



LCBHS Fiscal Analysis and Stability Plan

September 16, 2025





Executive summary

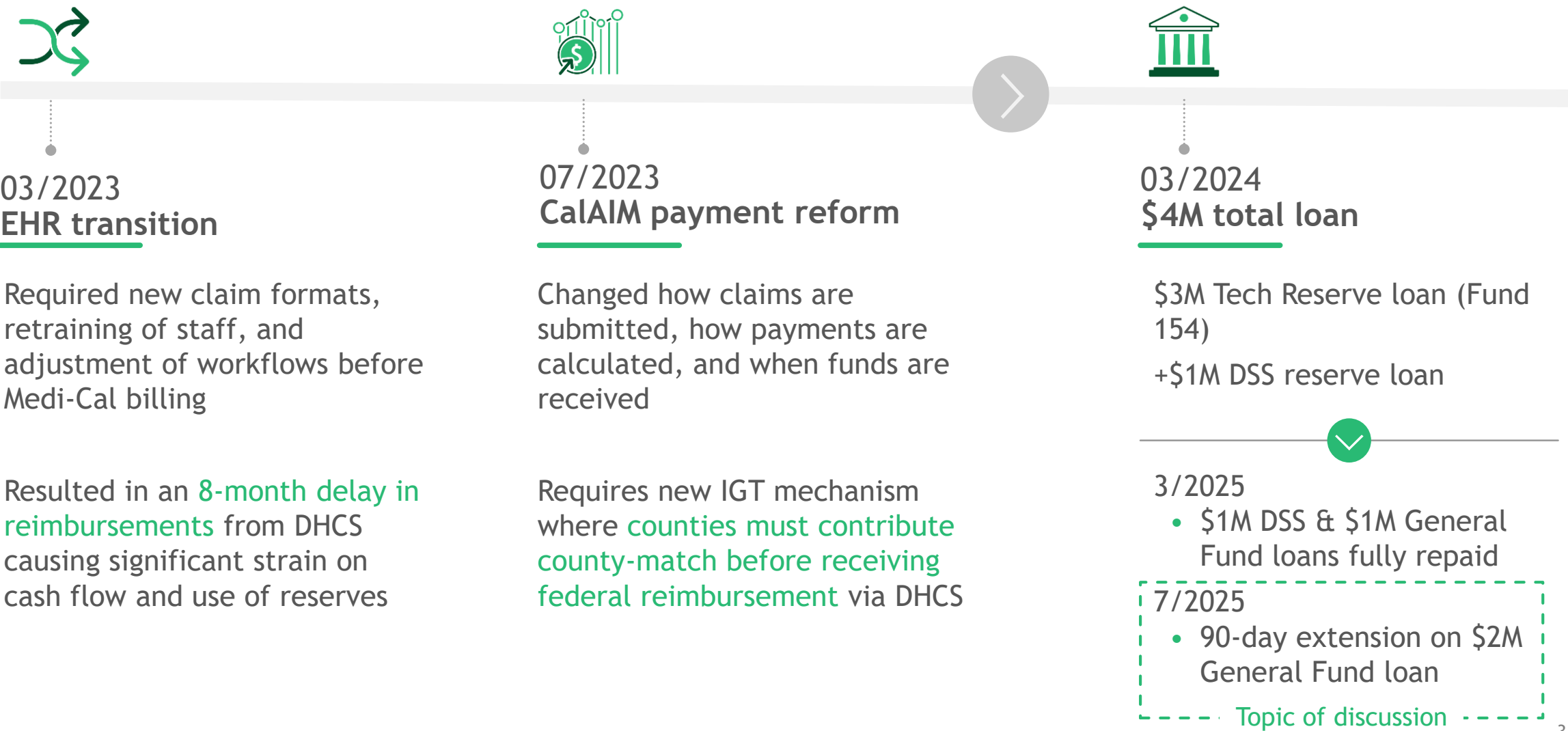
- LCBHS has faced **two significant changes** in quick order, resulting in a liquidity constraint: 1) EHR system transition and 2) CalAIM payment reform
- Recognizing the need for significant change, LCBHS has taken a **critical look** at all aspects of its **financial picture**
- The financial analysis revealed a **set of opportunities to increase revenue and contain cost**, but **path forward requires thoughtful discussion** to balance community need with financial implications
- LCBHS has **begun to take significant steps to improve near- and long-term financial performance** including provider contract negotiation, continued prioritization of timely claim submission, strategic prioritization and delay of payment schedules, and implementation of a cash flow model
- However, LCBHS **requires more time** to refine its financial strategy and observe the impact of the changes being pursued, **while in close collaboration** with the Board, providers, clients, and other stakeholders
- If the **extension is not approved**, LCBHS will **face extreme challenges** in providing services and operating as a department



Request for the Board of Supervisors:

- Grant a **9-month extension** on the previous extension of the existing loan from the county General Fund
- Allow LCBHS to return in 10 weeks to Board of Supervisors to present a **comprehensive strategic plan**

Recall: LCBHS has faced two significant changes resulting in liquidity constraint and the request for a short-term loan



Note: unless otherwise specified, information and dates based on LCBHS timelines and memos; Dates are Month / Year

LCBHS recognized the need to make substantial changes and has launched a detailed financial performance analysis

Overall financial performance

Purpose:

To closely examine all drivers of revenue, cost, and cash flow in light of the widespread impact of payment reform

Challenges:

- Accounting complications and volatility in expected revenue & expenditures make it challenging to reveal direct drivers

Revenue

Potential opportunities:

- Efforts to maximize FFP draw down with particular focus on new opportunities with high FFP match
- Enrollment in BH-Connect

Non-exhaustive

Challenges:

- Significant portion of revenue comes from federal match dollars which necessitates a large sum of county available cash reserves to draw down

Cost

Potential opportunities:

- Narrow scope of services provided
- Downsize county-employed and contracted provider workforce
- Reduce rates for contracted providers










Non-exhaustive

Challenges:

- Containment efforts have high potential for service disruption and will have to be addressed carefully
- Renegotiation of provider contracts is often complex and time-consuming

Given the impact on liquidity and billing, **both revenue and cost will need to be addressed** to reach financial stability

Key changes have begun to be put in motion and are expected to have meaningful near- and long-term financial impacts

Changes	Status	Description	Lever	Impact
Renegotiation of provider contracts (<i>timing</i>)		LCBHS will no longer pay providers prior to receiving federal reimbursement → cash flow strain reduced, frees up cash for IGT	Cash-flow	
Renegotiation of provider contracts (<i>rates and IGT support</i>)		LCBHS is revisiting contracts to ensure financial viability related to rates and populations served. LCBHS is also seeking support for IGT match → long-term stability and cash strain reduction	Cost; cash-flow	
Continued prioritization of accurate, timely claim submission		Requires internal and external discipline to ensure claims submitted as soon as possible → quicker revenue availability (contingent on IGT match)	Overall performance	
Strategic prioritization and delay of payment schedules	Short-term	LCBHS is strategically timing payment where flexibility exists to ensure cash on hand to ensure revenue → short-term cash flow strain reduction	Cash-flow	
Implementation of a monthly cash flow forecast and reporting		Improved forecasting, monitoring, tracking → LCBHS ability to make quick, agile changes	Overall performance	

Request a two-fold approach to give LCBHS time to develop a robust plan while supporting long-term financial stability and critical service maintenance

Request 1: 9-month grant extension

9-month extension of the existing \$2M General Fund loan; requires quarterly board updates

Further extension on the loan originally received in March 2023 and further extended in July 2025 to:

- Provide time for LCBHS to develop a business and financial strategy while supporting near-term financial stability
- Allow LCBHS to meet critical payment demands in the near-term



Provides time to **rebuild finances** and **realize the impact** of ongoing, near-, and long-term changes



Request 2: 10-week fiscal deep dive

To return to the Board in 10 weeks with a comprehensive strategic plan

Comprehensive plan to include:

- Update on efforts taken and the impact seen
- Critical, near-term changes to address cost & revenue drivers
- Long-term changes to support stability and sustainability



Allows **for collaboration and visibility** on department efforts

A loan extension is pivotal for LCBHS to meet critical payment demands and maintain service, while current business model is refined

With loan repayment, LCBHS will be unable to...

...which will create long-term challenges



Fund **outstanding invoices** for FY 24/25



Cover **client monthly rents & utilities**



Complete **payroll** on Oct 1st



Provide county-match for claimable services and **draw down revenue**



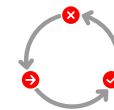
Pay contracted providers for services



Erode provider network and greatly inhibit adequacy of the provider network



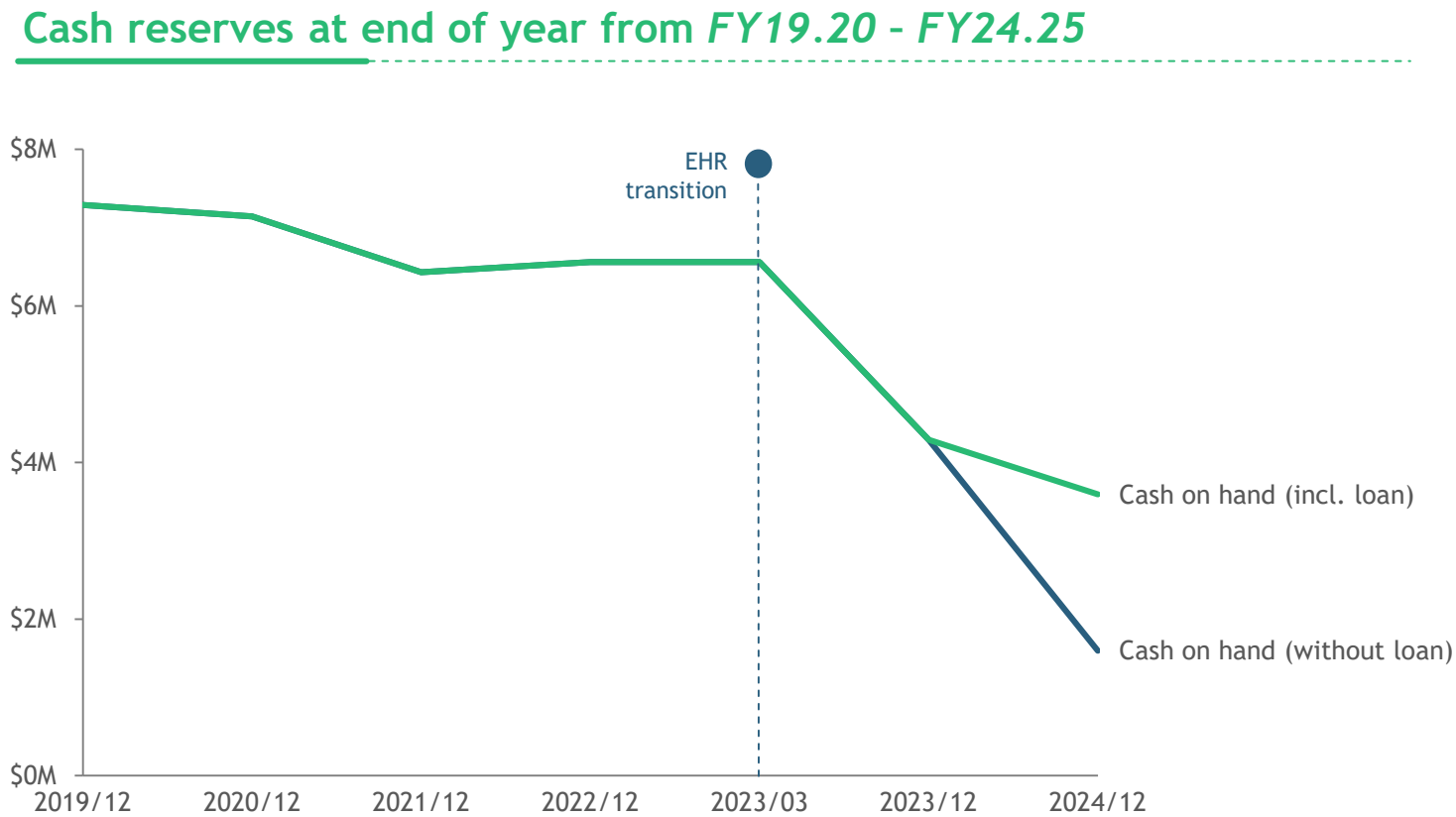
Close doors on services and reduce ability to meet community needs



Accrue debt and continue cycle of reliance on cash injections to draw down 'stuck' claims

Appendix

Backup | The EHR system transition and subsequent 9-month delay in billing required LCBHS to utilize previously stable cash reserves to uphold services

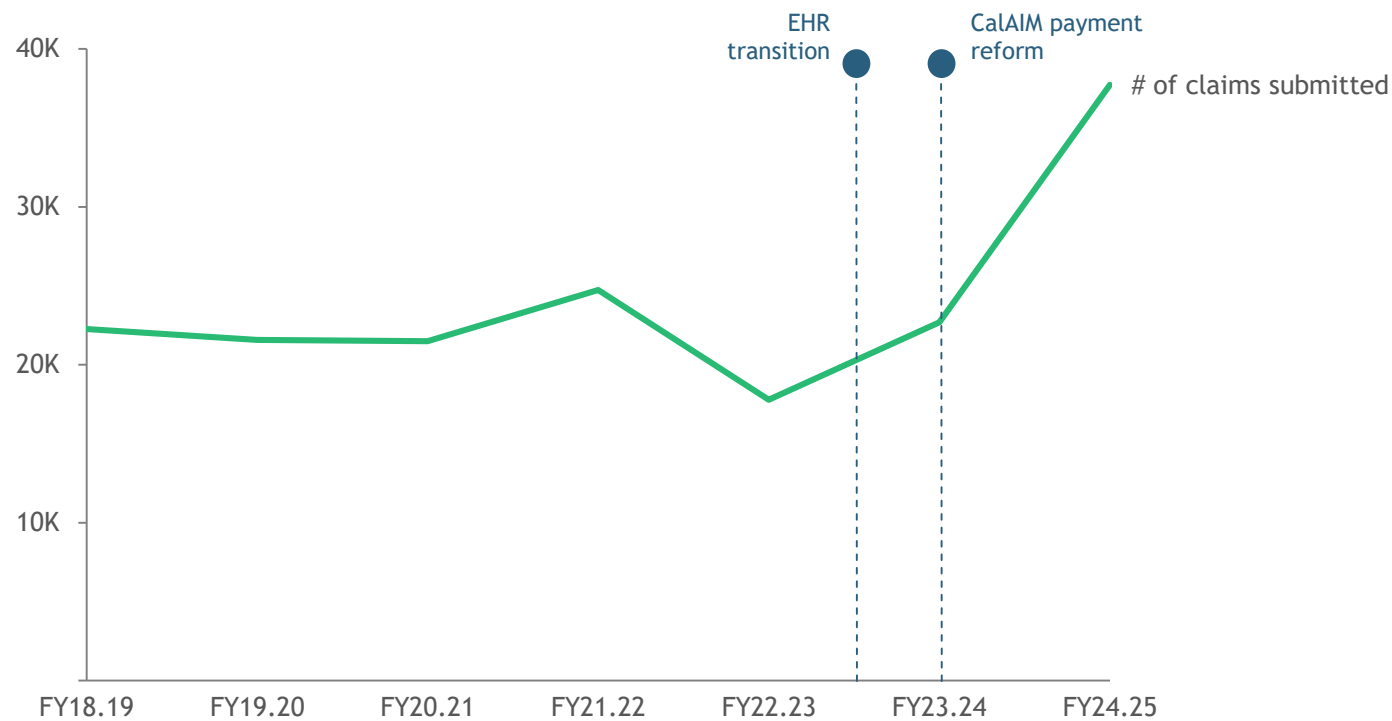


- ### Key takeaways
- Historically, LCBHS had consistent available cash reserves
 - EHR system transition and 8-months of delayed billing and reimbursements forced LCBHS to use a significant portion of cash reserves to maintain services

Note: Based on data available as of Sept 9, 2025; Cash reserves include cash, cash interest, current assets; Assumes available cash reserves at end of Dec 2022 is the same as beginning of March 2023 (three months later)
Source: Lake County annual balance sheets as of December

Backup | LCBHS has significantly grown services to meet the needs of the community

Total number of claims submitted *FY18.19 - FY24.25*



Key takeaways

- Despite external changes, LCBHS has greatly expanded services to meet the needs of the community
- In the past fiscal year, number of claims submitted from services provided have **increased 66%**

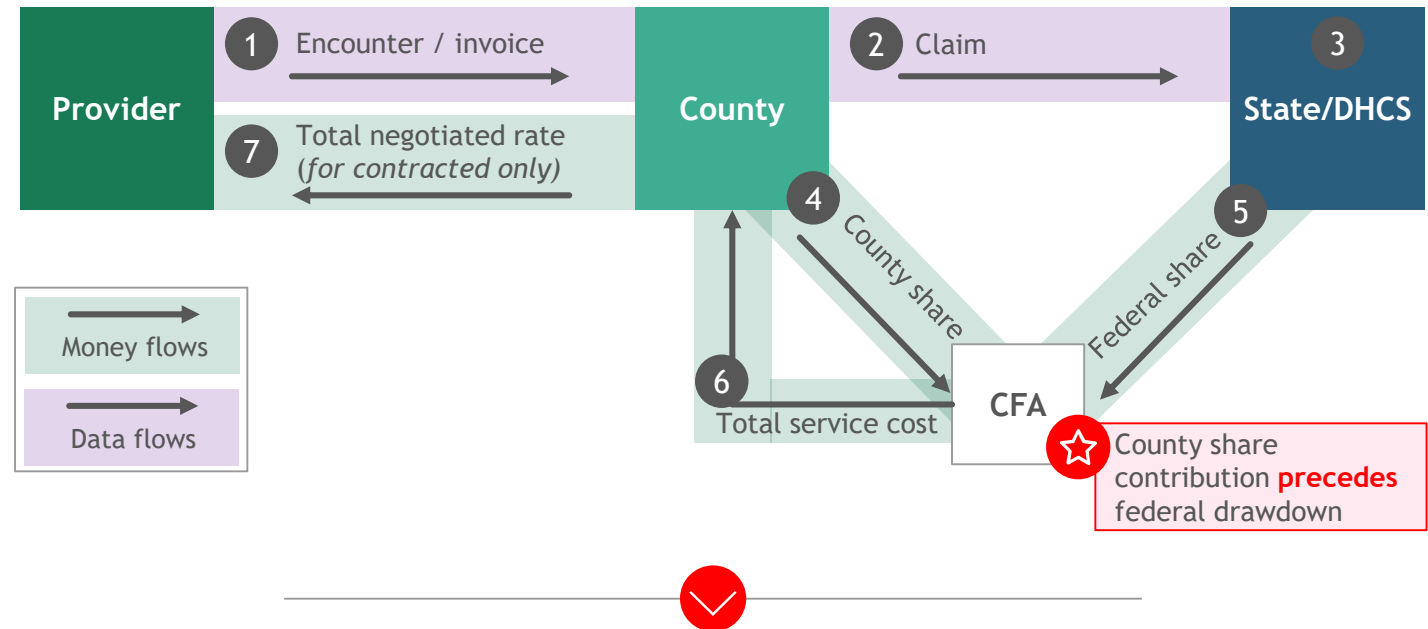
Note: Based on data available as of Sept 9, 2025
Source: LCBHS internal data; shows services claimed by fiscal year

Backup | IGT mechanism sets a 'ceiling' on number of services able to be provided based on a county's available reserves to provide the county-share

After provider delivers service...

- 1 **Provider** submits encounter data / invoice to **county**
- 2 **County** submits claims to **DHCS**
- 3 **DHCS** adjudicates claim, notifies county of total approved claims
- 4 **County** adds county share of provider payment to CFA
- 5 **DHCS** adds federal share to CFA
- 6 **County** draws down combined county share + federal match from CFA
- 7 **County** reviews provider service & pays **provider** negotiated rate

Illustrative IGT mechanism:



If the county is unable to contribute its share to the CFA due to limited cash reserves, it cannot draw down the federal match resulting in **stuck revenue** that **worsens cash flow and further depletes available reserves in a compounding cycle**

Assumes service is claimable and delivered and documented appropriately

Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client ("Third Party") without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.



bcg.com