

Key Messages

Record Health Care Inflation Putting the Most Vulnerable Californians at Risk to Lose Critical Health Care Services

Vulnerable Californians are at risk of losing health care services.

- After more than two years leading to over \$12 billion in hospital losses, there simply are not enough resources to cover the rapidly growing cost of delivering care to Californians.
- For low-income Californians who rely on Medi-Cal for coverage — two-thirds of whom are people of color— the situation is most dire. Communities with high Medi-Cal enrollment already suffer from a lack of health care providers, often relying on hospitals as their sole and primary care solution. With services at risk of being reduced and outright closures a looming likelihood, California's most vulnerable, including people living in rural and underserved areas, would see their access to care decline. Medi-Cal has created a two-tiered system of care that is exacerbating health care inequities.
- Patients and communities are already hurting as hospitals discontinue some health care services, leaving patients seeking care with longer wait times, increased travel times, and delays in care delivery. Examples:
 - In January, Madera Community Hospital was forced to close its doors, forcing those relying on the hospital for care to travel as far as Fresno, nearly 30 miles from the city of Madera.
 - In December, Hazel Hawkins Memorial Hospital — the only hospital that serves residents in San Benito County — declared a fiscal emergency, warning of potential closure in February unless it receives significant funding.
 - In October, nearly 300 people in Visalia lost their jobs when Kaweah Health — the city's second-biggest employer — was forced to reduce staff to make ends meet.
 - In the fall, Modoc Medical Center paused on development of home health, hospice care, and geriatric psychiatry programs.

Inflation is crippling the ability of California's health care system to care for all in need.

- Labor expenses spiked 16% since 2019. The cost for medical supplies has followed a similar track, jumping 19%. Pharmaceutical costs have grown 41%.
- The biggest problem, however, is that hospitals — unlike the hospitality, food service, or other sectors —have limited options to offset growing expenses to deliver care to patients due to the structure of California's Medi-Cal reimbursement rates.
- More than 50% of California's 400-plus hospitals are losing money every day to care for patients and dozens more are barely above break-even.

An emergency infusion of resources is needed to protect access to care.

- The state has not increased certain Medi-Cal rates paid to hospitals for over a decade. California's health care system, including hospitals that care for the most vulnerable, needs an emergency lifeline to absorb the impact of the inflationary crisis. Medi-Cal's share of the impact of these unprecedented inflation spikes is \$1.5 billion. A one-time relief package in 2023 to cover these costs, followed by structural rate increases to prevent future crises, would help protect access for Californians with the greatest health needs.