

Key Messages

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

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 continue to face massive financial losses.

- California hospitals have collectively lost more than \$20 billion since the beginning of the pandemic. Even after accounting for federal relief through the CARES Act, and without any state relief, California hospitals are still coping with a \$12 billion hit.
- According to a recent [report](#) by the nationally respected consulting firm Kaufman Hall, more than half of the hospitals in the Golden State are operating in the red, meaning they are losing money every day on patients they care for.
- 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.
- The pandemic is far from over, with communities across California once again experiencing dramatic increases in case rates as COVID-19 variants continue to spread far and wide. This is likely to deepen the hole for hospitals and make resources for care even more scarce.
- In communities throughout California, many hospitals are struggling to provide services for all who need care. It will take years for hospitals to recover from these losses, and the simple fact is that some hospitals may not survive. For many hospitals, survival will mean cutting back on vital health care services like maternity care and behavioral health programs.

The longtail of COVID-19 means many hospitals will need additional time to comply with the state's 2030 seismic mandate deadline.

- For hospitals, COVID-19 has been like a flood. Even when the waters do finally recede, the damage left behind will be significant. With a more than \$100 billion statewide seismic building standard mandate deadline just a few years away, hospitals face three paths: 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.

- Existing state law requires all hospitals to be able to be *fully operational* after an earthquake by Jan. 1, 2030. Hospitals that are unable to meet this deadline will be required to close their doors to patient care.
- Inflationary factors also are driving up the costs for compliance with the 2030 requirements to unimaginable 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.
- California hospitals are now asking the Legislature and Gov. Newsom to approve a seven-year extension for hospitals to meet the *fully operational* 2030 requirement. This time extension will enable hospitals to recover from the financial devastation of the pandemic without sacrificing patient care, especially in California's most-challenged communities.

Hospitals are committed to transparency and accountability about their seismic compliance plans.

- Hospitals with structural performance category 2 buildings will be required to submit a master plan for compliance to the state Department of Health Care Access and Information (HCAI). This master plan will include the following information for every hospital building on the campus and the hospital will annually update the plan if there are any changes:
 - Whether it will be retrofitted, replaced, or removed from acute care service
 - The projected construction start and completion dates
 - The estimated cost
 - The number of patients and the services to be provided
- Using data from the hospital master plans, HCAI will provide a detailed statewide report to the Legislature, including services at risk of closure and cost to retrofit or rebuild. This will be a statewide estimate, sorted by:
 - a. Rural, urban, or suburban hospital
 - b. Percent of Medi-Cal and Medicare patients
 - c. Underserved communities
 - d. Type of construction
 - e. Seismic probability of the county
- 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.
- The department also will provide the Legislature with an analysis of the impact on health care affordability and access to care, similar to the reviews provided by the California Health Benefits Review Program (which calculates the effects of proposed new health benefits on insurance premiums). The department could contract with the program or another entity to complete this work.

Patients and the health care workers who treat them must be informed on how hospital care will be provided in the aftermath of an earthquake.

- Given the possibility that some patients may need to be moved to a different building — or even transferred to a different hospital — after a major earthquake, hospitals will create patient and worker continuity plans, which will be in addition to a hospital’s existing emergency preparedness plan.
- These plans 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 to their workflow during and after a major earthquake. The plans also will inform workers on what they can expect if hospital buildings must be closed for repairs following an earthquake.