



March 24, 2023

The Honorable Jim Wood, DDS
Chair, Assembly Health Committee
1020 N St., Room 390
Sacramento, CA 95814

SUBJECT: AB 412 (Soria) — Hospital Emergency Loan Program — SUPPORT

Dear Assembly Member Wood:

The California Hospital Association (CHA), on behalf of its more than 400 hospital and health system members, supports AB 412, which would establish the Hospital Emergency Loan Program. This bill authorizes the State Treasurer's Office to borrow up to \$20 million from other special funds to operate a loan program, administered by the California Health Facilities Financing Authority, for qualifying hospitals to prevent their closure or to assist with the reopening of a recently closed hospital.

AB 412 addresses the immediate and short-term needs for a small group of hospitals that are on the edge of a financial cliff and facing the difficult choice of service reductions or bankruptcy. However, additional and rapid financial help is needed as dozens more hospitals are at risk of closure and *all* California hospitals are financially threatened.

That's why the Legislature must also support an immediate lifeline to protect care for Medi-Cal patients throughout the state, not only in those communities where the loss of services is imminent.

Medi-Cal has grown to cover nearly 40% of all Californians, yet longstanding systemic underfunding of the program persists. Medi-Cal rates for hospital services have not increased in over a decade and California today pays just 74 cents for every dollar it costs to care for Medi-Cal patients.

While reimbursement has remained stagnant, labor expenses have spiked 16% since 2019, pharmaceutical costs have grown by 41%, and the cost of medical supplies has jumped 19%.

Hospitals whose patients rely on these programs for health coverage cannot sustain these daily shortfalls, especially having already depleted their reserves to cover \$12 billion in COVID-19-driven losses, as well as surging labor, pharmaceutical, and operating expenses. These government shortfalls do a disservice to people living in the state's most-challenged communities, where access to care is already difficult and would be simply out of reach if this systemic problem is not addressed.

Without help, cities and towns throughout the state are on track to lose vital community pillars of health care services and jobs. The crisis is not theoretical. It's happening now. 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 away.

Hospital closures and service reductions are immediate and clear threats to health care in communities throughout California. The reality of the hospital closure in Madera County will, without question, be replicated in other parts of California without relief.

For these reasons, CHA supports AB 412.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Farouk', with a long horizontal flourish extending to the right.

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Members of the Assembly Health Committee
Lara Flynn, Principal Consultant, Assembly Health Committee
Gino Folchi, Consultant, Assembly Republican Caucus