

9/23/2025

item 3.D

Impact of Federal Budget Cuts and the County's Response

Santa Clara City Council

September 23, 2025



County of Santa Clara

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H.R. 1 Overview



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.



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)



Medicaid is a critical social safety net program that provides healthcare coverage for nearly 1 in 5 Americans. Approximately half of all children in the United States are covered by Medicaid.



SNAP provides basic food assistance for 1 in 8 Americans. SNAP is the largest child nutrition program providing benefits for 1 in 4 children in the United States.

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POST MEETING MATERIAL

H.R. 1 Impacts to Our Community

- ▶ 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.

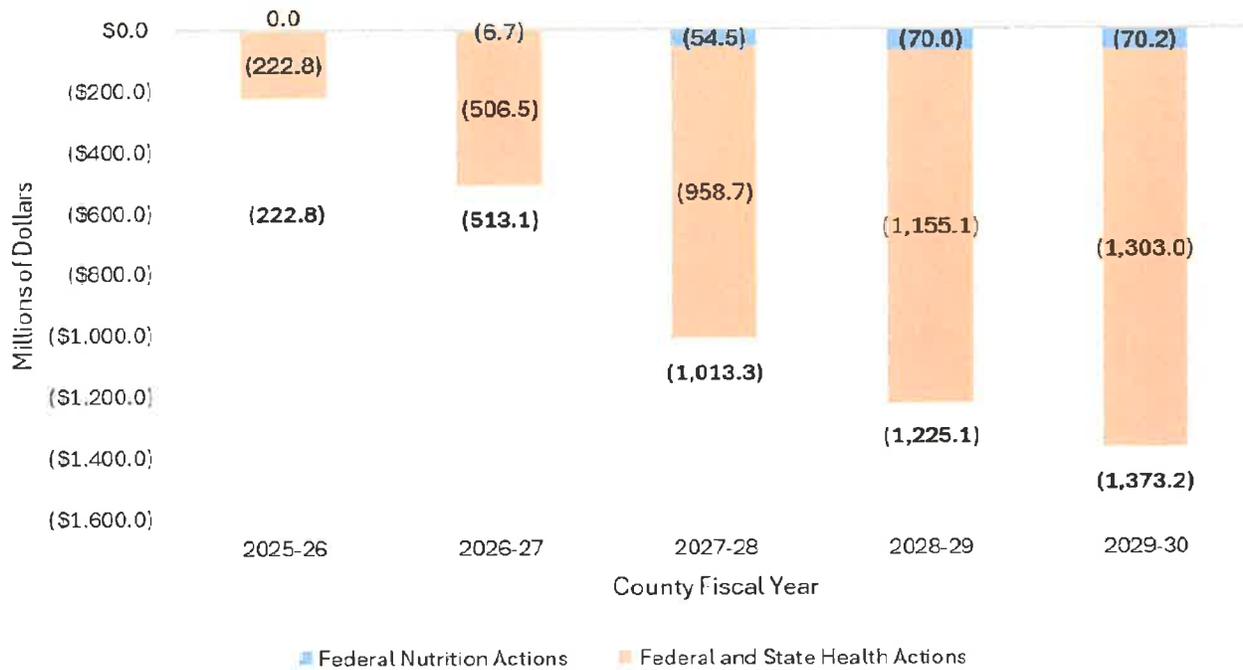


H.R. 1 Creates a County Fiscal Crisis

- ▶ 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 billion in lost revenue per year, representing a significant portion of the \$4.6B total annual budget for Santa Clara Valley Healthcare.
 - ▶ This is a destabilizing level of cuts that can only result in extraordinarily harmful service reductions if not addressed.



Projected Impact to County Revenues (Summary)



H.R. 1 Threatens Access to Healthcare and Local Hospitals

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.
- ▶ **Half of all** 911 transports are taken to a County hospital.
 - ▶ **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.
- ▶ **Only Burn Center** in Santa Clara County and **1 of only 3** regional centers of its kind between Los Angeles and the Oregon border.
- ▶ **Top ranked** Rehabilitation Center on the entire West Coast.



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. **SCVH restored these services on April 1.**
- ▶ For every dollar the County spends on healthcare, 88 cents comes from healthcare system revenue.
- ▶ **It is only due to the unprecedented cuts from the federal government that the sustainability of these hospitals has been put at serious risk.**

H.R. 1 Puts County Services at Risk

Federal cuts of the magnitude we face present a major risk to *all* County services from public safety to homelessness. A \$1 billion funding shortfall is too significant for Santa Clara Valley Healthcare to absorb on its own.



Community Impacts: City of Santa Clara



HEALTHCARE

- ▶ **1 in 6 (22,400) residents** rely on Medi-Cal
- ▶ **More than 26,000 residents** receive care from Santa Clara Valley Healthcare
 - ▶ More than 68,000 outpatient visits
 - ▶ More than 15,000 Emergency Room visits
 - ▶ More than 15,000 hospital days



FOOD ASSISTANCE

- ▶ **5,530 residents** rely on CalFresh to put food on the table



EMERGENCY CARE

- ▶ **90% of trauma cases** transported by ambulance are taken to a County hospital
- ▶ **45% of all 9-1-1 ambulance trips** are taken to a County hospital (O'Connor is most utilized of any hospital).



HOMELESSNESS

- ▶ Investments in critical homelessness prevention, shelter, and housing solutions

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

Pursuing Local Solutions



County's Response

Actions to Reduce Costs and Increase Revenue

- ▶ **The County has launched a multitude of initiatives in recent fiscal years in response to 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.**
Sizable reductions and consolidations of services will be needed.

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County's Response

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.

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County's Response

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. Unlike cities, counties 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.
 - Measure A does not affect the ability of any city to propose a sales tax measure to their voters.

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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.
- ▶ 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.



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Thank You

Visit scc.info/federal_funding for more information





COUNTY OF SANTA CLARA

Impacts of Federal Budget Cuts

Recently adopted federal budget cuts present significant threats to services and programs that serve our entire community.



H.R. 1 was a budget bill signed into law by President Trump on July 4, 2025. The bill included major cuts to Medicaid and food assistance, putting at risk health care and food for millions of Americans. Medicaid provides healthcare access for 1 in 5 Americans and nearly half of all children in the United States.

Due to these federal decisions, the **County of Santa Clara will lose more than \$1 billion in federal funding** per year.

Critical funding for safety net services is at risk.

The County of Santa Clara receives about \$3.5 billion in federal funding each year. Medicaid is the single largest source of federal funding.

Federal funding supports the delivery of medical and behavioral healthcare, food assistance, social services, public health programs, child welfare services, housing, public safety, and many other critical services.

The County operates the second largest public hospital system in California, which receives a majority of its funding from the federal government through Medicare and Medicaid. Our public hospital and healthcare system serves everyone in our community, regardless of insurance status, and provides critical trauma and emergency care. Federal funding cuts put critical health care and safety-net services at risk.



The County receives more than **\$2.3 billion** in Medicaid funding.

Federal cuts will impact thousands of families in our community.



465,000

Santa Clara County residents rely on Medicaid for access to healthcare



133,000

Santa Clara County residents are enrolled in the Supplemental Nutrition Assistance Program (SNAP) and receive food assistance



72,000+

Santa Clara County adults are enrolled in state only Medi Cal for their healthcare coverage

IMPACTS OF FEDERAL BUDGET CUTS | County of Santa Clara

What does H.R. 1 do and how will it impact our community?

H.R. 1, also known as the "One Big Beautiful Bill Act," makes **\$1 trillion in cuts to Medicaid** and **\$186 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP)** over the next ten years.

Starting in December 2026, the bill will **require certain Medicaid enrollees to work** in order to be eligible for healthcare coverage. It will also **require enrollees to prove their eligibility more often**. This will increase barriers to enrollment and cause people to lose their coverage.

The bill also makes it **harder for families to access food assistance** and requires SNAP program enrollees to work in order to receive assistance. This change is expected to impact more than half of all SNAP enrollees in Santa Clara County.

Nearly **12 million** Americans will lose Medicaid coverage, including an estimated **3.4 million** Californians.



When will changes to Medi-Cal and SNAP go into effect?

July 4

H.R. 1 is signed into law. SNAP work requirements begin.

January 1

State only Medi Cal enrollment freeze goes into effect for undocumented adults.

December 31

New work requirements for Medicaid enrollees begin.

July 1

New \$30 monthly premiums go into effect for state only Medi Cal enrollees.



What can we do to protect our social safety net?

Federal cuts to safety net programs will make it harder for thousands of families in our community to access critical care and benefits.

Since Medi-Cal and SNAP are joint federal/state programs, the **State of California will play a key role in deciding what happens next** now that H.R.1 has become law. The County is committed to working in direct and close collaboration with our State leaders to explore every opportunity to mitigate impacts on our community. We will need to come together as a community to protect and preserve social safety net services for those who need them most.

Learn more:

scc.info/federal/funding

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County of Santa Clara

Response to Federal Budget Cuts



Addressing a \$1 Billion Funding Shortfall

The County is facing an extraordinary financial challenge due to federal action, creating a gap of more than \$1 billion in annual funding. This magnitude of funding loss puts *all* County services at risk, including healthcare, behavioral health, and public safety services. To meet this challenge, the County is taking a proactive, multi-pronged approach:

- ▲ Making sizable budget reductions while protecting core safety net services
- ▲ Seeking support from the State to reduce the impact on our public healthcare system
- ▲ Pursuing local revenue solutions

▲ County Actions to Reduce Costs and Increase Revenue

Current and Recent Actions

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

Additional Steps Required

Despite past efforts, the funding gap from H.R. 1 is unprecedented. County Administration is:

- Streamlining operations and consolidating services
- Optimizing Medi-Cal managed care strategies
- Exploring all possible revenue and cost-saving opportunities

▲ Seeking State Support

Public hospitals rely heavily on Medi-Cal funding and provide critical services. Although they make up only 6% of California's hospitals, public hospitals operate more than 50% of trauma and burn centers and train over 50% of California's doctors.

Medi-Cal and CalFresh are jointly funded by the federal and state government. The State will be critical in determining how federal cuts under H.R. 1 are absorbed. County Administration will work closely with the State to protect public hospitals and services.

▲ Pursuing Local Solutions

State support is uncertain and not fully under the County's control. The County must look at other options to avoid devastating service cuts.

The Board of Supervisors unanimously placed a five-eighths of a cent general sales tax on the November 4, 2025 ballot. Revenue would be guaranteed for five years and cannot be taken by the federal or state government. If passed by voters, the temporary increase in the sales tax will generate \$330 million a year in revenue.

Fiscal Reality

H.R. 1 creates a true fiscal crisis for the County at a time of slow property tax growth and economic uncertainty in our region. Even if the sales tax measure passes, the County will have to make hundreds of millions of dollars in service cuts to address a \$1 billion shortfall. Without pursuing a multi-pronged approach, critical community services that keep our region healthy, vibrant, and safe could be severely reduced or lost.

Santa Clara Valley Healthcare (SCVH) provides critical care and life-saving services to our community.
Recent federal funding cuts directly threaten our ability to serve our community and provide access to critical care.

We operate the largest public hospital system in Northern California. Our four hospitals and fifteen major health centers are the backbone of our local healthcare safety net, delivering high-quality, compassionate, and accessible care across Santa Clara County.

We are the health care provider for nearly **1 in 4** Santa Clara County residents and are the largest provider of both Medicare and Medi-Cal hospital services in the region.

We offer everything from trauma, burn, emergency, and specialty care, including offering **9** walk-in urgent care clinics and over **60** specialty and subspecialty services, that includes cancer, kidney, and cardiovascular care. U.S. News & World Report recently named Valley Medical Center's Rehabilitation Center a **Top 10** Best Hospital, ranking as the best on the west coast for brain injury, spinal cord injury and stroke rehabilitation.



**SANTA CLARA VALLEY
HEALTHCARE**

465,000 patients receiving care

1.25 million patient visits to a doctor or clinic



We're Here When You Need Us

We ensure high-quality care is available when you or your loved ones need it most. We serve everyone in the community, whether you have insurance or not.



306,000

Hospital inpatient days
(over 800 patients per day)



4,200+

Babies delivered annually



275,000

Emergency department visits
(over 750 per day)

Nearly half of all Emergency Department visits are at Santa Clara Valley Healthcare hospitals.

Half of ambulance transports from 9-1-1 calls go to one of our four hospitals.*



6,900

Trauma-related visits

2 of 3 Trauma Centers in the county are operated by Santa Clara Valley Healthcare.

In 2024, Santa Clara Valley Medical Center cared for **more trauma patients than any other hospital** in California.

SANTA CLARA VALLEY HEALTH CARE



4 Hospitals ★

- 📍 Santa Clara Valley Medical Center (SCVMC) +
- 📍 O'Connor Hospital (OCH) *
- Regional Medical Center (RMC)
- Saint Louis 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

Our award-winning programs and nationally ranked centers show our commitment to excellence.

Presence of an urgent care and type offered: + adult & pediatric urgent care; ^ adult urgent care; * pediatric urgent care; and # pediatric & women urgent care.

Specialty Services & Centers

- 60+ adult and pediatric medical and surgical specialty & subspecialty services
- Center for Advanced Wound Care & Hyperbaric Medicine (OCH, SLRH)
- Center for Digestive and Liver Health (SCVMC)
- Emergency, consultation and inpatient psychiatric services
- Labor & Delivery Units (OCH, SCVMC, SLRH)
- NICU Centers: Level III (OCH), Regional/Level IV (SCVMC)
- Pediatric Intensive Care (SCVMC)
- Rehabilitation Center (SCVMC): Nationally ranked adult & pediatric brain injury, spinal cord injury and stroke rehabilitation
- Robotic Surgery Program (OCH, SCVMC)
- Sobrato Cancer Center (SCVMC): Integrated adult medical, surgical and radiation oncology services

Primary and Preventive Health Services

- Comprehensive adult & pediatric primary and preventive health services, including dental, lab, imaging, pharmacy and support services.
- Valley Homeless Healthcare Program
- Gender health services

Stroke, Trauma and Burn Care

- Level I Adult & Level II Pediatric Trauma Center (SCVMC)
- Level II Adult Trauma Center (RMC)
- Primary Stroke Centers (OCH, SCVMC, SLRH)
- Regional Adult and Pediatric Burn Center (SCVMC)
- STEMI Receiving Centers (OCH, RMC, SCVMC)
- Thrombectomy-Capable Stroke Center (RMC)