

## As CA Hospitals Reel from Devastating Impacts of COVID-19 Pandemic, More Time is Needed to Meet Seismic Deadline

### The Issue

California hospitals are among the safest buildings in the communities they serve. After more than two decades of work and billions of dollars of investments, hospitals will be able to withstand a major earthquake by 2025. These investments provide the critical safety measures needed to protect patients and health care workers alike.

More than two years into the COVID-19 pandemic, California hospitals are continuing to face massive financial losses. Hospitals have lost more than \$20 billion since 2020. Even after accounting for federal relief through the CARES Act, California hospitals are still coping with a \$12 billion hit.

COVID-19 not only devastated the hospital field financially, but the multi-year pandemic also has disrupted the timelines of hospitals' strategic initiatives and created long-term uncertainty to hospital cost and revenue forecasts. These challenges are forcing hospital leaders to reassess their long-term planning — especially when it comes to those projects that will add significant financial risk without bringing in additional revenue and, in many instances, will further disrupt the delivery of patient care.

With a more than \$100 billion statewide seismic building standard mandate deadline just a few years away, hospitals face three options: 1) close entirely; 2) cut back health services in favor of building upgrades; or 3) seek relief from the state to extend an arbitrary deadline.

Inflationary factors also are driving up the costs for compliance with the 2030 requirements to unimagined levels. In 2019, a [RAND study](#) estimated seismic construction costs would rise 4% annually from 2019-24. In reality, however, construction costs increased 10% in 2021 and are up 15% so far in 2022 — a more than three-fold increase from what was expected.

**Existing state law requires all hospitals to be able to be *fully operational* after an earthquake by Jan. 1, 2030. Hospitals unable to meet this rigid deadline will be required to close their doors to patient care.**

### What's Needed

**The Legislature and Gov. Newsom must support a seven-year extension for hospitals to meet the *fully operational* 2030 requirement.** This time extension will enable hospitals to recover from the financial



#### By the Numbers:

**\$12 billion**  
Net losses of CA  
hospitals due to  
COVID-19

**51%**  
CA hospitals  
operating in the red

**7.5**  
Years left to comply  
with the deadline  
to have every CA  
hospital be *fully*  
*operational* after an  
earthquake

**\$100 billion**  
Cost to comply  
with the 2030  
*fully operational*  
standard

devastation of the pandemic without sacrificing patient care, especially in California's most-challenged communities.

As part of this proposal, hospitals will remain committed to transparency and accountability about seismic compliance plans. Hospitals with structural performance category 2 buildings — those facilities that are seeking an extension of time — will be required to submit a master plan for compliance to the state and provide an annual update if those plans change. The plans will provide detailed information on every hospital building, including:

- Plans to retrofit, replace, or remove from service
- Projected construction start/end dates
- Estimated cost
- Number of patient beds and services to be provided

Using data from the hospital master plans, the Department of Health Care Access and Information (HCAI) will provide a detailed report, including services at risk of closure and cost to retrofit or rebuild, to the Legislature.

HCAI also will submit to the Legislature a Hospital Construction Financing Overview by Oct. 1, 2023. This report will include an inventory of current financing programs available for hospital construction and potential options such as state infrastructure bonds, grant programs, and bond market financing. As part of this report, HCAI should consider the impact of inflation on escalating construction costs and the ability of financially distressed hospitals to absorb debt financing costs.

Finally, hospitals will provide a plan for patient and worker continuity to augment existing emergency preparedness plans. This plan will ensure that patients continue to receive the care they need in the aftermath of a disaster, while also helping health care professionals understand the possible impacts on their workflow during and after a major earthquake. The plan also will inform workers on what they can expect if hospital buildings must be closed for repairs following an earthquake.