

# Impact of Federal Budget Cuts and the County's Response

Presentation to Sunnyvale City Council

September 9, 2025



County of Santa Clara



# H.R. 1 Overview



**What it is:** H.R. 1, or the “One Big Beautiful Bill Act,” is the federal budget reconciliation bill that was signed into law by President Trump on July 4, 2025.



**What it does:** Enacts the largest cuts in our nation’s history to Medicaid (known as Medi-Cal in CA) and food assistance (CalFresh in CA) to help fund tax cuts primarily benefitting the wealthiest Americans.

→ \$1 trillion in cuts to Medicaid

→ \$186 billion in cuts to Supplemental Nutrition Assistance Program (SNAP)



**What is happening:** Extraordinary cuts to the County’s federal funding puts healthcare access at risk for all residents and threatens other critical County services.



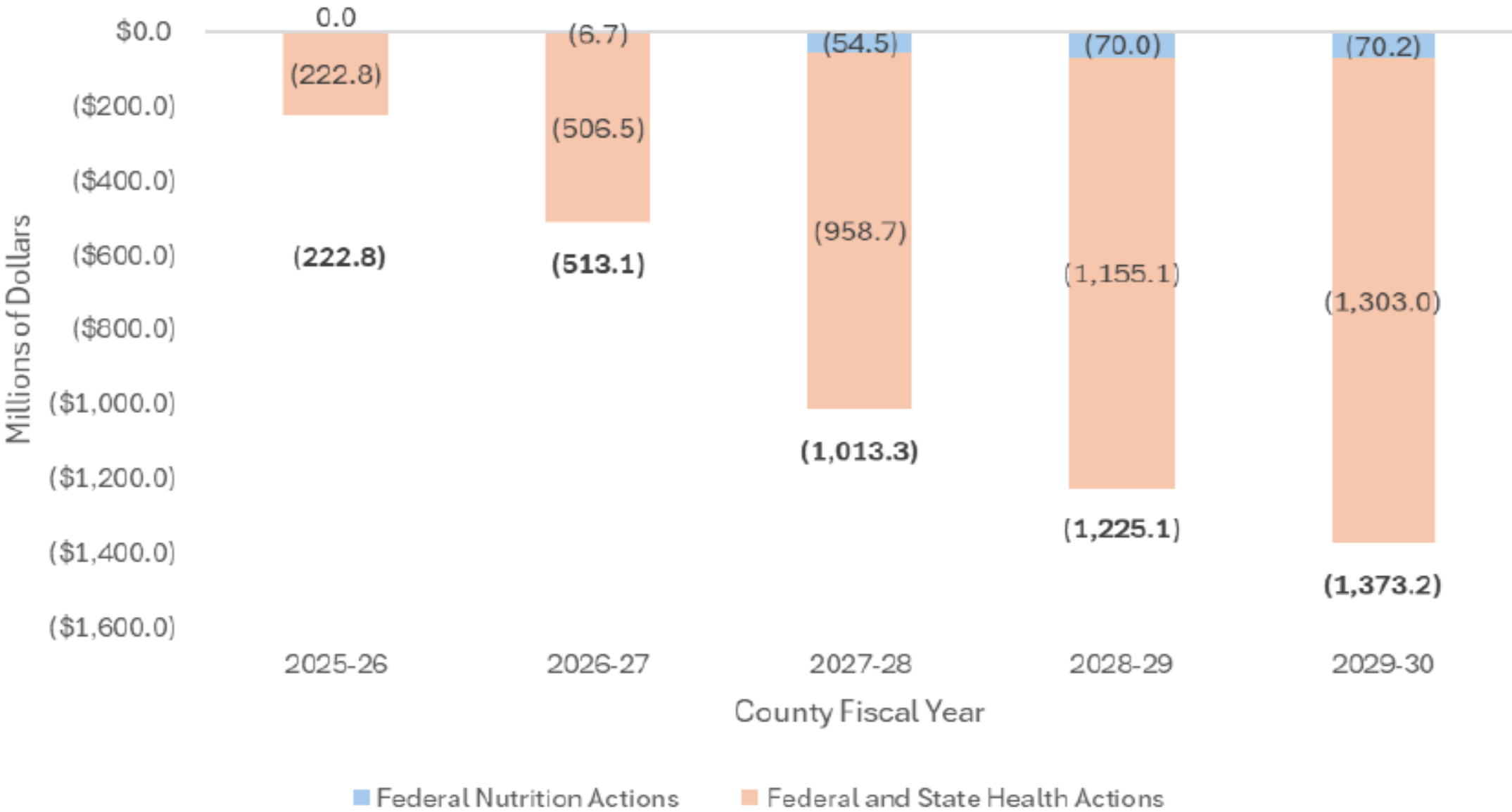
**Who is impacted:** Our most vulnerable residents, who rely on Medi-Cal for access to healthcare and CalFresh benefits to put food on the table, and **all residents who may depend on our County hospitals for trauma, emergency care, or other critical services.**

# Immediate and Near-term Impacts of H.R. 1

| Immediate  | End of 2025   | FY26-27   | FY27-28   |
|--|---|---|---|
| <ul style="list-style-type: none"><li>• Freezes and reduces Medicaid provider taxes, negating Proposition 35</li><li>• Freezes and reduces Medicaid Directed Payments</li><li>• Expands work reporting requirements for CalFresh</li></ul> | <ul style="list-style-type: none"><li>• Tax credits end for low- and moderate-income families receiving insurance through the Affordable Care Act (ACA) Marketplace</li></ul> | <ul style="list-style-type: none"><li>• Work reporting requirements and more frequent eligibility determinations begin for Medi-Cal enrollees</li><li>• Increased administrative cost share for CalFresh goes into effect</li></ul> | <ul style="list-style-type: none"><li>• State matching fund requirement for CalFresh goes into effect for the first time ever</li></ul> |



# Projected Impact to County Revenues (Summary)



# Community Impacts of H.R. 1

- ▶ H.R. 1 puts access to healthcare and food assistance at risk for thousands of families in Santa Clara County.
  - ▶ 1 in 4 Santa Clara County residents (465,000) rely on Medi-Cal.
  - ▶ 133,000 Santa Clara County residents rely on CalFresh for food assistance.
- ▶ Counties in California have a legal obligation to provide care to the poor (Welfare and Institutions Code, Section 17000) and all hospitals are legally obligated to provide emergency care to patients regardless of the patient's ability to pay.
- ▶ With a much larger uninsured population and dramatically fewer resources with which to provide care, H.R. 1 puts the County's hospitals and health services at risk, threatening access to care for all residents.



# Community Impact: Sunnyvale

- ▶ **25,000** residents rely on Medi-Cal.
- ▶ **5,300** residents rely on CalFresh for food assistance.
- ▶ **43%** of Sunnyvale trauma cases transported by ambulance are taken to a County hospital.
- ▶ More than **23,000** residents receive care from Santa Clara Valley Healthcare
  - ▶ Nearly 73,000 outpatient visits
  - ▶ More than 7,000 Emergency Room visits
  - ▶ 8,400 hospital days
- ▶ Valley Health Center Sunnyvale provides nearly **50,000** clinic visits per year, and offers a wide variety of services, including adult and internal medicine, OB/GYN, pediatrics, lab, radiology/diagnostic imaging, and on-site pharmacy.



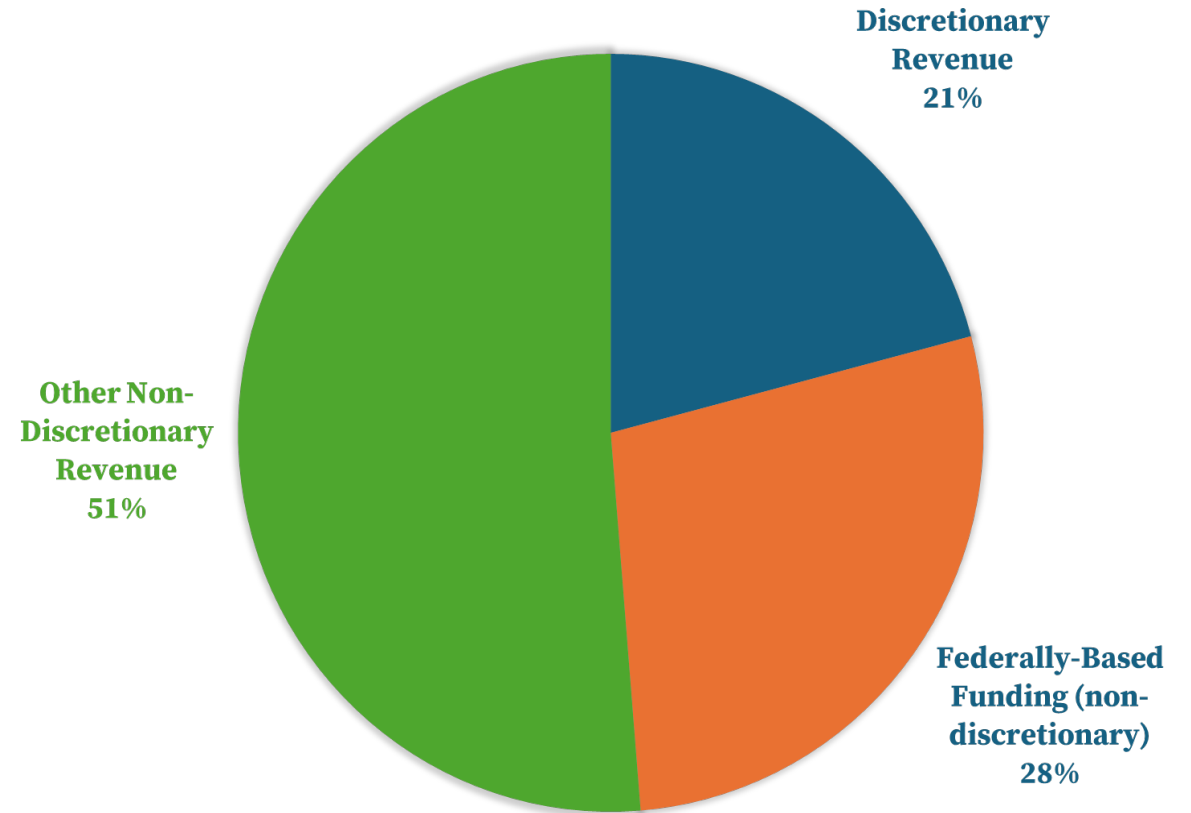
# County Fiscal Crisis: \$1 Billion Shortfall

- ▶ H.R. 1 creates an urgent and unprecedented fiscal crisis for the County of Santa Clara.
- ▶ Medicaid is the single largest source of federal funding for the County, totaling \$2.3 billion in FY25-26.
- ▶ Medi-Cal funding accounts for more than half of all revenue for Santa Clara Valley Healthcare (SCVH), the County's healthcare delivery system.
- ▶ The County expects \$1.3B in lost revenue, representing a significant portion of the \$4.6B total annual budget for Santa Clara Valley Healthcare
  - ▶ This is a devastating and destabilizing level of cuts that can only result in extraordinarily harmful service reductions if not addressed.



# County Budget Has Very Limited Flexibility to Mitigate Cuts

- ▶ Vast majority of the County's Budget is non-discretionary funding, required to be spent on specific services (e.g., social service programs, health inspections, fire service, roads, parks, libraries, etc.)
- ▶ Meanwhile, "discretionary" revenue is used to provide many services the County is legally mandated to provide.
- ▶ The overwhelming majority of discretionary funding the County receives is dedicated to health and public safety services (e.g., hospital care, Sheriff's Office and jails, mental health care, etc.)
  - ▶ These are the services at greatest risk from the dramatic reduction in County funding from H.R. 1.







At Major Risk

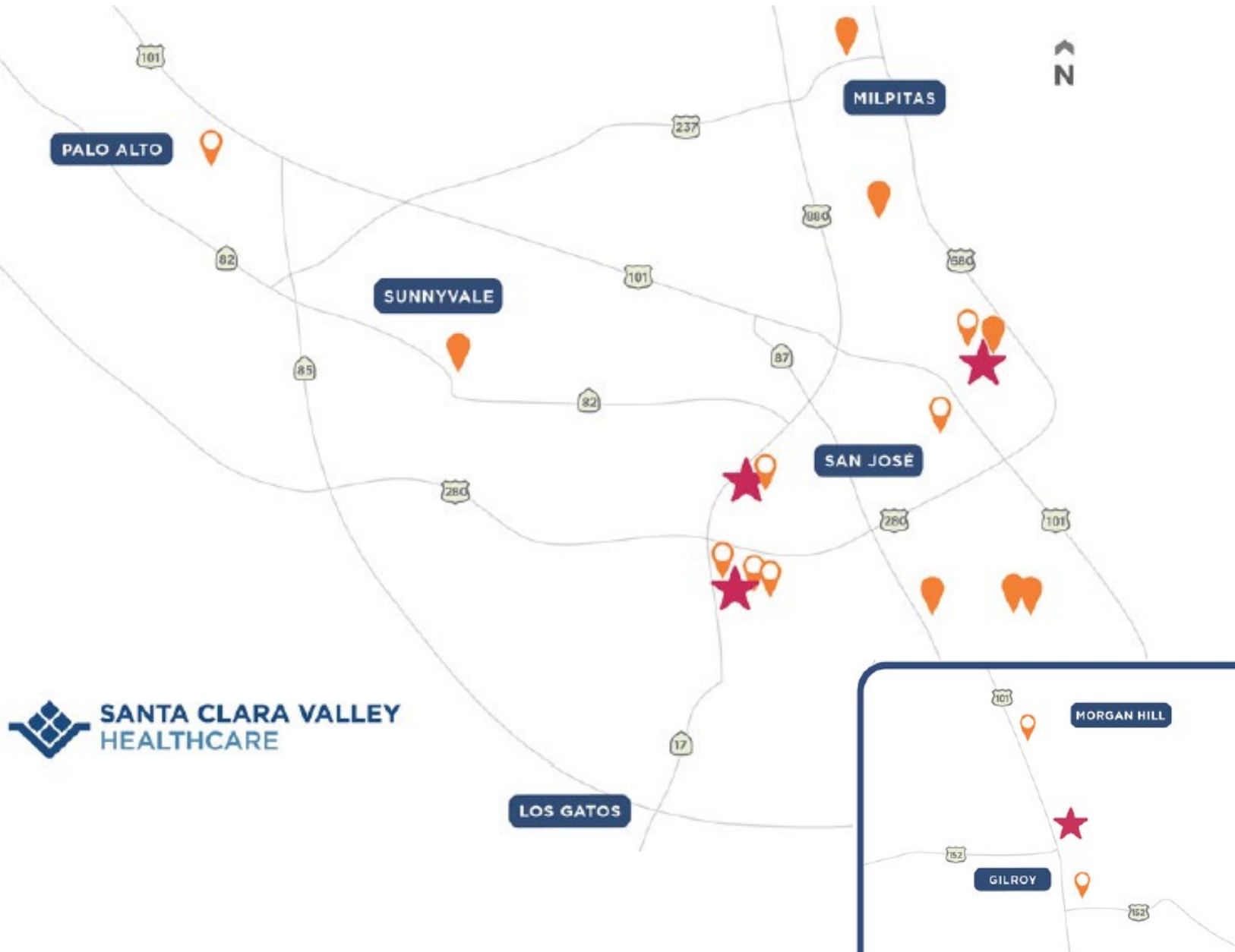
# Healthcare and Hospital Access

Santa Clara Valley Healthcare operates 4 hospitals and 15 major health centers in Santa Clara County and is the largest provider of many critical healthcare services to all residents:

- ▶ Provides care for nearly 1 in 4 Santa Clara County residents.
- ▶ Operates 2 of only 3 trauma centers in Santa Clara County and handles 80% of all trauma cases originating within the county.
- ▶ Every 11 minutes a 911 call in Santa Clara County results in a patient being transported to a County hospital.
- ▶ Largest provider of both Medi-Cal and Medicare hospital services to Santa Clara County residents.
- ▶ Top ranked Rehabilitation Center on the entire West Coast.
- ▶ Only Burn Center in Santa Clara County and 1 of only 3 regional centers of its kind between Los Angeles and the Oregon border.



# Santa Clara Valley Healthcare: Locations and Services



## 4 Hospitals ★

- 📍 Santa Clara Valley Medical Center (SCVMC) +
- 📍 O'Connor Hospital (OCH) ★
- Regional Medical Center (RMC)
- Saint Louise Medical Center (SLRH)

## 15 Major Health Centers

- 📍 Valley Health Center Downtown +
- 📍 Valley Health Center East Valley +
- 📍 Valley Health Center Gilroy +
- 📍 Valley Health Center Lundy
- 📍 Valley Health Center McKee
- 📍 Valley Health Center Milpitas
- 📍 Valley Health Center Moorpark ▲
- 📍 Valley Health Center Morgan Hill +
- 📍 Valley Health Center North County +
- 📍 Valley Health Center San Jose #
- 📍 Valley Health Center Sunnyvale
- 📍 Valley Health Center Tully
- 📍 Valley Health Center VASC  
(Vietnamese American Service Center)
- 📍 Valley Health Center at Alexian
- 📍 Valley Health Center at HomeFirst Shelter

# Santa Clara Valley Healthcare Fills Critical Gaps

- ▶ **Teaching Hospitals:** Trains 25% of region's physicians
- ▶ **Homeless outreach and services:** Served 10,000+ patients with unstable housing last year with more than 65,000 visits, including through its backpack medicine program and Valley Homeless Healthcare Program and clinics.
- ▶ **Disaster Response:** Helped lead the region's response to COVID-19, launching perhaps the most extensive County-operated community testing and vaccination program in the nation, which delivered nearly 1.6 million vaccine doses in 2021 during the height of the pandemic to any resident regardless of their healthcare provider or insurance coverage.
- ▶ **Behavioral Health:** Operates the only 24/7 locked psychiatric emergency room for adults (EPS), a 7-day per week mental health urgent care clinic, two inpatient units at Valley Medical Center, and has nearly completed construction of a new Child, Adolescent, and Adult Behavioral Health Services Center that will help address urgent community needs.
  - ▶ The County's Behavioral Health Services Department (BHSD) also provides critical mental health and substance use treatment services through clinics and programs across the county. BHSD services are also heavily reliant on Medi-Cal funding and thus at significant risk from recent federal cuts.





# Why Does the County Operate Four Hospitals?

- ▶ **All 3 of the hospitals the County has acquired in recent years were purchased to prevent hospital closure or to reverse the termination of critical lines of service**
  - ▶ In 2019, the County was the only bidder when O'Connor and St. Louise went through bankruptcy.
  - ▶ In 2025, the County purchased Regional Medical Center (RMC) after the former operator terminated trauma, STEMI, and other critical services in August 2024.
- ▶ For every dollar the County spends on healthcare, 88 cents comes from healthcare system revenue.
  - ▶ The share from local tax revenue has been declining in the past 2 years due to efficiency and cost control efforts.
- ▶ **It is only due to the unprecedented cuts from the federal government that the sustainability of these hospitals has been put at serious risk.**



# County Hospitals Are Busy

Santa Clara Valley Healthcare Hospital Utilization, July 2025

| Hospital              | Average Daily Patient Census | Average Daily ER Visits | Total Surgeries in July 2025 |
|-----------------------|------------------------------|-------------------------|------------------------------|
| SCVMC                 | 426                          | 239                     | 912                          |
| O'Connor              | 171                          | 179                     | 699                          |
| St. Louise            | 41                           | 115                     | 160                          |
| Regional Medical Ctr. | 167                          | 213                     | 222                          |
| <b>Total:</b>         | <b>805</b>                   | <b>746</b>              | <b>1,993</b>                 |

\*Since SCVH took over Regional Medical Center on April 1, 2025, the hospital census has surged from  $\approx$  90 in late March to now peaking over 180 on many days.

# County's Response to H.R. 1

To address the extraordinary fiscal emergency caused by H.R. 1, the County is taking swift, proactive steps in several areas.

Reducing Costs and Increasing Revenue

Seeking State Support

Asking Our Local Community for Help



# Actions to Reduce Costs and Increase Revenue

- ▶ **The County has launched a multitude of initiatives in recent fiscal years** to address an already declining economy and slowing property tax growth:
  - Operational and organizational efficiencies
  - Restructuring programs and service delivery models
  - Reviewing fees and charges to ensure full-cost recovery
  - Hiring freezes and staff reductions, including eliminating close to 800 positions over the past three fiscal years
  
- ▶ **Despite these actions, the funding gap from H.R. 1 is unprecedented.**  
County Administration will continue to recommend:
  - Streamlining operations and consolidating services
  - Optimizing Medi-Cal managed care strategies
  - Exploring all possible revenue and cost-saving opportunities

## State and Local Actions

- ▶ **The State will play a critical role in determining how federal cuts under H.R. 1 are absorbed.**
  - Medi-Cal and CalFresh are jointly funded by the federal and state government.
  - County Administration will work closely with the State to protect public hospitals
    - Public hospitals make up only 6% of California's hospitals but operate more than 50% of trauma and burn centers and train over 50% of California's doctors.
  
- ▶ **The County must look locally to avoid devastating service cuts.**
  - State support is uncertain and not fully under the County's control.
  - The Board of Supervisors unanimously placed a five-eighths of a cent general sales tax on the November 4, 2025 ballot.





## Measure A

- On August 7, 2025, the Board of Supervisors unanimously voted to place an emergency, temporary general sales tax measure of 5/8 of a cent on the ballot. If approved, the tax would be in place for five years and generate \$330 million in revenue each year.
- The County has very limited options for raising local revenue for services.
  - Counties in CA can only enact taxes that have been affirmatively authorized by the State.
- SB 335 grants the County temporary authority to provide voters the option to raise local sales taxes by 5/8 of a cent for County services.
  - This sales tax measure does not affect the ability of any city or other local jurisdiction in Santa Clara County to propose a sales tax measure to their voters.
- The County currently only receives a local sales tax of 1/8 of a cent. Among Bay Area and adjacent counties, this is a low rate in terms of funding dedicated to county services.
- Most common expenses paid (e.g. rent, groceries, utilities, childcare, etc.) are exempt from sales taxes.

# Summary

- ▶ Our community is facing a true healthcare emergency caused by the federal government.
- ▶ The crisis will hit us soon and worsen in the next few years.
- ▶ The County's hospital and health clinics will be hit hardest, but other critical County services – such as mental health care and public safety – are also threatened.
- ▶ Everyone's care is at risk, as closure of trauma centers or emergency departments increase wait times and affect patient care regardless of what insurance you have.
- ▶ Even if the temporary sales tax passes, the County will have to make hundreds of millions of dollars in service cuts to address a \$1 billion+ shortfall.
- ▶ Without revenue solutions, there is no way to avoid devastating local service cuts.
- ▶ Over the next several years, we need to come together as a community to chart a path forward that ensures the health and well-being of our residents, especially those most in need.



# Thank You

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