



June 8, 2026

Senator John Laird
Chair, Senate Budget Committee
1021 O St., Room 8720
Sacramento, CA 95814

Assemblymember Jesse Gabriel
Chair, Assembly Budget Committee
1021 O St., Room 8230
Sacramento, CA 95814

Senator Caroline Menjivar
Chair, Senate Budget Subcommittee No. 3 on
Health and Human Services
1021 O St., Room 6630
Sacramento, CA 95814

Assemblymember Dawn Addis
Chair, Assembly Budget Subcommittee No. 1 on
Health
1021 O St., Suite 4120
Sacramento, CA 95814

RE: Request for \$300 Million to support distressed hospitals and clarification of loan forgiveness for existing loan recipients.

Dear Chairs:

On behalf of the California Hospital Association (CHA) and the patients and communities our members serve, CHA commends the Senate for proposing \$200 million in distressed hospital support and appreciates that the Assembly has signaled its intent to invest in this area. However, we respectfully urge both chambers to go further. The scale of the crisis, and the number of hospitals currently at or near the point of financial collapse warrants a \$300 million commitment in the final budget agreement. The Governor's proposal of \$50 million, while appreciated as a recognition of the problem, falls well short of what is needed to make a meaningful

difference across the range of distressed facilities across the state. We urge the conference process to use the Senate's \$200 million as a floor, not a ceiling, and to close the gap to \$300 million.

The fiscal pressure pushing many hospitals to the brink of closure is a result of conditions that existed prior to recent federal action which will further erode access to health care. The One Big Beautiful Bill Act (OBBBA) (Public Law No. 119-21) undermines the enormous progress the state has made over the past 10 years, slashing health care coverage alongside hospital reimbursement. Without immediate state intervention, California risks a cascade of hospital closures that would create care deserts and compromise patient safety.

The scale of this vulnerability is documented in stark terms by Public Citizen's recent report, "The Big Ugly Threat to Safety Net Hospitals." The analysis identifies 83 California hospitals as being at heightened risk of closing, cutting services, or laying off staff. California has the highest number of at-risk hospitals of any state in the country. These are hospitals that already operate with negative margins meaning they have virtually no financial cushion to absorb further shocks. What makes this finding particularly alarming is that it reflects conditions before the full financial impacts of OBBBA have been accounted for. The Medicaid cuts enacted under that law will compound existing pressures significantly in the years ahead, meaning hospitals identified as distressed today will not improve without urgent state action.

As the legislature considers a budget solution to stabilize hospitals we respectfully request consideration of the following points:

Program Design: Flexibility, Equity, and Structural Clarity

CHA does not take a position on whether assistance is structured as loans, grants, or a combination of both — we recognize that different hospitals have different financial profiles and that program flexibility will maximize impact. What matters most is that the program is adequately funded, swiftly deployed, and designed with the following structural elements:

Loan Forgiveness for Existing Recipients. Hospitals that received loans under prior distressed hospital programs and have demonstrated continued financial hardship should have a clear pathway to loan forgiveness. Requiring repayment from facilities that remain distressed defeats the purpose of the program and can worsen an already precarious financial position. The budget action should include explicit language authorizing forgiveness for qualifying existing recipients.

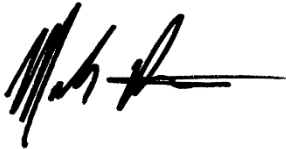
Loan Continuity Upon Health System Partnership. If a distressed hospital that received a loan subsequently enters into a partnership, affiliation, or acquisition agreement with a health system, the terms and obligations of the original loan should remain unchanged. Uncertainty about loan status upon partnership discourages exactly the kind of system-level solutions, shared resources, clinical integration, back-office consolidation — that can stabilize a distressed facility for the long term. The budget action should clarify unambiguously that loan terms survive and are not accelerated or altered by a partnership transaction.

The state's investment in keeping these hospitals operational is not a subsidy; it is infrastructure spending for communities whose survival depends on access to care.

This critical funding would provide additional rounds of assistance to hospitals facing significant financial distress and prevent further closures that would severely impair access to health care across California. Additionally, the deadlines to repay loans received under the first funding round have arrived, and the repayments themselves — combined with looming federal cuts — will cause participating hospitals to return to financial distress.

Hospitals appreciate your consideration of this request and your continued commitment to ensuring stable access to health care for all Californians.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Farouk', with a long horizontal flourish extending to the right.

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Members of Senate Budget Committee
The Honorable Members of Assembly Budget Committee
The Honorable Members of Senate Budget Subcommittee No. 3
The Honorable Members of Assembly Budget Subcommittee No. 1