



March 12, 2024

The Honorable Mia Bonta  
Chair, Assembly Health Committee  
1020 N Street, Room 390  
Sacramento, CA 95814

**SUBJECT: AB 2637 (Schiavo) — Health Facilities Financing Authority Act — SUPPORT**

Dear Assembly Member Bonta:

Every day, hospitals throughout California care for the state's most vulnerable populations, who often have no place else to turn for help. However, many of those same hospitals are on the edge of a financial cliff and facing the difficult choice of service reductions, bankruptcy, or closure.

**For this reason, the California Hospital Association (CHA), on behalf of its more than 400 hospital and health system members, supports Assembly Bill 2637, which would allow the California Health Facilities Financing Authority (CHFFA) to issue long-term working capital financings by removing the limitation that loans be repaid within 24 months.**

Reimbursement has remained largely stagnant, yet labor expenses have spiked 16% since 2019, pharmaceutical costs have grown by 41%, and the cost of medical supplies has jumped 19%. While AB 2637 does not resolve these issues, by allowing for longer CHFFA working capital loan periods, hospitals will have more options to address increased costs.

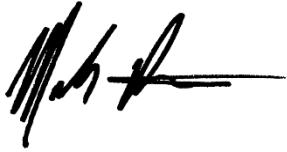
Hospitals cannot sustain these daily shortfalls, having already depleted their reserves to cover \$12 billion in COVID-19-driven losses, as well as surging labor, pharmaceutical, and operating expenses. During the pandemic, CHFFA was limited in its ability to provide working capital loan assistance to health facilities due to the 24-month maturity restriction and the persistent financial impacts on hospitals from the pandemic.

Without help, communities throughout the state are on track to lose vital health care services and jobs. The crisis is not theoretical. It's happening now. In January 2023, 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. The financial condition that led to the closure of Madera Community Hospital is not an isolated circumstance, as evidenced by the appropriation and awarding of roughly \$300 million from the Distressed Hospital Loan Program.

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

For these reasons, CHA supports AB 2637.

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 Pilar Schiavo  
The Honorable Members of the Assembly Health Committee  
Lara Flynn, Chief Consultant, Assembly Health Committee  
Justin Boman, Consultant, Assembly Republican Caucus