



April 4, 2024

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

SUBJECT: AB 2098 (Garcia) – 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 more than 400 hospital and health system members, which includes over 30 district hospitals (also known as non-designated public hospitals), supports Assembly Bill (AB) 2098 (Garcia, D-Coachella), which would allow the California Health Facilities Financing Authority (CHFFA) to extend the repayment requirements related to a previously authorized district hospital loan program.

Current law authorized and appropriated \$40 million to CHFFA to provide cashflow loans to district hospitals with the requirement that any hospital participating in the loan program repay those loans 24 months after the date of the loan. This bill would extend that repayment timeline to begin 24 months after the date of the loan and discharge the loan within 72 months of the date of the loan, which would align the repayment timing with that of the Distressed Hospital Loan Program.

While reimbursement has remained largely stagnant, labor expenses have spiked 16% since 2019, pharmaceutical costs have grown by 41%, and the cost of medical supplies has jumped 19%. While AB 2098 does not resolve these issues, by allowing for more time before loan repayments begin to come due, district hospitals will have more time and flexibility to repay the loans they received under this program, which will help improve their ongoing financial viability allowing them to continue to serve their communities by maintaining access to services.

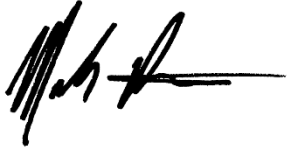
District hospitals, many of which are critical access hospitals, often serve rural communities as the sole community provider whose patients rely on them for meaningful access to health services. Service reductions and/or closure of these facilities have a disproportionate impact on the communities they serve and result in long travel times to access the next closest available provider.

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 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 Madera Community Hospital financial condition that led to closure is also not an isolated circumstance as evidenced by the appropriation and awarding of roughly \$300 million from the Distressed Hospital Loan Program. Over half of the hospitals that received awards under the Distressed Hospital Loan Program were district hospitals.

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 2098.

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 Eduardo Garcia
The Honorable Members of the Assembly Health Committee
Lara Flynn, Chief Consultant, Assembly Health Committee
Justin Boman, Consultant, Assembly Republican Caucus
Natalie Pita, Assembly Fellow with Mia Bonta's office