



Lake County Hospital Improvement District

2025 Annual Report

July 1, 2024 through June 30, 2025

DRAFT

Background

Adventist Health Clear Lake and Sutter Lakeside are the only hospitals in Lake County. Both are federally-recognized critical access hospitals, a legal designation reserved for small and rural hospitals that are indispensable to the health care safety net within their communities. As with most critical access hospitals, Clear Lake and Lakeside are reimbursed significantly below the costs they incur for providing care to the community's residents. Reimbursement levels are particularly low for patients who rely on Medi-Cal, which the State underfunds by billions of dollars due to budget constraints. Of California's 58 counties, Lake County ranks fifth in percent of residents who rely on Medi-Cal for health insurance, with over 50% of Lake County residents enrolled in Medi-Cal. Clear Lake and Lakeside began collaborating in 2023 to develop a local solution to reduce their unreimbursed costs. In April 2024, the hospitals began informal discussions with local leaders regarding how a new Business Improvement District specific to hospitals would help access additional reimbursement and enable increased hospital access for Medi-Cal patients.



The Lake County Hospital Improvement District

Following an extensive public notice and hearing process, and with support from both the City of Clearlake and the City of Lakeport, the Lake County Board of Supervisors established the Lake County Hospital Improvement District (“LCHID”) on November 19, 2024, pursuant to the Business and Property Improvement District Law of 1994 (“1994 Law”) and as governed by the terms of the LCHID Management District Plan (“District Plan”). The Board of Supervisors concurrently imposed an assessment rate of 6% on the hospitals’ net patient revenue for the LCHID’s first fiscal year (July 1, 2024 – June 30, 2025). Consistent with the District Plan, the County collected its administrative fee, and through an intergovernmental transfer (“IGT”), remitted the remainder to the California Department of Health Care Services (“DHCS”). DHCS, in turn, deployed the funds received from Lake County as non-federal share to access federal matching dollars for the Medi-Cal program. DHCS then disbursed these federally matched dollars to Clear Lake and Lakeside in the form of increased rates to reduce the unreimbursed cost of providing care to Medi-Cal patients.



Governance

For most districts established under the 1994 Law, including Lake County's existing Tourism Improvement District, the implementing locality delegates the administration, collection, and expenditure of assessment proceeds to a private non-profit entity. However, to be eligible for federal match in the Medi-Cal program, the non-federal funds must be public. Though federal law explicitly contemplates that local assessments on providers are eligible for federal match, delegating collection and control of those funds to a private entity could jeopardize the funds' public character. Consequently, the LCHID features direct governance by the County of the LCHID and direct control of the LCHID assessment proceeds. Because the LCHID's assessment proceeds belong to the County like any other general fund account, the County has complete visibility into the LCHID's revenues and expenses.



Legal Limitations on LCHID Uses

The State Constitution requires that proceeds from assessments under districts such as the LCHID specifically, only, and directly benefit the businesses subject to the assessment, in this case Clear Lake and Lakeside, the two hospitals subject to the assessment. Increased Medi-Cal rates clearly satisfy this requirement. However, once the benefit of the LCHID assessment has been conferred on the hospitals (in this case, new revenue), the State Constitution explicitly permits assessments under districts such as the LCHID to indirectly benefit others. To this end, the LCHID better equips the hospitals to meet the evolving healthcare needs of our community. The strategic use of assessment funds ensures that Lake County's hospitals can continue to improve services, invest in critical infrastructure, and provide quality care that our residents deserve. A variety of specific investments, made possible in part due to the incremental resources made available by the LCHID, are detailed in the slides that follow.



LCHID-Supported Investments

For purposes of this template, this space is reserved for later use. The hospitals commit to identifying specific investments that the LCHID supported in this retrospective annual report. If there is no transfer of funds to the State by the end of the LCHID fiscal year because a Medi-Cal payment vehicle benefiting Clear Lake and Lakeside has not yet been authorized by the State and CMS, this space will include a statement to that effect and note that all funds were rolled over to the following fiscal year.



2025 Financial Statement

Beginning Balance – July 1, 2024		\$0.00
Revenues	Assessment Collections	[\$ <u> </u>]
	Interest Income	[\$ <u> </u>]
Expenses	Intergovernmental Transfer	[\$ <u> </u>]
	County Administrative Fee	[\$ <u> </u>]
	Bank Fees	[\$ <u> </u>]
Ending Balance – June 30, 2025		[\$ <u> </u>]



Assurance Regarding LCHID Assessment Costs

By submitting this report and in accordance with the District Plan, Adventist Clear Lake and Sutter Lakeside certify that none of the costs attributable to the LCHID assessment incurred by the hospitals during the 2025 fiscal year were, or will be, passed onto the patients we serve.



Conclusion

The assessed facilities in Lake County are pleased to present this annual report, demonstrating how assessment funds—levied and governed solely by the Board of Supervisors—are being utilized to enhance healthcare services. These public resources, under the careful oversight of the Board, are dedicated to improving hospital operations and ensuring the continued well-being of our community. This partnership underscores our collective commitment to strengthening Lake County's healthcare safety net.

