



May 9, 2024

The Honorable Anna M. Caballero
Chair, Senate Appropriations Committee
1021 O St., Room 2200
Sacramento, CA 95814

SUBJECT: SB 1423 (Dahle) – SPONSOR

Dear Senator Caballero:

Nearly three-quarters of a million Californians rely on critical access hospitals (CAHs) for lifesaving and life-changing hospital care. These hospitals are essential infrastructure in rural communities that provide Californians with their food, water, and access to the state's natural beauty.

That care is now 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 margins drop by a frightening 8 percentage points from 2019 to 2023. Two-thirds of CAHs are operating in the red and their scant reserves are dwindling.

The California Hospital Association (CHA), on behalf of more than 400 hospitals and health systems, is proud to sponsor Senate Bill (SB) 1423 (Dahle, R-Bieber), which would stabilize California's critical access hospitals and preserve access to care for those with no other options.

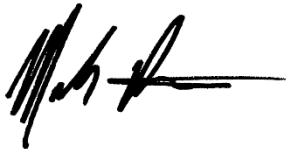
If one of these hospitals closes, those in poor health, seniors, and people experiencing poverty suffer the most (nationally, 13% of people living in an area affected by a closure are below the poverty line, compared to 9% overall). For many Medicare beneficiaries, a closure means the travel distance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

SB 1423 will create cost-based Medi-Cal reimbursement for CAHs. This proposed new payment system preserves access to care by locking in financial sustainability for these vulnerable hospitals. These hospitals need long-term, sustainable, and predictable funding to support their ability to care for patients in rural communities. This will help keep hospital doors open to serve rural communities in California.

As is the case for any Medi-Cal expenditures for services provided to program beneficiaries, the costs to implement the requirements of SB 1423 would be shared by both the state and federal governments according to the specific Federal Medical Assistance Percentage rate. Based on an analysis of that rate the federal government is assumed to be responsible for 55% of the total expenditures resulting from SB 1423, with the state responsible for the other 45%. Under this model, the state's estimated share is, at the high end, \$71.5 million for the first year of implementation. That amount could go down significantly if the rate of hospital participation through the opt-in process is less than 100%. It is unlikely that 100% of eligible hospitals will participate, meaning the actual costs to the state would be lower than \$71.5 million.

The state must continue to prioritize the needs of its rural areas. This 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, CHA is pleased to sponsor SB 1423.

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 Brian Dahle
Honorable Members of the Senate Appropriations Committee
Agnes Lee, Consultant, Senate Appropriations Committee
Joe Parra, Consultant, Senate Republican Caucus