

California Health Care in Crisis

Patient Access to Care, Jobs Threatened as Communities Face Grueling Hospital Financial Conditions

Communities Are Already Hurting

WSJ [https://www.wsj.com > articles > safety-net-hospital-owner-pipeline-health-files-for-bankruptcy-...](https://www.wsj.com/articles/safety-net-hospital-owner-pipeline-health-files-for-bankruptcy-...)

Safety-Net Hospital Owner Pipeline Health Files for Bankruptcy

Oct 3, 2022 · Jonathan Randles. Oct. 3, 2022

LA [https://www.latimes.com > california > story > 2021-03-28 > l-a-is-united-against-the-closure-of-...](https://www.latimes.com/california/story/2021-03-28/l-a-is-united-against-the-closure-of-...)

Closure of L.A. hospital is latest in troubling trend, some say - Los ...

 [https://calmatters.org > health > 2023 > 01 > hospital-closure](https://calmatters.org/health/2023/01/hospital-closure)

After Madera's hospital closure, could others follow? - CalMatters

7 days ago · After Madera's hospital closure

[https://www.dailyrepublic.com > all-dr-news > solano-news > fairfield > northbay-health-to-cut-7-...](https://www.dailyrepublic.com/all-dr-news/solano-news/fairfield/northbay-health-to-cut-7-...)

NorthBay Health to cut 7% of workforce - dailyrepublic.com

HR [https://www.beckershospitalreview.com > finance > commonspirit-posts-1-3b-annual-operating-...](https://www.beckershospitalreview.com/finance/commonspirit-posts-1-3b-annual-operating-...)

CommonSpirit posts \$1.3B annual operating loss

2022 CommonSpirit attributes

SCS [https://www.santacruzsentinel.com > 2022 > 02 > 23 > bankruptcy-court-approves-sale-of-wats...](https://www.santacruzsentinel.com/2022/02/23/bankruptcy-court-approves-sale-of-wats...)

Bankruptcy court approves sale of Watsonville Hospital to health car...

Feb 23, 2022 Northern California County Court Judge Mary Elaine Hammond approved the

As hospitals are forced to make cuts or close outright (between January 2013 and February 2020, three rural hospitals in California closed and 13 are currently at risk of closure), patients are even further harmed.

Notes: Rural closures increase inpatient mortality by 8.7%; Medicaid patients and racial minorities are relatively worse affected by rural closures (11.3% and 12.6%, respectively)

Following rural hospital closures, **patients must go to nearby, already-overcrowded hospitals**. The distance patients must **travel to access basic inpatient services increases by 20 miles**; for specialty services like **treatment for substance use disorders, distance increases by almost 40 miles**.

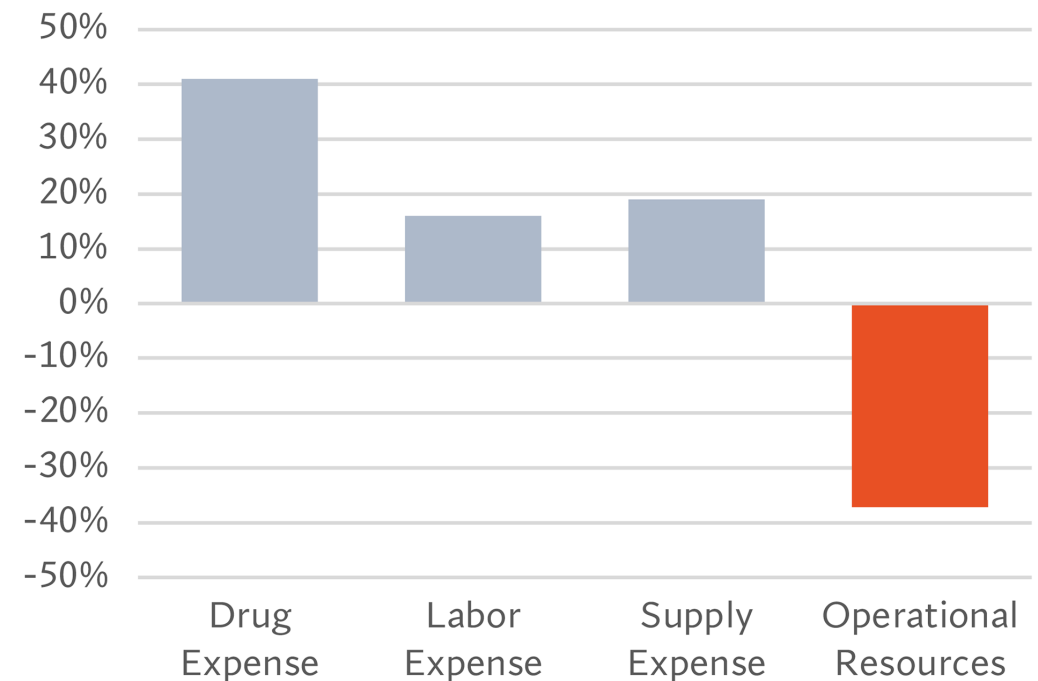
As expenses rise, resources to care for patients are falling short.

Inflation drains resources for patient care.

From 2019 to 2021:

- Labor expenses **rose 16%.**
- Pharmaceutical costs **grew by 41%.**
- Medical supply expenses **jumped 19%.**

Cost to care for Californians sees record inflation from 2019 to 2021

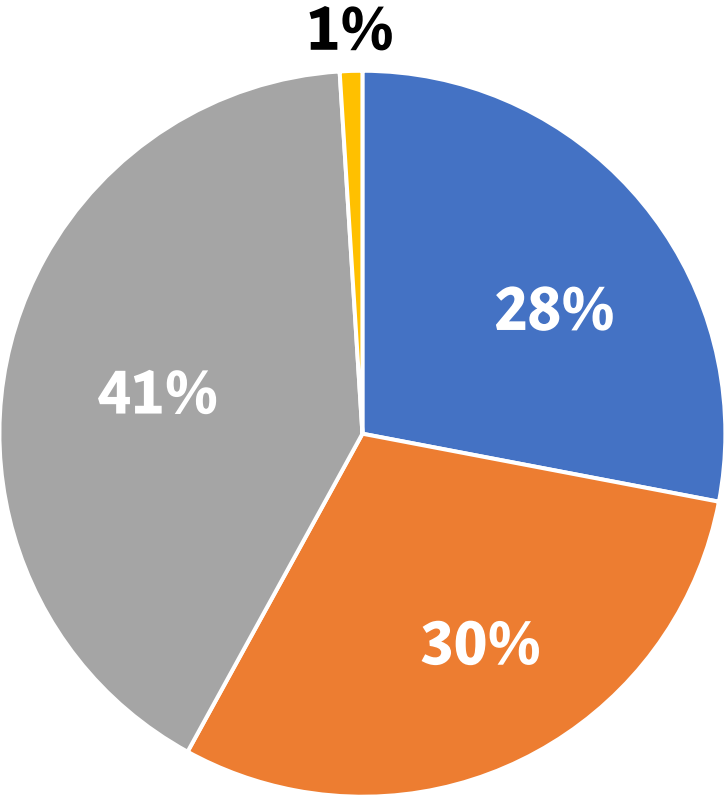


A Structural Problem with Health Care Funding

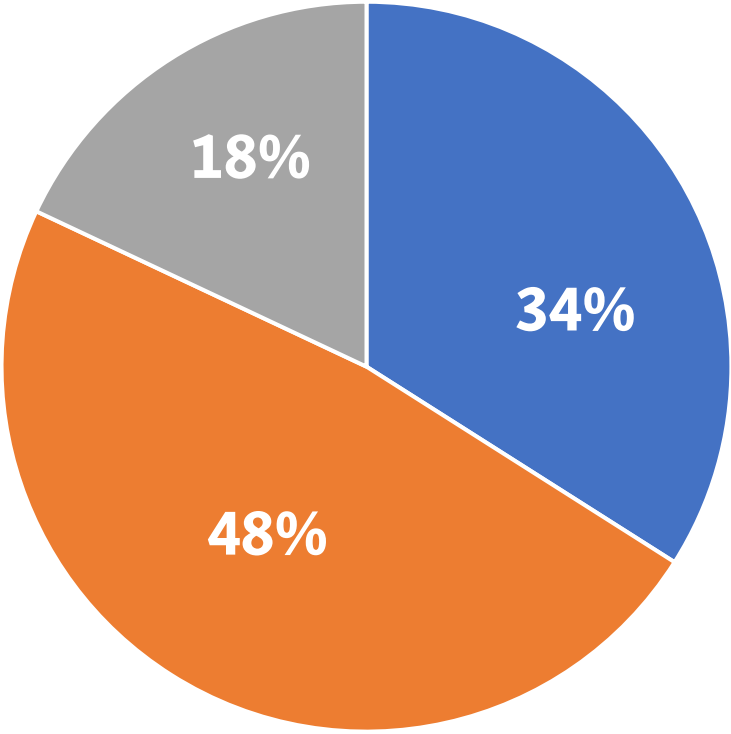
- The state of California pays hospitals **74 cents for each \$1 of care for Medi-Cal patients**
- The federal government pays hospitals **75 cents for each \$1 of care for Medicare patients**
- **73% of patients** in the average hospitals in California have Medicare or Medi-Cal
- Every day, **51% of hospitals** in California lose money providing care for patients.

Current Environment — Fixed Revenue

Average



Madera Community Hospital



■ Medicare ■ Medi-Cal ■ Commercial ■ Other

Kaweah Delta Health Care District (“Kaweah Health”)

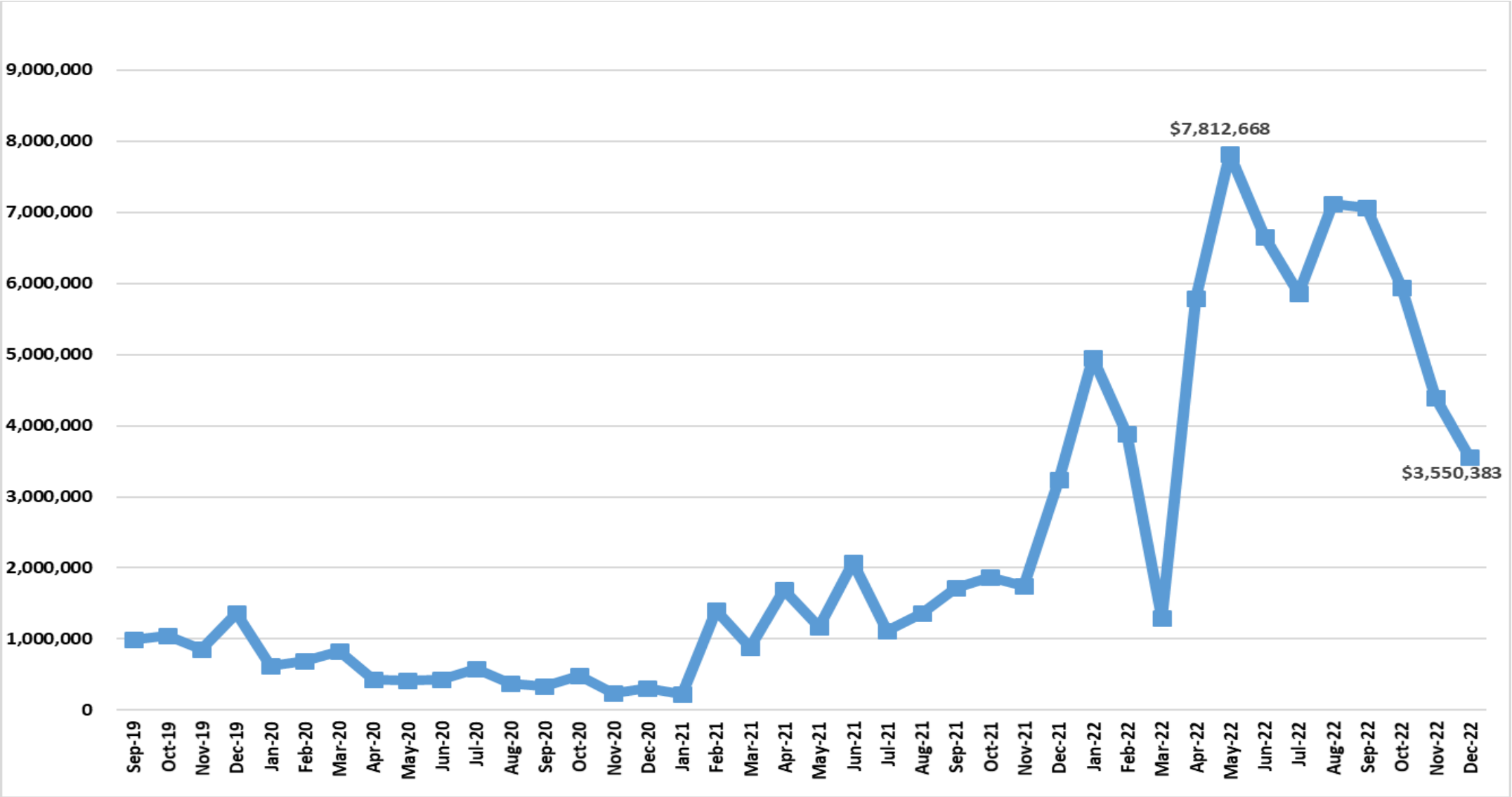


- **613 licensed beds**
 - **5,200 employees** and 700+ providers
 - **73-bed emergency department** and level III trauma center
 - Accredited **teaching hospital**
 - Healthgrades 2023 **Top 100 U.S. hospitals**
 - Healthgrades 2023 **Top 50 U.S. cardiac surgery** programs (six years in a row)
 - U.S. News & World Report’s **highest performing maternal/child health programs**
 - Contribute **\$1.12 billion in annual economic impact** to Tulare County
 - **A3 credit rating** by Moody’s Investors Service
- Serve **population of 600,000** in Tulare and Kings Counties
 - Tulare County ranks **#1 in Medi-Cal enrollment** as % of population
 - In 2020, Tulare County ranked **53rd in health outcomes** and 56th in health factors
 - **81,000 ED visits**
 - **112,000 urgent care visits**
 - **124,000 rural health clinic visits**
 - **4,500 babies delivered**
 - **10,000+ surgeries**
 - **Leapfrog “A” safety rating**

Kaweah Health (“Now”) — A Community at Risk

- **\$136 million cumulative operating loss** from March 2020 through December 2022
- **Offset in part by \$61 million** in federal Provider Relief Funds
- Days **cash on hand down from 141 in June 2019 to 83** in December 2022
- **Moody’s downgrade** from A3 to Ba1
- **Turned down by 50+ banks for line of credit**
- **Laid off 130+ employees** with 90-100 more coming by February
- **Closed 22-bed skilled nursing unit**, outpatient neurosurgery clinic & diabetes education clinic
- Planning to **end or limit many elective surgeries** and procedures, which will impact Medi-Cal patients
- **10-20% pay cuts for all leaders** and no 401(k) plan match for all employees

Contract Labor Expense



Support the care hospitals deliver to patients and communities

The problems are complex, but solutions are within reach:



Improve state investment in Medi-Cal – to address systemic challenges for disadvantaged people and generate greater stability in resources for health care



Protect and enhance Medicare funding – to safeguard health care for seniors and stabilize a shaky foundation of health care resources for all



Enhance workforce investment – to build the pipeline of clinical professionals to support growing demand



Lower the cost of prescription drugs – to reduce a major expense that is beyond the control of hospitals and other health care providers

Online Questions/Comments: Submit questions or comments in the Chat box at the bottom of your screen, press enter.

Audio Questions/Comments: Select “Raise Hand” at the bottom of your screen and your line will be unmuted. If listening by phone only, press *9.

- <https://www.kaufmanhall.com/insights/national-hospital-flash-report-november-2022>
- <https://www.beckershospitalreview.com/care-coordination/18-hospitals-scaling-back-care.html>
- <https://jamanetwork.com/channels/health-forum/fullarticle/2760166>
- <https://www.kff.org/report-section/a-look-at-rural-hospital-closures-and-implications-for-access-to-care-three-case-studies-issue-brief/>
- <https://www.latimes.com/california/story/2022-10-10/separate-and-unequal-critics-say-newsoms-pricey-medicaid-reforms-leave-most-patients-behind>
- <https://calhospital.org/time-to-eliminate-medi-cals-health-care-caste-system/>
- <https://www.fitchratings.com/research/us-public-finance/fitch-ratings-revises-us-nfp-hospitals-sector-outlook-to-deteriorating-16-08-2022>



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