

Key Messages

Headwinds for Hospitals Mean More Uncertainty, Access Challenges for Patients

California hospitals face persistent and growing challenges to provide care for all.

- More than 50% of California hospitals lose money every day to care for patients.
- An estimated 1 in 5 California hospitals is at risk of closure.
- Hospitals face significant cost pressures:
 - A new \$25-per-hour minimum wage for health care workers will cost billions more every year.
 - A 2030 deadline to ensure every hospital building is fully operational following an earthquake will cost more than \$100 billion (hospitals that fail to meet the deadline will be forced to close).

Government underfunding (Medicare and Medi-Cal) has the greatest impact on hospitals' ability to deliver care.

- Unlike other organizations, hospitals can't simply increase prices to keep up with inflation, as Medicare and Medi-Cal rates are set by the government. Combined, Medicare and Medi-Cal pay just 75 cents for every dollar it costs to care for patients.
- Vital resources from a renewed tax on managed care organizations will help protect access to care, but represent only the first step to address systemic, multi-year shortfalls in government funding.
- Statewide, 70% of hospital volume comes from Medi-Cal and Medicare.
- An aging population will soon turn to Medicare in greater numbers. At the same time, fewer workers insured through their employers will be able to offset government shortfalls.
- As with all areas of the economy, health care costs are rising:
 - Labor costs are up 8% over the past year (and will rise significantly due to recent legislation)
 - Medical supply costs are up 22% over pre-pandemic levels
 - Pharmaceutical costs are up \$700 million over pre-pandemic levels

If these challenges are not addressed, Californians will see a further deterioration of their health care.

- Already, hospitals in California are being forced to reduce services just to keep their doors open. In California, at least 46 hospitals have closed labor and delivery services since 2012, with 27 of those coming in the past three years.
- This is a national trend, with labor and delivery, behavioral health services, and specialty care like oncology often the first to go. Nationwide, more than 400 maternity services closed between 2006 and 2020 and nearly 6 million women in the U.S. now live in maternity deserts.
- Without a solution, care will become more expensive, less accessible (both in terms of timeliness and proximity of providers), and health care inequities will deepen.