



**CALIFORNIA
HOSPITAL
ASSOCIATION**

*Providing Leadership in
Health Policy and Advocacy*

May 6, 2020

Governor Gavin Newsom
State of California
State Capitol, CA 95814

RE: Request for State Allocations to Support Hospitals

Dear Governor Newsom,

On behalf of California's more than 400 hospitals, and the people and communities we care for, we are asking for your urgent support.

These are unprecedented times and we are facing unprecedented challenges, so we need unprecedented solutions and actions. California's hospitals have partnered with you to ensure that our state's response to the COVID-19 pandemic is strong. Your leadership has been extraordinary and we know that together, our efforts saved lives.

But the impact of coronavirus on California's hospitals has been and continues to be devastating. California hospitals' short-term losses already exceed \$10 billion and may rise to \$15 billion or more.

You asked hospitals to quickly prepare to surge 40 and then 50 percent – to free up space for 30,000 to 40,000 more beds. And we did. We emptied California hospitals to make way for COVID-19 positive patients and the intensive care they need. The impact: a 50 percent decline in emergency care; revenue losses averaging 20 to 30 percent; significant costs incurred to do special COVID-19-ready construction, purchase personal protective equipment to keep workers safe, stand up alternate sites of care, and more.

And these short-term losses damage hospitals' long-term financial strength: their liquidity, ability to borrow, ability to take on capital projects, etc. We need to stop hospitals' financial bleeding right now.

These immediate losses are having immediate effects. Just like other businesses downsizing and closing, in order to remain solvent hospitals are now having to resort to worker furloughs and layoffs, as 60 percent of hospitals' costs are for labor and another 15 percent of costs are for the supplies needed to provide care.

There are no good choices.

Yet nurses, environmental services workers, respiratory therapists and others are critical to what we need now to shore up the health care delivery system.

More importantly, Californians' confidence in living their daily lives cannot be restored unless hospitals are funded, stable, and operational. **The six indicators laid out to reopen our economy specifically rely on the surge capacity of hospitals.** Schools cannot welcome back students; businesses cannot reopen; governments cannot serve unless hospitals can respond to future anticipated hot spots, micro-surges and provide care.

California hospitals must be available and staffed. Additionally, keeping hospitals strong is one of the best ways to keep California working – hospitals employ 500,000 people, support 1.2 million jobs and are responsible for \$268 billion in total economic activity in California. Hospitals offer solid, middle-class jobs with benefits. That's what we need as a state to recover economically.

Yet, even as we begin to add essential, scheduled procedures, revenues will remain depressed. Our hospitals must balance the fixed costs associated with protective equipment, medical devices, staff, and more, with the need to be prepared for a potential surge. **This will mean ongoing financial losses for the foreseeable future.**

To address these losses and stabilize hospitals, we need your immediate help in two ways:

1. Work with the legislature to immediately redirect \$1 billion in general funds from the budget for the current state fiscal year that ends June 30. This could be sourced from unspent current year funds for Medi-Cal services, resulting from the higher federal Medi-Cal matching rate (according to the Legislative Analyst's Office¹, the enhanced federal funding amounts to approximately \$8 billion, of which we estimate \$1 billion-\$2 billion will be available to the state between April and June 2020 alone) and immediate Medi-Cal fee-for-service savings due to lower use of services during the pandemic.
2. Include in your 2020-21 budget \$3.1 billion in state general funds to support hospitals with the submission of a second Section 1115 Emergency Disaster Waiver request. This waiver request must be approved by the Centers for Medicare & Medicaid Services and, if approved, would not result in funding for several months. This is a wise investment of general fund resources as every state dollar spent would be equally matched with federal funds.

State leaders have asked whether the existing federal relief funding will cover hospitals' losses. It will not.

To date, about \$3 billion in federal funds have been allocated to California hospitals. **This accounts for about 4 percent of the total federal funds made available to health care providers, yet California's health care system cares for 12 percent of our nation's population.** It is unclear how much more will be allocated to hospitals, but the federal government is expanding, not contracting, the pool of potential recipients, making hospitals' share smaller and smaller. Even if federal funding for hospitals tripled tomorrow, California hospitals would still be facing heavy losses.

¹ https://lao.ca.gov/Publications/Report/4226?utm_source=laowww&utm_medium=email&utm_campaign=4226

We must repair California's hospitals. Hospitals are key to reopening the economy and to keeping people working and meeting the indicators you have laid out depends on our continued ability to serve.

We need the state's partnership and your personal commitment to support these requests in order to protect California's hospitals now, because hospitals are protecting California.

Sincerely,



Carmela Coyle
President & CEO
California Hospital Association

cc: The Honorable Toni Atkins, President Pro Tempore
The Honorable Anthony Rendon, Speaker
The Honorable Holly Mitchell, Chair, Senate Budget and Fiscal Review Committee
The Honorable Phil Ting, Chair, Assembly Budget Committee
The Honorable Shannon Grove, Senate Minority Leader
The Honorable Marie Waldron, Assembly Minority Leader
The Honorable Members, Senate Budget Subcommittee No. 3
The Honorable Members, Assembly Budget Subcommittee No. 1