

7. Hold public hearing in accordance with the Beilenson Act to consider the redesign of the County's Clinical services, including ending the Health Services Agency's radiology and laboratory services ()



## County of Santa Cruz Board of Supervisors

### Agenda Item Submittal

**From:** Health Services Agency

**Subject:** Beilenson Public Hearing on Health Centers Radiology and Lab Redesign

**Meeting Date:** June 10, 2025

**Formal Title:** Hold public hearing in accordance with the Beilenson Act to consider the redesign of the County's Clinical services, including ending the Health Services Agency's radiology and laboratory services

### Recommended Actions

Hold public hearing, in accordance to the California Health and Safety Code, Section 1442.5 (Beilenson's Act), to consider the redesign of the County's Clinical services, comprising of the closure of the County's Radiology and Laboratory services and contracting with local laboratory and radiology providers to ensure access for indigent patients of the Health Services Agency.

### Executive Summary

The Health Services Agency (HSA) requests the Board to hold a public health hearing in accordance to the California Health and Safety Code, Section 1442.5 (Beilenson's Act), as scheduled by the Board on May 20, 2025, to consider closing Radiology and Laboratory services provided by HSA's Health Centers Division (Health Centers). Closure of Radiology and Laboratory services would result in responsibly managing the Health Centers Division (Health Centers) budget while ensuring continued patient access through referrals.

### Discussion

The County Radiology and Laboratory departments are located at 1080 Emeline Avenue in Santa Cruz and 1430 Freedom Boulevard in Watsonville. The operational hours are Monday through Friday 8 AM to 5 PM in Santa Cruz, Monday through Friday 7:30 AM-6:30 PM in Watsonville, and closed on weekends. There are 2.0 full-time equivalent (FTE) budgeted staff in the Radiology department and 5.6 FTE budgeted in the Laboratory department, as detailed below.

#### Radiology Staff:

| FTE | Job Title            | Position Code |
|-----|----------------------|---------------|
| 1   | CHF RAD TECHNOLOGIST | NG4001AA      |
| 1   | RAD TECHNOLOGIST     | NG3001AA      |

#### Laboratory Staff:

| FTE | Job Title              | Position Code |
|-----|------------------------|---------------|
| 0.8 | LAB ASST/PHLEBOTOMIST  | NA3003JA      |
| 0.8 | LAB ASST/PHLEBOTOMIST  | NA3001JA      |
| 1   | SR LAB ASST/PHLEB      | NA4001AA      |
| 1   | LAB ASST/PHLEBOTOMIST  | NA3002AA      |
| 1   | LAB ASST/PHLEBOTOMIST  | NA3004AA      |
| 1   | CLINICAL LAB SCIENTIST | NE8003AA      |

These are important services that help ensure clients have a one stop shop available to them, however Health Centers' has been in financial shortfall for the past several years. Unfortunately, the budget shortfalls are a point where radiology and laboratory service reduction must be considered in order to balance the Health Centers' budget and ensure primary care services continue.

The closure of the Radiology and Laboratory departments would impact the 7.6 FTE positions. The County Personnel Department and HSA have begun working with the affected laboratory and radiology employees to provide them with employment placement options, should the board approve the proposed closure. Should the Board approve the closure by the June 10th Last Day Budget Hearings, the associated financial and personnel actions will be finalized thereafter. HSA will continue plans to cease Health Centers' operations of laboratory and radiology services and Personnel will continue to work closely with the 7.6 FTE to be impacted per the MOU with the General Representation Unit.

The closure of the Radiology department will result in the elimination of approximately 2,270 imaging appointments per year. This change will affect roughly 1,832 patients who currently use County radiology services.

The Laboratory department closure will result in the elimination of approximately 15,027 laboratory appointments annually. This change will impact about 7,835 patients who currently receive laboratory services through County facilities.

The laboratory and radiology services offered on-site provide convenience but operate as a cost center and not a revenue-generating center for the division in the current reimbursement environment of Federally Qualified Health Centers (FQHCs). Running these services costs more money than they bring in, approximately \$2,000,000 annually, with expenses for staff wages, equipment maintenance, and necessary supplies significantly outweighing the limited revenue they generate, approximately \$5,000 annually.

Considering the challenging budget environment, there is a need to make difficult choices. By redirecting laboratory and radiology services, the money and space can be used to focus on primary care services. This change will help maintain quality care for patients while operating within financial means and providing patients a means by which to get these services.

Many FQHCs, including Salud Para La Gente and Santa Cruz Community Health do not run their own Laboratory and Radiology departments but instead work with outside providers for these specialized services. This same approach used by other FQHCs in the community can be followed by sending patients to external facilities for radiology tests and contracting with community laboratories to provide blood-drawing/laboratory services for both County health centers. This arrangement would ensure patients still receive these services within the community.

Health Centers plan to partner with outside radiology facilities and create a smooth referral system so patients can continue getting care without interruptions. The goal is to place blood-drawing specialists at both Watsonville and Santa Cruz Health Centers at no expense to HSA, maintaining on site services. However, if services are not on site, staff will help clients navigate transportation as needed. For example, when a clinician

requests laboratory or radiology services, if the patient has Medi-Cal they will have access to a ride through the Central California Alliance for Health ride service and for those with no insurance, bus tickets and cab vouchers are available. This setup will help to take care of patients while reducing costs.

These practical changes will allow services to be maintained that meet patient needs while managing budget responsibly during this difficult financial period.

### **Financial Impact**

HSA Health Centers' Fiscal Year 2025-26 Proposed Budget includes transitioning laboratory services to community providers to help reduce costs while ensuring continued patient access through referrals. This aims to align services with current needs and fiscal priorities. As HSA continues to face a challenging budget environment, it has become increasingly clear that maintaining in-house laboratory and radiology services is no longer financially sustainable. Approximately \$2,000,000 in cost reductions are expected with the radiology and laboratory redesign. Savings will come from the following budgets:

The savings will come from the following GLs:

- Santa Cruz Health Center Laboratory GL 361250
- Santa Cruz Health Center Radiology GL 361260
- Watsonville Health Center Laboratory GL 361350
- Watsonville Health Center Radiology GL 361360

### **Strategic Initiatives**

Operational Plan - Comprehensive Health & Safety

#### **Submitted By:**

Monica Morales, Director of Health Services

#### **Recommended By:**

Carlos J. Palacios, County Executive Officer

#### **Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.



# County of Santa Cruz

## HEALTH SERVICES AGENCY Health Centers Division



Santa Cruz Health Center  
1080 Emeline Ave.  
Santa Cruz, CA 95060  
(831) 454-4100

Watsonville Health Center  
1430 Freedom Blvd. Ste. D  
Watsonville, CA 95076  
(831) 763-8400

Homeless Persons Health Project  
115-A Coral Street  
Santa Cruz, CA 95060  
(831) 454-2080

### **The County of Santa Cruz Integrated Community Health Center Commission**

May 28, 2025

#### **Dear Members of the Board,**

We are writing to inform your Board that we have reviewed the Health Services Agency (HSA) Health Centers' recommended budget for fiscal year 2025–26 and would like to express our support for the proposed plan.

The proposed budget underscores the importance of continued federal support for our local healthcare infrastructure. It was also gratifying for our Commission to see that all three health centers have earned national recognition from the National Committee for Quality Assurance as "Patient Centered Medical Homes." This distinction reflects a significant accomplishment by the HSA Health Centers' staff and highlights their dedication to prioritizing patient needs.

One of the major changes in the proposal involves transitioning laboratory and radiology services to community-based providers in Watsonville and Santa Cruz. While we recognize that this change is fiscally necessary due to the high fixed operational costs of maintaining these specialized services in-house, we also acknowledge that it may result in less convenient options for some of our patients. Health Center staff are diligently working to mitigate the loss in convenience.

This restructuring represents a difficult but necessary business decision to ensure the long-term sustainability of healthcare services in our county. It is reassuring that patients will still be able to access these services in the

community at no additional cost. Nonetheless, we understand that adjusting to new service locations may pose challenges for some.

We also appreciate the commitment from County Human Resources to work closely with affected employees to explore job placement and retraining opportunities. This thoughtful approach reflects the value placed on these dedicated staff members.

As the Santa Cruz County Integrated Community Health Center Commission, we remain a strong partner to HSA and are committed to supporting efforts that promote budget sustainability while continuing to provide timely, high-quality, and cost-effective health services to our community.

Therefore, the Commission strongly urges your Board to approve HSA's Recommended Budget.

Sincerely,

Signed by:

*Christina Berberich*

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Christina Berberich, PharmD, MPH, RD

President, Santa Cruz County Integrated Community Health Center  
Commission

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VP of R&D, Regulatory Affairs

Bobbie Baby, Inc.

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*Christina Berberich*

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# Beilenson Hearing Health Services Agency (HSA) Radiology & Laboratory Operations & Recommendation

Jennifer Herrera, *HSA Interim Director*

Raquel Ramirez Ruiz, *Sr Health Service Manager*

Julian Wren, *Administrative Services Manager*

June 10, 2025



# Why a Beilenson Act Hearing?

- §1442.5 of the California Health and Safety Code
- Transparency
- Community Voice
- Democratic Process
- Protection
- Public Notices Posted on 5/20/2025

# Proposed Change

## Current Practice

- Operate CLIA-Certificate of Waiver lab and radiology
- Existing agreements with external lab and radiology
- Staff to collect specimens
- Staff Quality Assurance oversight of labs sent to Quest for processing
- Equipment management
- Radiology is only x-ray
- Public Health support

## Proposed change

- Maintain CLIA-Certificate of Waiver to continue providing Point of Care (POC) testing
- Utilize existing agreements to refer patients for imaging and labs
- Limited staff to collect specimens

# Health Centers Background

## Mission

Our mission is to promote and protect the health and well-being of our community by providing access to quality, comprehensive and affordable **primary and integrated behavioral healthcare services** for people of all ages.

## Vision

Delivering patient-centered care for people of all ages by removing boundaries that inhibit access to healthcare and ensuring the viability of our community by **supporting long-term equitable access to healthcare services.**

# Health Centers Background

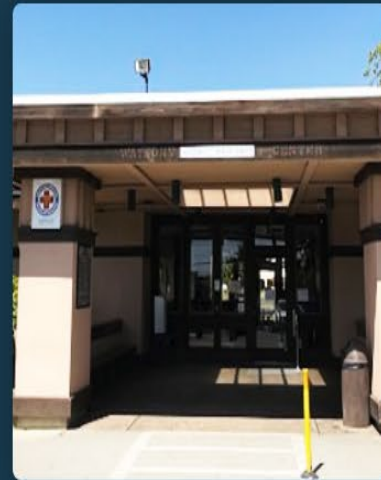
Homeless Persons' Health Project



Santa Cruz Health Center



Watsonville Health Center



Watsonville Health & Dental Center



## **In Fiscal Year 2023-2024...**

- 13,744 patients served
- 1,915 average encounters per week
- 99,605 appointments completed

## **Services beyond Primary Care and IBH...**

- Medication Assisted Treatment
- Acupuncture
- Family Planning
- Orthopedics

# Goals

- Maintain access and quality for patients
- Create sustainable operations
- Mitigate future financial risks & current financial strain
- Minimize impact for employees

# Laboratory and Radiology Operations

## LOCATIONS:

- Santa Cruz Health Center: 1080 Emeline Ave. Santa Cruz
- Watsonville Health Center: 1430 Freedom Blvd.

Federally Qualified Health Centers (FQHCs) are required to provide laboratory and radiology services *either*:

- Directly, or
- Through agreements with community partners to clinic patients.

# Key Considerations

- FQHCs are reimbursed primarily through the Prospective Payment Service (PPS), a bundled payment covering all services provided in a single visit
- Most FQHCs provide ancillary services through community resources
- California's Physician Ownership Referral Act (PORA)
  - FQHCs are specifically exempt from this law as it relates to laboratory services.
  - This exemption allows FQHCs to have commercial laboratories placement of phlebotomist in an FQHC.

# Radiology Visit Volume by Health Center

|                  | <b>FY 23/24</b>                                   |                       |                 |
|------------------|---|-----------------------|-----------------|
| <b>Radiology</b> | <b>Number of Radiology Completed Appointments</b> | <b>Weekly Average</b> | <b>Patients</b> |
| Emeline          | 1,060   | 21                    | 854             |
| Watsonville      | 1,210   | 23                    | 1,002           |
| Total            | <b>2,270</b>                                      | <b>44</b>             | <b>1,856</b>    |



# Lab Visit Volume by Health Center

|                | FY 23/24                             |                |          |
|----------------|--------------------------------------|----------------|----------|
| Lab            | Number of Lab Completed Appointments | Weekly Average | Patients |
| Emeline + HPHP | 7,250                                | 139            | 3,285    |
| Watsonville    | 7,777                                | 150            | 4,550    |
| Total          | 15,027                               | 289            | 7,835    |

# Radiology Staff

## Radiology Staff:

| FTE | Job Title            |
|-----|----------------------|
| 1.0 | CHF RAD TECHNOLOGIST |
| 0.8 | RAD TECHNOLOGIST     |
| 0.2 | RAD TECHNOLOGIST     |

**2.0 FTE Reduction**

# Laboratory Staff

## Laboratory Staff:

| <b>FTE</b> | <b>Job Title</b>          |
|------------|---------------------------|
| 3.6        | Lab Asst/Phlebotomist     |
| 1.0        | Sr. Lab Asst/Phlebotomist |
| 1.0        | Clinical Lab Scientist    |
| <b>5.6</b> | <b>FTE Reduction</b>      |

# Access Impact to Patients

## **Referral System for X-Ray Services:**

- Streamlined referral process with local hospitals
  - No disruption in care
  - Patients will need to travel to those radiology centers services.

## **Agreement with External Lab:**

- Exploring an agreement with external labs
  - Phlebotomists on site at Watsonville and Emeline Health Centers
  - Supporting patient care while minimizing our financial impact

## **Care Coordination**

- Medi-Cal benefit for non-medical transportation

# Radiology Volume & Cost

51% of the costs are in Santa Cruz and  
49% of the costs are in Watsonville

**Radiology Volume:** Approximately 2,270 x-rays per year.

**Radiology Costs:**

|                                   |           |
|-----------------------------------|-----------|
| SALARIES AND EMPLOYEE<br>BENEFITS | \$404,944 |
| SERVICES AND SUPPLIES             | \$69,174  |
| ADMINISTRATIVE<br>ALLOCATIONS     | \$51,017  |

**TOTAL COST: \$525,135**

FY 2024 Radiology Revenue: \$81,637

# Laboratory Volume & Cost

52% of the costs are in Santa Cruz and  
49% of the costs are in Watsonville

**Laboratory Volume:** Approximately 50,000 blood draws

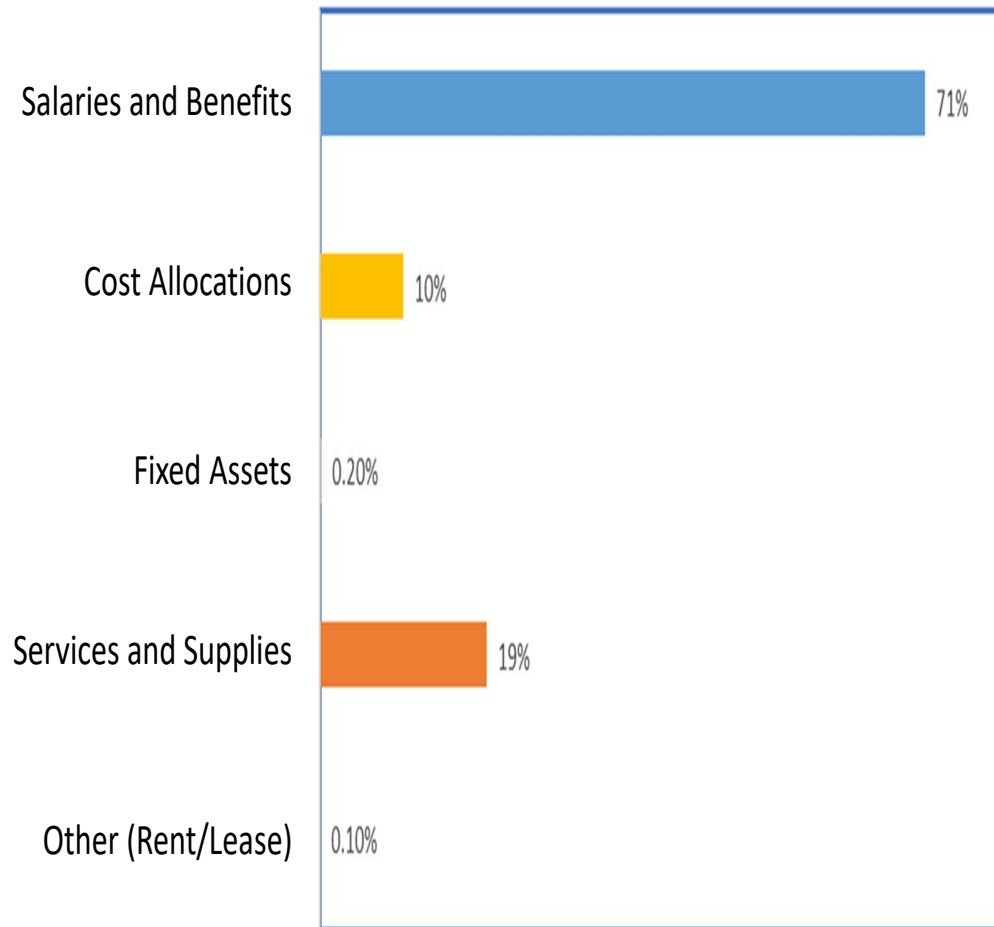
## Laboratory Costs:

|                                   |             |
|-----------------------------------|-------------|
| SALARIES AND EMPLOYEE<br>BENEFITS | \$1,077,755 |
| SERVICES AND SUPPLIES             | \$296,197   |
| ADMINISTRATIVE ALLOCATIONS        | \$142,848   |

**TOTAL COST:** \$1,516,800

FY 2024 Lab Revenue: \$27,930

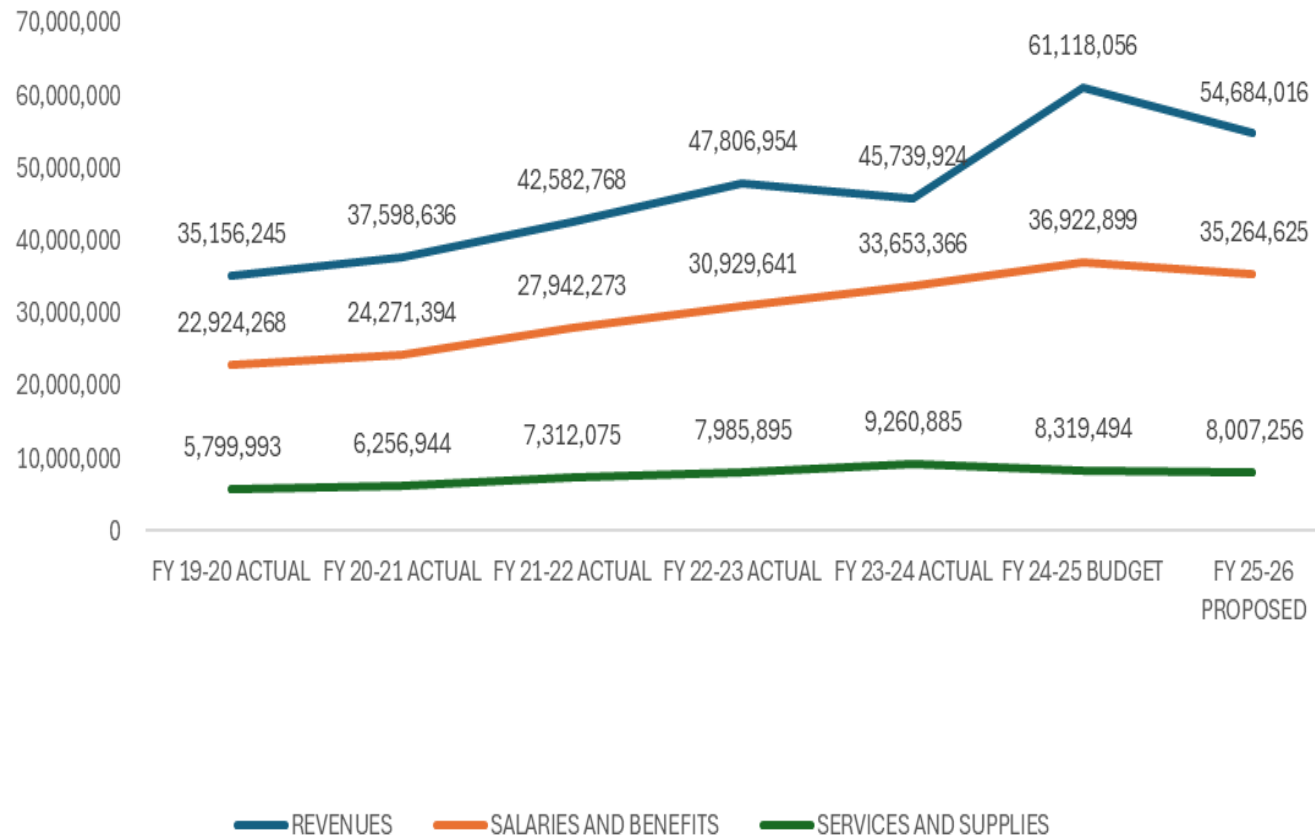
# Where are Health Center Expenses?



- Substantial salary increases
- Substantial inflation of services and supplies
- Assessed service lines from a revenue and expense lens
- Lab and X-ray are both high cost and low (almost no) revenue
- Looming changes to federal budget will have impacts on our services and patients

# How did we get here?

Health Center Financial Trends: Revenues vs. Key Expenses (FY 19-20 to FY 25-26)





# Quality Considerations

## **External Laboratory Services:**

- Rigorous quality standards
- Accreditation or licenses

## **External Radiology Services:**

- Stringent quality standards
- Governed by the California Department of Public Health's Radiologic Health Branch

# Recommendations

Transitioning these services would eliminate substantial salary, equipment, and maintenance costs and allow us to focus on core services.

Hold a public hearing, in accordance to the California Health and Safety Code, Section 1442.5 (Beilenson's Act), to consider the redesign of the County's Clinical services, comprising of the closure of the County's Radiology and Laboratory services and contracting with local laboratory and radiology providers to ensure access for indigent patients of the Health Services Agency.

# Questions?

Thank You

