California Legislative Staff Briefing: Hospital 101

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Webinar

California Hospital Association

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Hospital Types and Who Regulates Them

Vanessa Gonzalez

Types of Hospitals in California

Over 450 hospitals and health systems

- **3 Types of Licensing Categories for Hospitals**
  - General Acute Care Hospitals (GAC)
  - Acute Psychiatric Hospitals
  - Special Hospitals

- **Other Types of Hospitals**
  - Inpatient Rehabilitation Hospitals
  - Long Term Acute Care Hospitals
  - Children's Hospitals
  - Rural Hospitals
    - Federal Designations—Critical Access Hospitals

Types of Hospitals in California

- **Public Hospitals and Private Hospitals**
  - **Public Hospitals:** County-operated or affiliated, UC hospitals, and VA Hospitals
  - **District Hospitals**: Also, public hospitals operated by a local jurisdiction/district
  - **Private Hospitals:** Investor owned or Not for Profit
- **Stand-Alone Hospitals and Health Systems**
  - **Stand-Alone Hospitals:** Independent, not owned or operated by a health system
  - **Health Systems:** Organization that owns and operates a network of at least one or more health care facilities, like a hospital

Hospital Regulation: A Shared Oversight System

State Oversight

Health & Human Services Agency (CalHHS)

Patient care, public health, coverage, and health system oversight

- Department of Public Health (CDPH)
- Department of Health Care Services (DHCS)
- Health Care Access & Information (HCAI)
- Department of Managed Health Care (DMHC)

Business, Consumer Services & Housing Agency (BCSH)

Licensing and oversight of health care professionals

- Medical Board of California (MBC)
- Board of Registered Nursing (BRN)
- Board of Pharmacy (BoP)

Labor & Workforce Development Agency (LWDA)

Workplace safety, labor standards, and workers' compensation

- Cal/OSHA
- Department of Industrial Relations (DIR)
- Workers' Compensation

Federal Oversight

Centers for Medicare & Medicaid Services (CMS)

Federal certification and payment oversight

- Certifies hospitals to serve Medicare and Medi-Cal patients
- CDPH conducts inspections on CMS's behalf

Top 10 Things to Know About California Hospitals

1. California ranks **second lowest** in the nation for the proportion of residents with multiple chronic conditions.
2. California has the **lowest maternal mortality rate** in the country.
3. Californians covered by Medi-Cal accounted for 19.2 million hospital visits and admissions.
4. People visited hospital emergency departments **15.5 million** times.
5. Hospitals employ close to **530,000 workers** and generate more than **$406 billion** in economic activity.
6. More than **400,000 babies** were born in California hospitals in 2024.
7. Wages for hospital workers have **grown 38%** in the past five years.
8. Hospitals provided mental health care for nearly **700,000 patient visits** in 2023.
9. California hospitals train more than **15,000 doctors** each year.
10. **1 in 4** Californians receives care at a hospital.

Hospital Funding and Finance

Mark Farouk

Hospital Funding and Finance

Medi-Cal
Does not cover cost

Medicare
Does not cover cost

Commercial Insurance
The only major payer that covers cost of care.

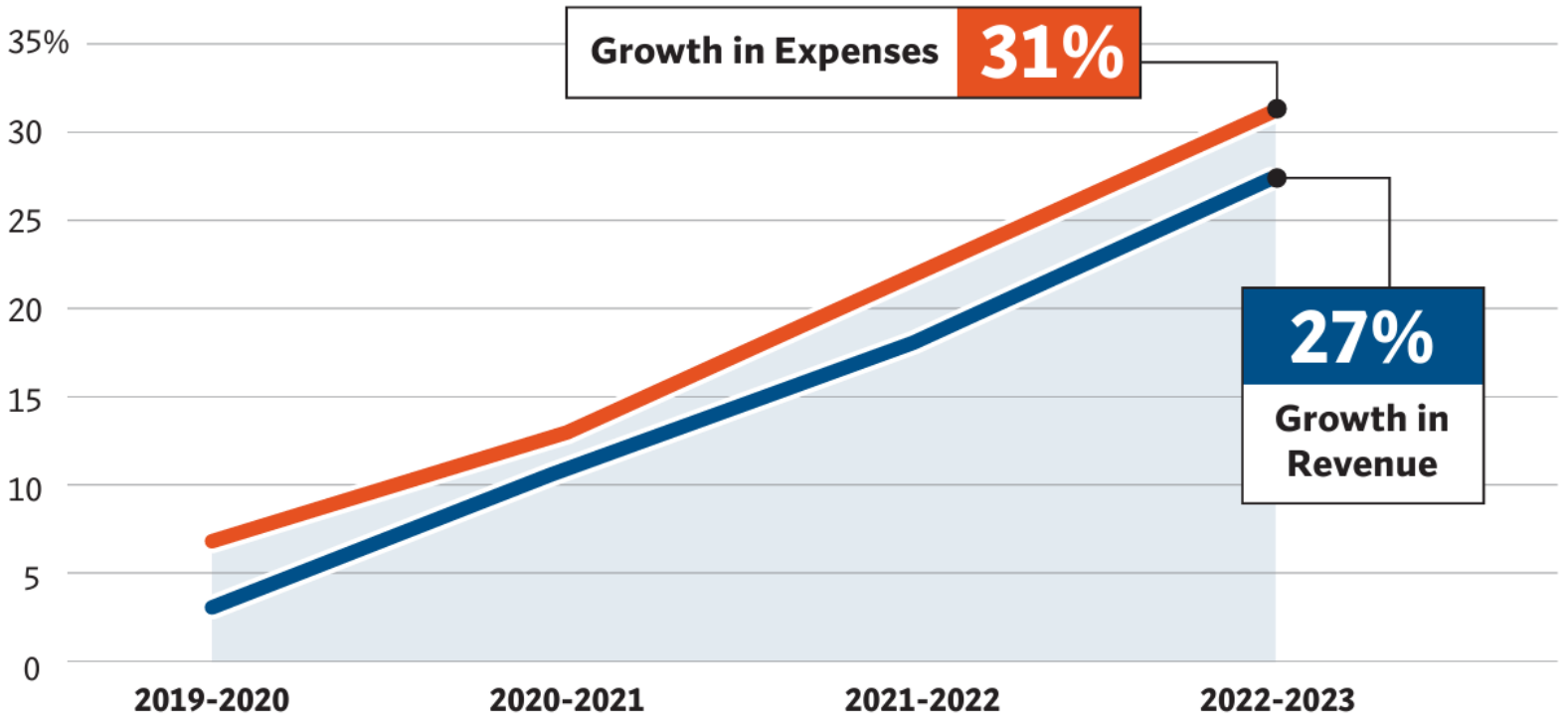
Other
Self–pay, TriCare, counties

Medi-Cal pays just 80 cents on the dollar it costs to care for patients. An unsustainable reimbursement structure to support a health care system responsible for 40 million people.

Statewide, 44% of hospitals lose money every day caring for patients, and operating expenses for California hospitals collectively exceed patient care revenues by $2.8 billion a year.

Hospital Funding and Finance

The cost of care has outpaced revenues

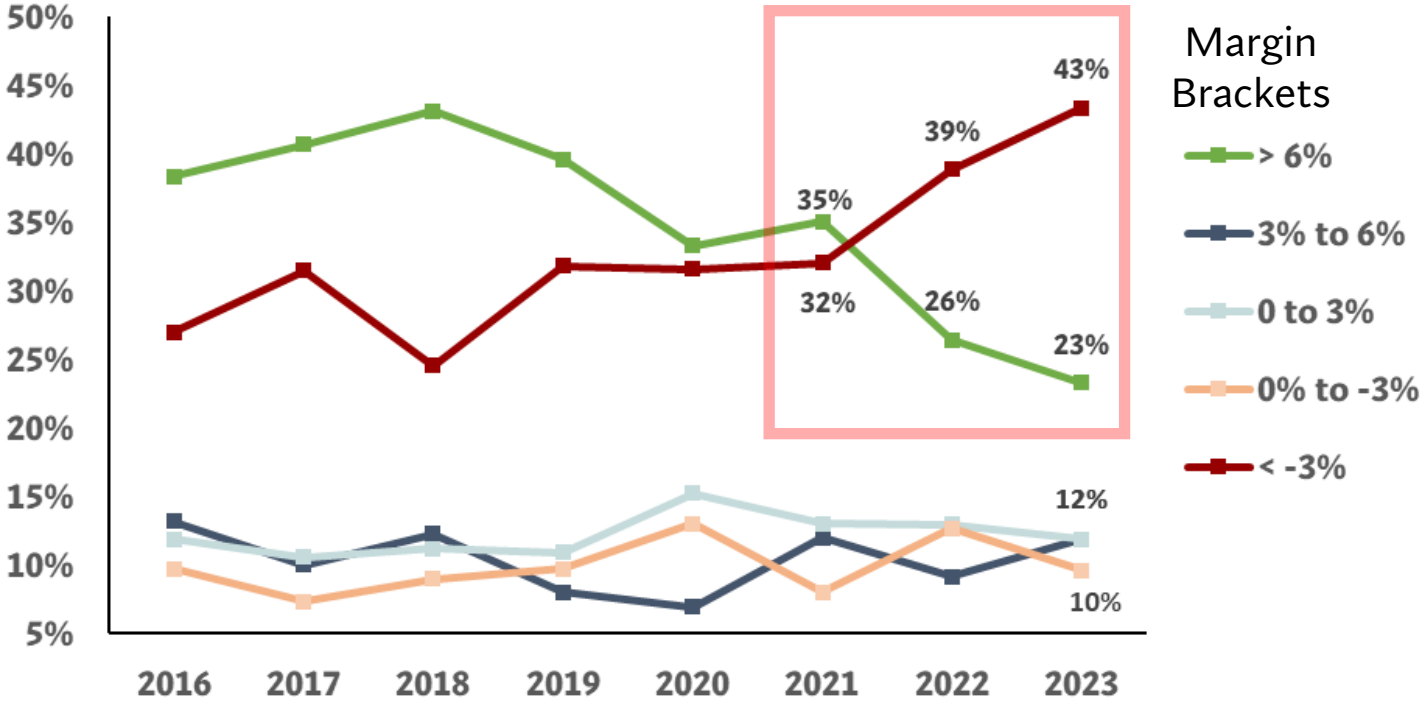


Note: Growth in expenses and revenue is operating and cumulative.

Majority of California hospitals have unsustainable operating margins

An Increasing Number of California Hospitals are in Financial Peril

Proportion of California Hospitals by Operating Margin Bracket



The average operating margin for the hospital field in 2023 was negative, -0.3%*

Hospitals with the highest percentage of revenue from government payers — Medicare and Medi-Cal — have, on average, operating margins of -8%.

Source: California Department of Health Care Access and Information's (HCAI's) *Hospital Annual Financial Data - Selected Data & Pivot Tables*
**Includes data for all "comparable" hospitals, an HCAI label that excludes Kaiser hospitals, state owned hospitals, and psychiatric health facilities*

Hospital Funding and Finance

California Hospital Association

The health care toll so far in California

California's health care system is diminishing in real time, as hospitals are forced to cut services, reduce staff, or close altogether.

9
hospitals closed since 2020, with an additional 16 requiring the state's help to remain open

3,500
health care layoffs in 2025 alone

40
maternity units closed since 2020

12
counties in California with no hospital maternity services

Impact of OBBBA

2 million
Nearly 2 million Californians could lose insurance coverage

$66–$128 billion
Payments to hospitals could be reduced by **$66–$128 billion over 10 years**

nearly $10 billion
Hospitals' uncompensated care costs could increase by **nearly $10 billion over 10 years**

Rural Hospitals

- Patients commonly travel an additional 20 to 40 miles or more for essential care. Among rural households, 5% have no vehicle and 18% are car deficit.
- Rural hospitals face high costs from traveling clinicians, which increases operating expenses and destabilizes care continuity. Workforce instability is cited as a contributor to negative margins and service line closures, including labor and delivery units
- Nearly 60% of rural hospitals reported negative operating margins.
- Utilization and patient volumes remain low and reveal significant seasonal variation. Fixed costs like staffing, equipment and compliance do not shrink with lower volume.

Labor is our Greatest Asset

Kalyn Dean

Hospital Workforce at a Glance

- There are about **500,000 hospital workers** in California.
- There are many different types of workers and professionals in California's hospitals.
- **The hospital industry supports over one million jobs**.
- Health care **workforce shortages** persist in California and nationally.

Hospitals Create Careers

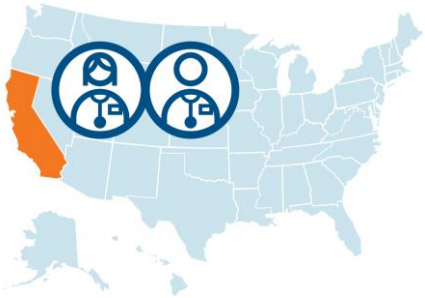
- The **average wage** for all hospital workers in California is about **$106,000*,** well above the median wage for all workers.
- Nurses in California earn more than in any other state, even when adjusted for cost of living.
- California's health care workers have the **highest statewide minimum wage** in the nation.
- California's health care workers have some of the **best and most comprehensive workplace safety standards** across sectors.

* As of the most recent data collected by HCAI – Department of Health Care Access and Information (2024)

Wages for hospital workers **grew 38%*** in the past five years.

$148,330

CA nurses are the **highest paid** in the nation

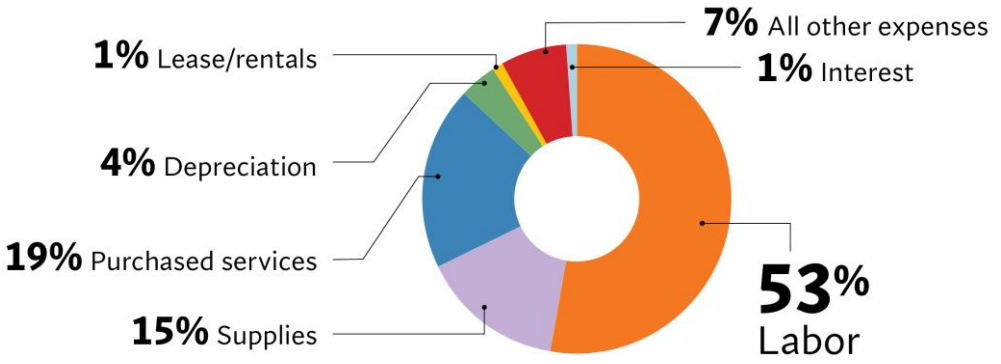


CA nurses are paid **$71 an hour,** **51% above** the national average

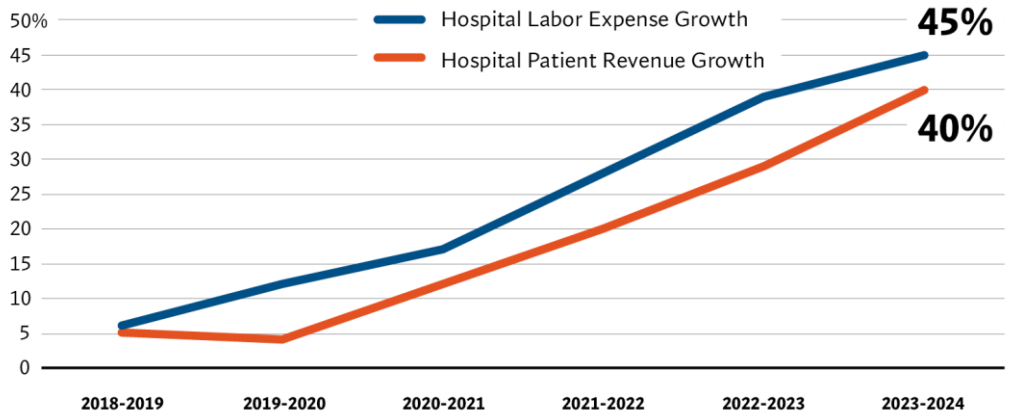
Hospital Workforce Investments

- Hospitals **invest more in their workforce** than any other category.
- Hospital spending on its **workforce has doubled** in the last 10 years.
- Health care **workforce demand** and salaries continue to grow faster than total health care spending.

Hospital expenditures



Compounded growth in hospital patient revenue vs labor expense

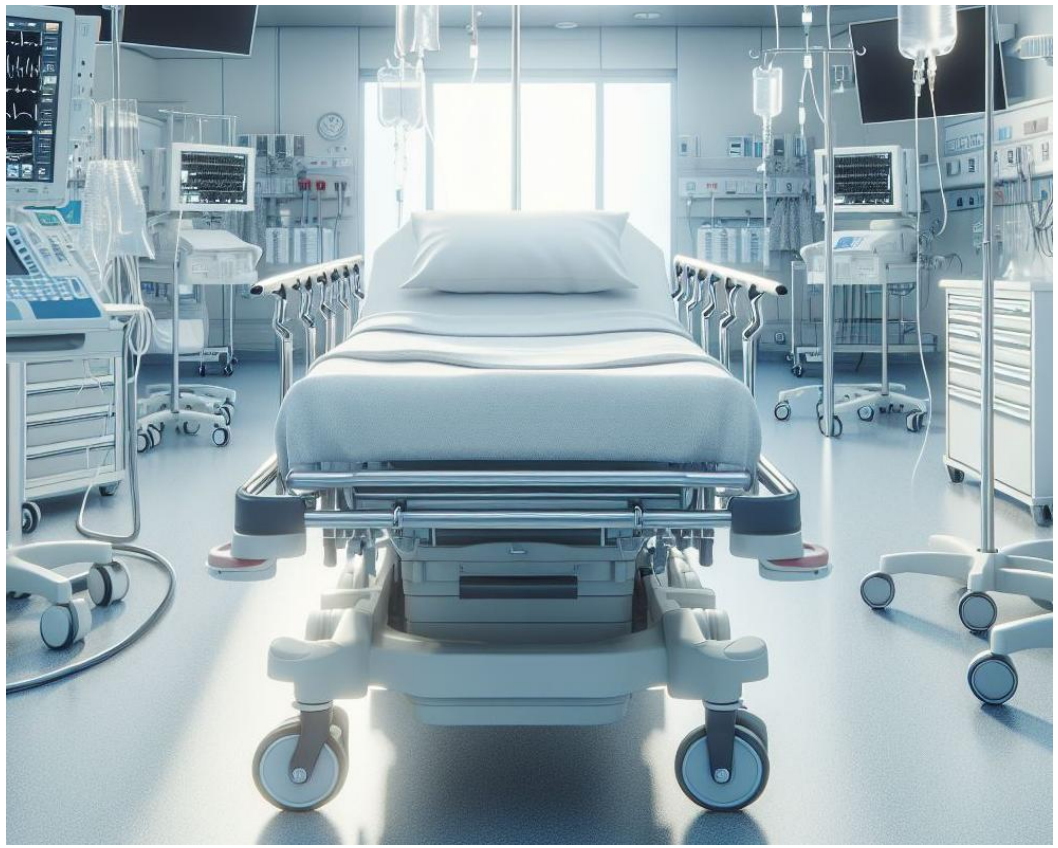


Hospitals are part of the Health Care Ecosystem

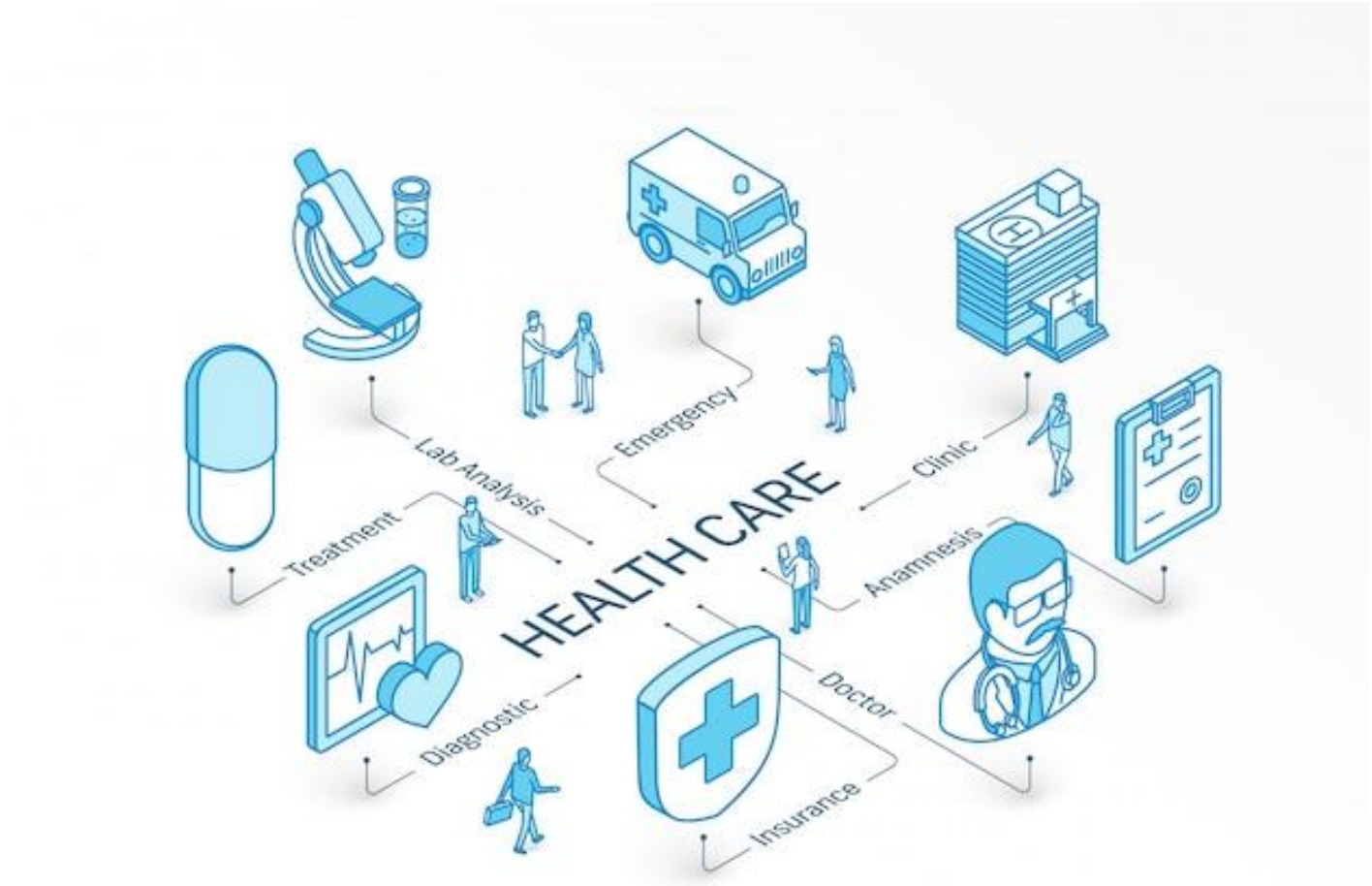
Kathryn Scott

ER Impacts: Primary Care & Behavioral Health Services

- **15.5 million** visits to the emergency room annually
- **48% of ED** patients sought care for conditions of low or moderate complexity
- **538,000** patients are seen in the ER annually with behavioral health conditions
- Opportunities with Proposition 1 Implementation
- Prop 35 Implementation supports the system of care



The Interdependency of Patient Care Services



Budget & Financial Headwinds

Adam Dorsey

Federal Changes to Provider Payments

- The One Big Beautiful Bill Act (OBBBA) will reduce Medicaid reimbursement to hospitals by $66 - $128 billion over 10 years (14-30% reduction).
- Additionally, due to coverage losses, uncompensated care costs incurred by hospitals could increase by $9.5 billion over 10 years.
- Impact on MCO tax, and Hospital Quality Assurance Fee. The OBBBA limits:
  - Health Care Related Taxes
  - Directed Payments, and
  - Reduces Medicaid enrollment

The State Fiscal Condition

Average S&P 500 annual returns over the last 7 years:

- +16.75%

Average S&P 500 annual returns historically:

- +8.12%

State General Fund budget has grown over the last 7 years by:

- +70%

General Fund Reserves in 2022-23:

- $55.8 billion

Promoting Affordability Cannot Come at the Expense of Access

Ben Johnson

Affordability Is a Challenge for Too Many Californians

- **Double-digit premium increases**
- **High deductibles and cost sharing**
- **Underlying cost pressures (e.g., workforce shortages, growing supply costs, mandates)**
- **High-cost drugs**

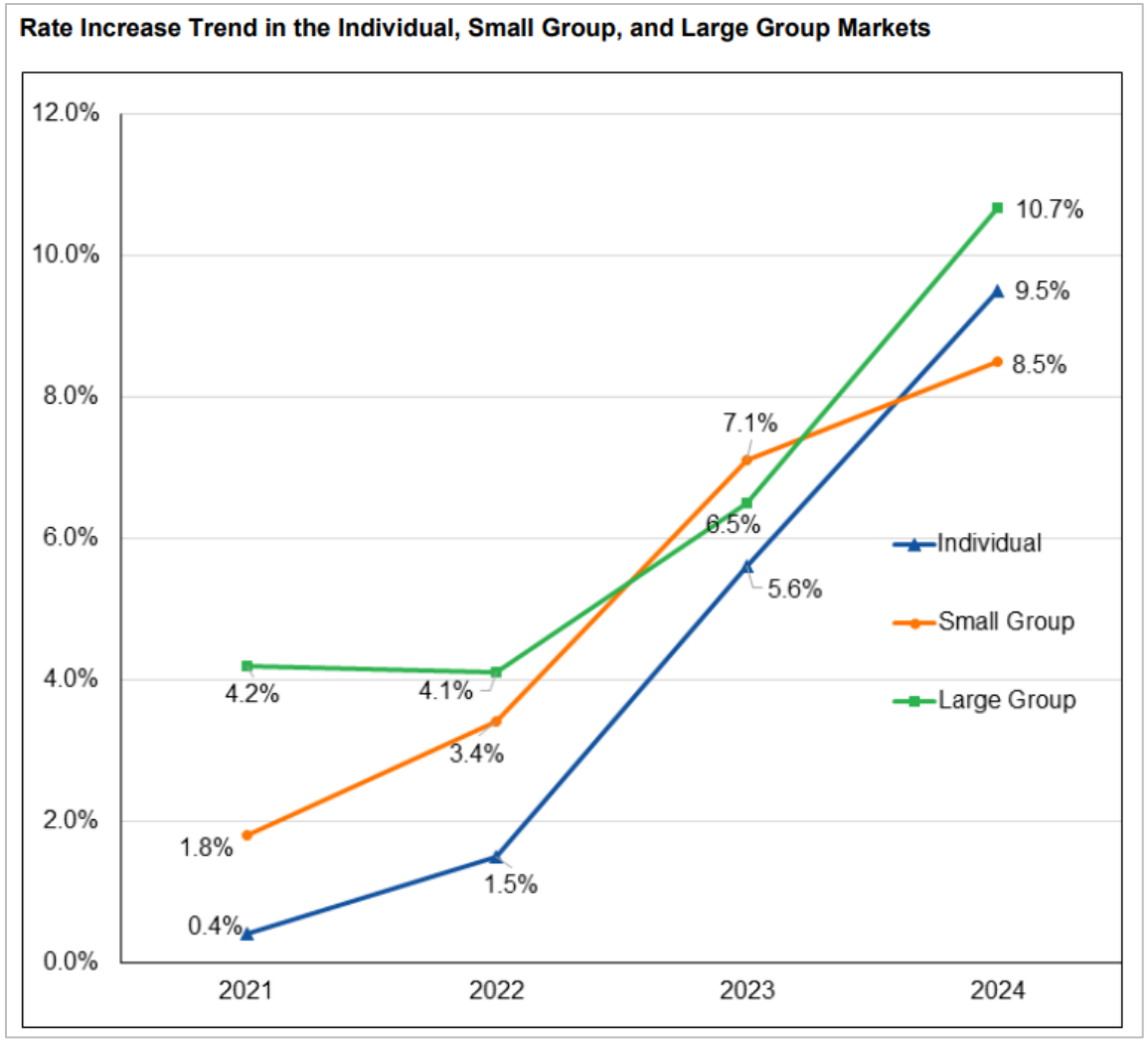


Chart Source: Department of Managed Health Care Aggregate Premium Rate Report for 2025

Access Is Out of Reach for Too Many Californians

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Long appointment wait times

- More than a month to see a doctor in major California cities

Inadequate networks

- Trouble finding providers, especially in mental health

Excessive travel times

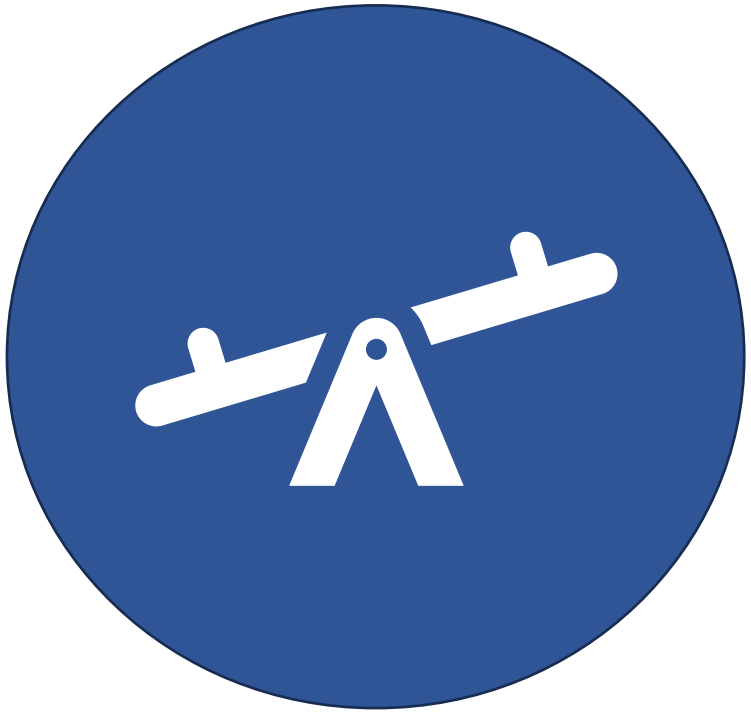
- Residents regularly must travel more than 30 miles for in-network hospital care

Hospital closures and service reductions

- 2 hospitals closed just last year, plus service line reductions and layoffs

Office of Health Care Affordability

OHCA created in the state budget via Senate Bill 184 (2022)



- Reduce the growth of health care spending
- Promote access, quality, value, and workforce stability
- Monitor and review market transactions

Statewide Spending Target

California Hospital Association

In April 2024, the OHCA Board approved the first statewide spending target

- Based on average annual median household income growth from 2003-2022
- Includes a glide path that ramps the target down over time

Performance Year	Per Capita Spending Growth Target
2025	3.5%
2026	3.5%
2027	3.2%
2028	3.2%
2029	3.0%

Note: Some hospitals are subject to significantly reduced targets

OHCA Caps Will Impair Access

California Hospital Association

Shortcomings

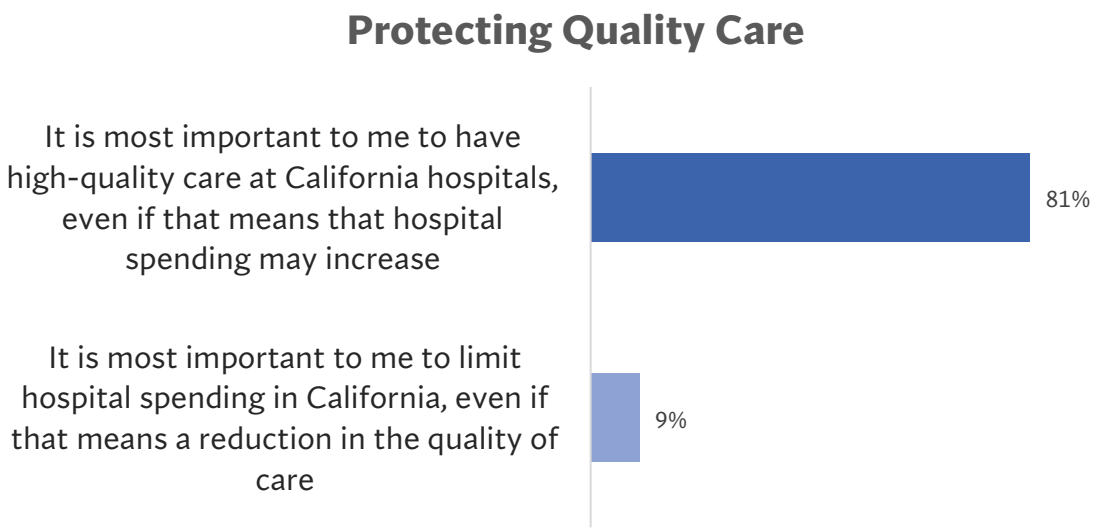
- Little attention to protecting access, quality, equity, and workforce stability
- Targets do not account for cost drivers or current economic and financial conditions
- Enforcement could be arbitrary and punitive
- No oversight of premium growth
- Health care experts do not have a seat at the table

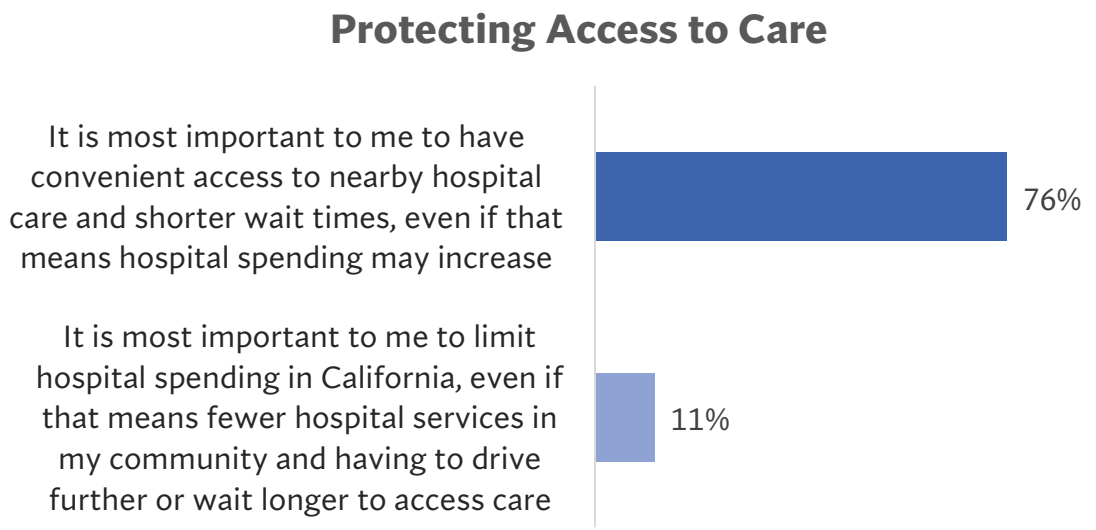
Consequences

- Hospital job and resources losses
  - 39,000 lost health care jobs by 2029
  - $40 billion in lost resources for patient care
  - $67 billion in lost economic activity
- Losses in usual source of care
- No assurance that Californian families will benefit

Protecting Access Is a Top Priority for Californians

Californians choose protecting access to high-quality care when asked which statements come closer to their opinions:





Source: Fairbank, Maslin, Maullin, Metz & Associates (FM3) interviewed 837 California voters in the summer 2025 to understand their views on health care affordability and access.

What's Needed: Protect Access to High-Quality Care

California Hospital Association

Incorporate cost drivers into targets

Create a fair and collaborative enforcement process

Ensure patients and families benefit from affordability efforts

Obtain meaningful input from health care experts

Be mindful of new legislative mandates that raise costs

Questions?

Kathryn Scott