



May 1, 2024

The Honorable Buffy Wicks
Chair, Assembly Appropriations Committee
1021 O St., Suite 8220
Sacramento, CA 95814

SUBJECT: AB 2098 (Garcia) — SUPPORT

Dear Assembly Member Wicks:

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.

The extension of these repayment requirements does not result in substantial costs to the state as it does not forgive repayment of the loans; it only allows for the extension of repayment and aligns the repayment of these cashflow loans with other hospital loan programs.

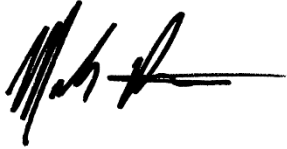
Current law authorized and appropriated \$40 million to CHFFA to provide cashflow loans to district hospitals with the requirement that any hospital participating in the loan program repay those loans 24 months after the date of the loan. This bill would extend that repayment timeline to begin 24 months 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.

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 Appropriations Committee
Allegra Kim, Consultant, Assembly Appropriations Committee
Joe Shinstock, Consultant, Assembly Republican Caucus