



April 25, 2023

The Honorable Anthony Portantino  
Chair, Senate Appropriations Committee  
State Capitol, Room 412  
Sacramento, CA 95814

**SUBJECT: SB 525 (Durazo) — OPPOSE**

Dear Senator Portantino:

Delivering high-quality and affordable health care to patients and communities is the top priority for all California hospitals. Providing lifesaving and life-changing care can only be done in partnership with the entire health care workforce. Ensuring hospitals meet the needs of their workforce while confronting systemic challenges to the health care system — including runaway inflation, workforce shortages, and structurally insufficient reimbursement rates — is not easy, but it is central to hospitals' ability to carry out their core mission.

**Unfortunately, the California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, must OPPOSE Senate Bill (SB) 525 (Durazo) — because it upends the ability of hospitals and other health care providers to preserve vital health care services for patients and communities.** This bill imposes a top-down wage increase for all health care workers that does not account for the current economics of health care or the unique circumstances of health care providers in local communities in a state as large and diverse as California. SB 525 will in fact reduce access to medical services, increase health care costs, and diminish health care employment opportunities.

These policy challenges, which are discussed in more detail in Appendix A, create real and significant fiscal consequences for the hospital field generally and the State of California specifically. For example, the UC Berkeley Labor Center, arguing *in favor* of the bill, notes that, at a minimum, SB 525 will cost **more than \$5.1 billion** for all health care facilities and **more than \$1.2 billion** for hospitals specifically. If an analysis offered by proponents, which in truth dramatically underestimates the costs of SB 525, still shows such untenable costs for health care facilities, it is beyond argument that the costs of this bill are plainly insurmountable.

For city and county hospitals alone, the *direct* costs of SB 525 are estimated to be at least **\$110.3 million annually**. For district hospitals, that direct cost is an estimated **\$85.4 million** annually. These estimates *exclude* the direct costs for increased exempt worker salaries and the indirect costs of increasing the minimum wage to \$25 per hour, such as benefit increases and wage compression. These estimates also

exclude the annual inflation escalator (the greater of 3.5% or CPI-W) that will ensure that the SB 525 costs will increase at least 4-8% annually in the near term.

Finally, hospitals are in an extremely precarious financial position. [Madera Hospital](#) closed earlier this year, leaving an entire county without a single hospital. [Beverly Hospital](#) recently declared bankruptcy, and there are [dozens more hospitals at risk of closure right now](#). More than [half of California's hospitals](#) are operating at a loss, and it is unlikely that this situation will improve in the short term. In this dire financial moment, we ask that this Committee consider the plight of communities served by struggling hospitals and recognize that SB 525 will only make matters worse for California's patients, communities, and hospital workers.

**For these reasons, CHA opposes SB 525 (Durazo) and respectfully asks for your "NO" vote.**

Sincerely,



Rony Berdugo  
Vice President, State Advocacy

cc: The Honorable María Elena Durazo  
The Honorable Members of Senate Appropriations Committee  
Professor Robert Ingenito, Senate Appropriations Committee  
Joe Parra, Consultant, Senate Republican Caucus

## APPENDIX A: Policy Challenges with SB 525

### **SB 525 Will Reduce Access to Critical Health Care Services**

In the aftermath of the COVID-19 pandemic, health care providers in California are in dire financial straits. One major hospital has already closed, others are on the brink, and more than half are losing money every day to care for patients. Severe losses driven by the pandemic and made worse by crippling inflation and a prolonged workforce shortage total in the billions, even before factoring in the unbudgeted and massive cost this bill would generate.

Under SB 525, the cost to care for patients will increase everywhere, not just at hospitals but at nursing homes, physician offices, and at every clinic, including free and reproductive health clinics and federally qualified health centers. For the hundreds of health providers facing significant financial distress, the increase in labor costs will require the reduction or elimination of health services to balance revenue and expenses. In extreme cases, it will mean bankruptcy and outright closure, especially for those hospitals that are already on the financial brink. The consequences of these events would be catastrophic for entire regions of the state, especially for communities that are *already* disadvantaged and face challenges accessing critical health care services.

### **SB 525 Will Increase Health Care Costs**

Currently, compensation for hospital workers makes up nearly 60% of the cost of providing care. It should be no surprise then that directly increasing labor expenses by billions of dollars overnight means higher costs to deliver health care in California. These billions will result in greater costs for employers providing health insurance coverage, as well as higher costs for individuals purchasing health insurance for themselves and their family. SB 525 is clearly a cost driver and in direct conflict with the state's goal of trying to make health care more affordable for working families.

### **SB 525 Will Lead to Fewer Health Care Jobs**

Hospitals are constantly looking to hire workers to expand the health care services they can provide. SB 525 will leave hospitals no choice but to do the opposite — cut positions and services in order to comply with the bill. With fewer positions and potentially fewer providers, health care professionals will have fewer opportunities, be at heightened risk of job loss, and have less flexibility in the positions that are available. SB 525 may result in higher pay for some, but for many more, SB 525 will result in fewer opportunities for employment and fewer opportunities for flexible, part-time jobs, which are an important part of a thriving, comprehensive health care system.

### **SB 525 Treats Employees Inequitably**

California's economic climate is profoundly challenging. Staffing shortages, supply chain disruptions, inflation, and rising housing costs are difficult for all. Unfortunately, SB 525 makes these challenges more difficult by picking winners and losers, raising income for a select few in the health care sector while increasing costs for everyone working in other fields.

There is no disputing that other essential employees, such as grocery store, agricultural, and school workers, will be left behind and will face higher insurance costs to cover the increased wages for those in the health sector. This is inequitable and in direct conflict with fair wage principles that advancements should apply to all workers.

SB 525 simply fails to recognize the fragility of California's health care system. SB 525 will have immediate and real consequences — reduced access to medical services, increased health care costs, and diminished health care employment opportunities — while being fundamentally inequitable to all workers in the state.