

CAPITOL OFFICE
1021 O ST., STE. 7230
SACRAMENTO, CA 95814
TEL (916) 651-4001

DISTRICT OFFICES
11230 GOLD EXPRESS DR., STE. 304
GOLD RIVER, CA 95670
TEL (916) 464-4201

1320 YUBA ST., STE. 102
REDDING, CA 96001
TEL (530) 224-7001

2635 FOREST AVE., STE. 110
CHICO, CA 95928
TEL (530) 879-7424

California State Senate

SENATOR
BRIAN DAHLE
FIRST SENATE DISTRICT



VICE CHAIR
ENERGY, UTILITIES
& COMMUNICATIONS
ENVIRONMENTAL QUALITY
REVENUE & TAXATION
MEMBER
BUDGET & FISCAL REVIEW
SUBCOMMITTEE #2 ON
RESOURCES, ENVIRONMENTAL
PROTECTION, & ENERGY
LOCAL GOVERNMENT
NATURAL RESOURCES
& WATER
TRANSPORTATION

March 8, 2024

The Honorable Scott Wiener, Chair
Senate Budget Committee
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Caroline Menjivar, Chair
Senate Budget Sub. 3 on Health and Human Services
1020 N Street, Room 502
Sacramento, CA 95814

Re: Request for funding for Critical Access Hospitals

Dear Senator Wiener and Senator Menjivar,

Nearly 750,000 people live in rural communities served by California's critical access hospitals (CAHs). These are the people that all Californians depend on for food, water, power, and the preservation of the state's natural beauty. The lifesaving and life-changing hospital care they rely on is at risk.

California's 37 CAHs, serving communities located at least 35 miles from another medical facility, and which are included among rural hospitals, have seen their operating margin drop by a frightening 8 percentage points from 2019 to 2023. They are losing money every day to deliver care and maintain access. Two-thirds of CAHs are operating in the red and their scant reserves are dwindling and at risk.

If one of these hospitals closes, those in poor health, seniors, and people experiencing poverty suffer the most (nationally, 13% of people living in an area affected by a closure are below the poverty line, compared to 9% overall). For Medicare beneficiaries, a closure means the travel distance to access inpatient services increases by 20 miles. For specialized services like treatment for substance use disorders, it increases to almost 40 miles.

Critical Access Hospitals need a new financial model – a new payment methodology – that preserves access to care by enhancing financial sustainability. This is an immediate funding need to avert the growing crisis facing this group of small and vulnerable hospitals. Additionally, these hospitals need a strategy for long-term, sustainable funding to stabilize their finances and support their ability to care for patients in rural communities. This funding will aid in keeping hospital doors open to serve rural communities in California.

The state must prioritize the needs of our rural areas. As a part of the 2024-25 budget, I respectfully request consideration for immediate funding for our Critical Access Hospitals to ensure they maintain services while we work with the Department of Health Care Services and the CAHs to determine the most optimal payment methodology for long term sustainability, allowing them to continue to provide care for these vulnerable communities. These hospitals are currently estimating the cost for this request, to be no more than \$100 million in one-time state funds which would also enable the state to draw down additional federal dollars to maximize the impact of this funding to keep these hospitals open and operational.

We look forward to discussing this proposal over the coming weeks and months. Our office will provide an updated financial request based on the projections provided by the CAHs. Please contact Creighton Kauss (Creighton.Kauss@sen.ca.gov) if you have any questions related to this proposal.

Sincerely,

A handwritten signature in blue ink that reads "Brian Dahle". The signature is written in a cursive, flowing style.

Senator Brian Dahle
1st Senate District