



September 5, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

SUBJECT: AB 869 (Wood) - REQUEST FOR SIGNATURE

Dear Governor Newsom:

The California Hospital Association (CHA) respectfully requests your signature on Assembly Bill (AB) 869 (Wood) — legislation that will prevent California’s rural and district hospitals from closing and create a path for financially distressed hospitals to comply with California’s 2030 seismic standards.

California must do all it can to ensure patients have uninterrupted access to health care in rural communities. After more than two decades of work and billions of dollars invested, more than 95% of hospitals have met the state’s 2020 life safety standard and can withstand a major earthquake. While California’s hospitals have already spent billions to strengthen their buildings so they can withstand earthquakes, they must still meet a 2030 deadline that requires them to be *fully operational* after an earthquake. **This deadline will force many hospitals to close if they are unable to comply.**

AB 869 covers hospitals in remote locations, with the next hospital many miles away, and where closure would immediately jeopardize the health of the community and its ability to respond to emergencies. This bill would provide a discretionary up to three-year delay, with the potential for two additional discretionary years if certain challenges arise, for financially distressed rural and district hospitals to meet the compliance requirements.

Half of California’s 60-plus rural community hospitals — often the sole source of care for miles and miles — lose money every day to care for patients. That number is up 10 percentage points in the past five years alone.

A potential delay of up to five years, at the discretion of the Department of Health Care Access and Information (HCAI), provides a path to keep these hospitals open as they work to meet the 2030 seismic standards. Funding for construction costs for these hospitals is simply unattainable — the pandemic decimated their reserves, and their bond ratings are dropping, making borrowing difficult if not impossible.

As the Association of California Healthcare Districts has stated in its support of AB 869, 2030 seismic compliance for just those hospitals well exceeds \$3 billion. It is important to note that district hospitals must go to voters to approve a bond or tax to fund these projects or to leverage government financing, and these initiatives often fail. With 2030 rapidly approaching, district hospitals are struggling to secure financing for these projects.

In addition, AB 869 provides access to grant funding for seismic assessments and would expand eligibility for these grants under the Small and Rural Hospital Relief Program. Specifically, single- and two-story general acute care hospitals in rural areas with less than 80 general acute care beds and less than \$75 million in annual revenue would now be eligible. Many of these types of hospitals do not have the financial resources or ability to acquire funding from other sources for planning and estimating the costs of 2030 seismic compliance.

It is important to note that given the 2030 seismic requirements are already existing law, there is no budget impact for HCAI. The only change is the timeframe for compliance beyond 2030.

CHA supports AB 869 for hospitals in California's most vulnerable communities. By providing additional time to meet the 2030 standard as well as access to grant funding for seismic construction assessments, AB 869 would deliver the relief that small, rural, and district hospitals need to achieve compliance. Due to ongoing financial challenges, rising health care delivery costs, and long-term workforce shortages, many of these hospitals will be forced by state law to close unless a delay is provided.

As the state experienced with the closure of Madera County's only hospital, the health of any community is at grave risk when its hospitals are on the brink.

For these reasons, on behalf of more than 400 hospitals and health systems, we respectfully ask for your signature on AB 869.

Sincerely,



Kathryn Scott
Senior Vice President, State Relations and Advocacy

cc: The Honorable Jim Wood DDS
Angela Pontes, Deputy Legislative Secretary, Office of the Governor