California Hospital Association

April 18, 2022

The Honorable Susan Talamantes Eggman
Chair, Senate Budget and Fiscal Review Committee, Subcommittee No. 3 on Health and Human Services
1021 O St., Suite 8530
Sacramento, CA 95814

The Honorable Joaquin Arambula, MD
Chair, Assembly Budget Committee, Subcommittee No. 1 on Health and Human Services
1021 O St., Room 6240
Sacramento, CA 95814

SUBJECT: Governor's Budget Proposal on Community Benefits — OPPOSE

Dear Senator Eggman and Assembly Member Arambula:

California's nonprofit hospitals are committed to improving the health and well-being of the communities they serve and play a key role in addressing their needs through community benefits programs. However, the governor's budget proposal to require nonprofit hospitals to direct 25% of their community benefits dollars to community-based organizations that address the social determinants of health will jeopardize existing community benefits programs, and will likely not have the intended effect of improving social programming. Because of that, the California Hospital Association (CHA) — representing more than 400 hospitals and health systems — has grave concerns and opposes the proposal.

Setting a specific percentage for any type of activity not only predetermines how hospitals can spend community benefits dollars but undermines the community health needs assessment (CHNA) process, which is required by both federal and state law. The CHNA requires hospitals to engage community members to identify and prioritize community needs. Establishing a benchmark for a specific set of activities contradicts the findings of the identified needs. Moreover, it **will result in the likely elimination of funding for other prioritized community needs such as access to primary and specialty care, behavioral health services, health screenings for vulnerable communities, and provider education and training programs for the region's safety net providers.**

Hospitals already work with community-based organizations that play a key role in addressing the social determinants of health and many hospitals already invest in these efforts locally. From investments in fighting food insecurity, youth employment programs, and housing support services — just to name a few — hospitals address these community-identified needs with the goal of increasing local capacity to promote healthy environments in which people are born, grow, live, and work. However, these and other projects are tailored to the needs of the communities our hospitals serve and this proposal threatens to

undo much of that good work, particularly our hospitals' efforts to enhance and expand health care services in our communities.

Further, this proposal undercuts hospitals' capacity to respond to ongoing and emergent needs. The shifts that hospitals made to care for patients and communities throughout the COVID-19 pandemic are proof-positive. The pandemic and all the unexpected changes it brought with it required hospitals to alter their community benefits programs. Setting a specific benchmark fails to account for the nimbleness required by hospitals and places undue strain on resources that are already stretched thin.

Lastly, per federal law, hospitals currently report their community benefits in the following categories:

- **Financial Assistance and Means-Tested Charity Government Programs:** Includes financial assistance at cost, Medicaid shortfall, costs for other means-tested programs, and charity care
- **Other Benefits:** Includes community health improvements, health professions education, subsidized health services, community building activities, research, and cash or in-kind contributions to community groups

Any calculations using the majority of items from the categories above would result in the need for hospitals to either increase overall spending or shift spending away from community-identified health care-related priorities. The need to increase overall funding for community benefits runs counter to the governor's proposal on health care affordability. Further, any predetermined requirement could result in reduced investments in health care for vulnerable communities in California.

CHA hopes to have continued discussions with the administration. However, as currently drafted, CHA opposes this proposal. Please contact me at (916) 812-7406 if you have any questions.

Sincerely,

Kathryn Austin Scott
Senior Vice President, State Relations and Advocacy

cc: Members, Senate Budget Subcommittee No. 3
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