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HOSPITAL



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HEALTHCARE HOSPITAL



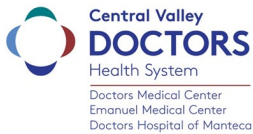
BHC
Alhambra Hospital



CANYON RIDGE HOSPITAL
YOUR CENTER FOR MENTAL HEALTH



United Hospital Association



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HEALTH

October 20, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

SUBJECT: Proposition 35 Behavioral Health Facility Throughput Funds

Dear Governor Newsom,

On behalf of the undersigned organizations, we are writing to express our serious concern regarding the direction of the California Department of Health Care Services (DHCS) to reallocate funding designated for Behavioral Health Facilities Throughput under Proposition 35 of 2024 rather than using those resources to

address the critical shortage of behavioral health capacity across California. **With \$600 million available, DHCS should allocate at least \$275 million to Medi-Cal inpatient psychiatric services.**

Our organizations provide behavioral health, psychiatric, emergency, and other essential health care services to Californians experiencing a behavioral health crisis, including Medi-Cal beneficiaries. We see firsthand the consequences of California's longstanding shortage of inpatient psychiatric capacity and the urgent need to strengthen and expand the infrastructure necessary to provide timely, appropriate care.

California continues to face a severe shortage of inpatient psychiatric capacity. The state needs approximately 1,800 additional psychiatric beds to care for children and adolescents in crisis and approximately 2,000 additional beds for adults in crisis. Hospitals and psychiatric facilities throughout the state are struggling to maintain existing capacity in the face of chronic underfunding, workforce shortages, and reimbursement rates that frequently fail to cover the cost of providing care. These challenges contribute directly to emergency department boarding, delayed treatment, prolonged hospital stays, and diminished access to behavioral health services for Medi-Cal beneficiaries.

Against this backdrop, Proposition 35 presents an important and timely opportunity to address one of the most significant bottlenecks in California's behavioral health system. The Behavioral Health Facility Throughputs component of the Managed Care Organization (MCO) Tax was intended to support the capacity and infrastructure needed to improve the flow of patients through the health care system and ensure access to necessary behavioral health services.

We are therefore deeply concerned by the proposals DHCS reviewed during its September 18 Protect Access to Health Care Act Stakeholder Advisory Committee meeting which indicate the Department is considering allocating Behavioral Health Facility Throughputs resources toward a variety of projects that would not address the capacity constraints that continue to leave Californians waiting in emergency departments and unable to access appropriate levels of behavioral health care. Despite more than a year of advocacy requests from the hospital field, DHCS continues to ignore investments in inpatient psychiatric capacity and reimbursement.

Enhanced reimbursement for Medi-Cal inpatient psychiatric services is a direct and necessary investment in behavioral health throughput. Adequate payment rates would help hospitals sustain existing psychiatric beds, encourage greater provider participation, support workforce recruitment and retention, and create the financial stability necessary to expand capacity. These investments would also help reduce avoidable delays in treatment and alleviate pressure on emergency departments and other parts of the health care system.

The need is particularly urgent given the additional costs facing California's psychiatric hospitals. Recent emergency regulations require California's free-standing acute psychiatric hospitals to hire more than 1,500 additional licensed nurses, at an estimated cost exceeding \$275 million. Since the regulations went into effect, psychiatric beds in four counties had to be taken offline. Those counties — Kern, Contra Costa, Madera, and San Diego — lost an average of 15% of their acute psychiatric beds.

We respectfully urge you to direct DHCS to preserve and appropriately deploy the Behavioral Health Facility Throughputs resources established through Proposition 35 and to dedicate a meaningful portion of those funds to enhanced reimbursement for Medi-Cal inpatient psychiatric services and psychiatric bed capacity. This is not simply a request for financial assistance to individual hospitals – the consequences of inadequate access to psychiatric inpatient services extend to counties, emergency departments, law enforcement, families, and most importantly, patients. **When an inpatient psychiatric bed closes, the need for life-saving acute mental health care does not disappear. Instead, patients and families remain in emergency departments even longer awaiting placement, are more likely to be**

transported hours away from their home communities, or remain in other settings that are not designed to provide the level of psychiatric care they require.

California cannot meaningfully improve behavioral health access without addressing the capacity of the system to provide care. Investing in inpatient psychiatric reimbursement is an essential component of that effort and is directly aligned with the urgent need to increase access, strengthen the behavioral health workforce and infrastructure, and reduce delays in treatment for Californians in crisis.

We appreciate your leadership on behavioral health and respectfully request your attention to this critical implementation issue. We would welcome the opportunity to meet with your administration to discuss the immediate needs facing inpatient psychiatric providers and the importance of ensuring that Proposition 35 resources are used to strengthen behavioral health capacity throughout California.

Thank you for your consideration.

Sincerely,

Steve Vanderpoel
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San Jose Behavioral Health

Stefanie Magalong, LPCC
Chief Executive Officer
Pacific Grove Hospital

Steven Hytry, PsyD
Market Chief Executive Officer
Coachella Valley Behavioral Health

Trevor Asmus
Chief Executive Officer
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John Beall
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Jamie Yoo
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Aurora San Diego Hospital

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Sierra Vista Hospital

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Cc: Richard Figueroa, Deputy Cabinet Secretary, Office of Governor Gavin Newsom
Stephanie Welch, Deputy Secretary, Behavioral Health, California Health & Human Services Agency
Michelle Baass, Director, DHCS
Tyler Sadwith, Medicaid Director, DHCS