



March 27, 2024

The Honorable Richard D. Roth
Chair, Senate Health Committee
1021 O St., Room 3310
Sacramento, CA 95814

SUBJECT: SB 1423 (Dahle) – SPONSOR

Dear Senator Roth;

Nearly 750,000 of the state's 2.3 million rural residents live in 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. Now, the lifesaving and life-changing hospital care they depend on is at risk.

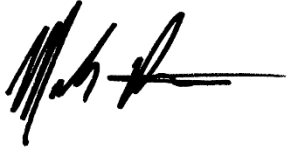
California's 37 CAHs, serving communities located at least 35 miles from another medical facility, and which are included among rural hospitals, have seen their operating margin drop by a frightening 8 percentage points from 2019 to 2023. They are losing money every day to deliver care and maintain access.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

Senate Bill 1423 will create cost-based Medi-Cal reimbursement for CAHs. This proposed new payment methodology preserves access to care by enhancing financial sustainability for these most vulnerable hospitals. 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 continue to prioritize the needs of our rural areas. This important legislation will support critical access hospitals and the communities they serve with reliable funding to sustain access to vital health care services. For these reasons, the California Hospital Association is pleased to sponsor AB 1423.

Sincerely,

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

Mark Farouk
Vice President, State Advocacy

cc: The Honorable Brian Dahle
The Honorable Members of the Senate Health Committee
Jen Flory, Consultant, Senate Health Committee
Joe Parra, Consultant, Senate Republican Caucus
Tim Conaghan, Consultant, Senate Republican Caucus