 496.389	$ -	$ 496.389	$ -	$ 496.389	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ -**	$ (38.171)	**$ (38.171)**	$ (22.322)	**$ (60.493)**	$ (23.317)	**$ (83.810)**	(46)
(47)	Replacement Funding Needed	-	38.171	38.171	22.322	60.493	23.317	83.810	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -	**$ -**	(48)

ATTACHMENT II-D

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES

FORECAST

FISCAL YEARS 2024-25 THROUGH 2027-28

($ IN MILLIONS)

D = A + B + C

DHS Total

		Year 1		Year 2		Year 3		Year 4	
		A	B	C	D	E	F	G	
		FY 2024-25 Forecast	Adjustments	FY 2025-26 Forecast	Adjustments	FY 2026-27 Forecast	Adjustments	FY 2027-28 Forecast	
(1)	**Expenses**								(1)
(2)	Salaries & Employee Benefits	$ 4,490.792	$ 289.351	$ 4,780.143	$ 197.670	$ 4,977.813	$ 203.716	$ 5,181.529	(2)
(3)	Net Services & Supplies	3,742.348	134.148	3,876.496	112.200	3,988.696	178.800	4,167.496	(3)
(4)	Debt Service - Harbor Master Plan	164.811	(79.896)	84.915	(0.002)	84.913	-	84.913	(4)
(5)	Debt Service - Other	75.780	(3.971)	71.809	(0.396)	71.413	(0.795)	70.618	(5)
(6)	Other Charges	1,996.347	(52.680)	1,943.667	47.204	1,990.871	60.359	2,051.230	(6)
(7)	Capital Assets	101.270	-	101.270	-	101.270	-	101.270	(7)
(8)	Capital Projects & Deferred Maintenance	65.118	10.381	75.499	(11.593)	63.906	(20.630)	43.276	(8)
(9)	Operating Transfers Out	31.558	1.262	32.820	1.313	34.133	1.365	35.498	(9)
(10)	Intrafund Transfer	(391.908)	-	(391.908)	-	(391.908)	-	(391.908)	(10)
(11)	**Total Expenses**	$ 10,276.116	$ 298.595	$ 10,574.711	$ 346.396	$ 10,921.107	$ 422.815	$ 11,343.922	(11)
(12)	**Revenues**								(12)
(13)	Managed Care	1,404.969	(15.852)	1,389.117	(18.073)	1,371.044	(18.810)	1,352.234	(13)
(14)	Enhanced Payment Program (EPP)	1,285.174	280.007	1,565.181	63.805	1,628.986	66.407	1,695.393	(14)
(15)	Quality Incentive Program (QIP)	611.753	117.138	728.891	9.082	737.973	30.084	768.057	(15)
(16)	Cali. Advancing & Innovating Medi-Cal (CalAIM)	59.616	(3.272)	56.344	(40.562)	15.782	(15.782)	-	(16)
(17)	Providing Access & Transforming Health (PATH)	3.253	(3.253)	-	-	-	-	-	(17)
(18)	Global Payment Program (GPP)	1,326.334	37.183	1,363.517	23.450	1,386.967	23.919	1,410.886	(18)
(19)	Medi-Cal Inpatient	396.293	17.519	413.812	18.307	432.119	19.157	451.276	(19)
(20)	Medi-Cal Outpatient - E/R	72.868	1.722	74.590	1.803	76.393	1.887	78.280	(20)
(21)	Medi-Cal CBRC	200.964	12.180	213.144	6.760	219.904	10.076	229.980	(21)
(22)	Medi-Cal SB 1732	11.043	-	11.043	-	11.043	-	11.043	(22)
(23)	Specialty Mental Health Services (SMHS)	180.025	-	180.025	-	180.025	-	180.025	(23)
(24)	Managed Care Graduate Medical Education (GME)	217.725	-	217.725	-	217.725	-	217.725	(24)
(25)	Hospital Provider Fee	26.228	-	26.228	-	26.228	-	26.228	(25)
(26)	Medicare	366.659	-	366.659	-	366.659	-	366.659	(26)
(27)	Hospital Insurance Collection	137.436	-	137.436	-	137.436	-	137.436	(27)
(28)	Self-Pay	2.634	-	2.634	-	2.634	-	2.634	(28)
(29)	In-Home Supportive Services (IHSS)	71.604	64.755	136.359	-	136.359	-	136.359	(29)
(30)	Federal & State - Other	432.819	5.000	437.819	-	437.819	-	437.819	(30)
(31)	Measure H	265.086	-	265.086	-	265.086	-	265.086	(31)
(32)	Other County Department (OCD)	558.706	4.375	563.081	-	563.081	-	563.081	(32)
(33)	American Rescue Plan Act (ARPA) Revenue	1.310	(1.310)	-	-	-	-	-	(33)
(34)	Other	152.704	22.683	175.387	-	175.387	-	175.387	(34)
(35)	**Total Revenues**	$ 7,785.203	$ 538.875	$ 8,324.078	$ 64.572	$ 8,388.650	$ 116.938	$ 8,505.588	(35)
(36)	**Net Cost - Before PY**	$ 2,490.913	$ (240.280)	$ 2,250.633	$ 281.824	$ 2,532.457	$ 305.877	$ 2,838.334	(36)
(37)	Prior-Year Surplus / (Deficit)	464.420	(464.420)	-	-	-	-	-	(37)
(38)	AB 85 Redirection	-	-	-	-	-	-	-	(38)
(39)	**Net Cost - After PY & AB 85 Redirection**	$ 2,026.493	$ 224.140	$ 2,250.633	$ 281.824	$ 2,532.457	$ 305.877	$ 2,838.334	(39)
(40)	**Operating Subsidies**								(40)
(41)	Sales Tax & VLF	438.221	-	438.221	-	438.221	-	438.221	(41)
(42)	County Contribution	987.698	6.823	994.521	4.996	999.517	5.067	1,004.584	(42)
(43)	Tobacco Settlement	50.654	-	50.654	-	50.654	-	50.654	(43)
(44)	Measure B	249.368	-	249.368	-	249.368	-	249.368	(44)
(45)	**Total Operating Subsidies**	$ 1,725.941	$ 6.823	$ 1,732.764	$ 4.996	$ 1,737.760	$ 5.067	$ 1,742.827	(45)
(46)	**Surplus / (Deficit) = (45) - (39)**	**$ (300.552)**	$ (217.317)	**$ (517.869)**	$ (276.828)	**$ (794.697)**	$ (300.810)	**$ (1,095.507)**	(46)
(47)	Replacement Funding Needed	-	38.171	38.171	46.044	84.215	66.529	150.744	(47)
(48)	**Adjusted Surplus / (Deficit)**	**$ (300.552)**	$ (179.146)	**$ (479.698)**	$ (230.784)	**$ (710.482)**	$ (234.281)	**$ (944.763)**	(48)
(49)	**Beginning Fund Balance**	**$ 1,710.582**	$ (832.718)	**$ 877.864**	$ 610.565	**$ 1,488.429**	$ (725.651)	**$ 762.778**	(49)
(50)	Surplus / (Deficit)	(300.552)	(179.146)	(479.698)	(230.784)	(710.482)	(234.281)	(944.763)	(50)
(51)	Long Term Receivables	(532.166)	1,622.429	1,090.263	(1,105.432)	(15.169)	(0.618)	(15.787)	(51)
(52)	**Ending Available Fund Balance**	**877.864**	610.565	**1,488.429**	(725.651)	**762.778**	(960.550)	**(197.772)**	(52)