



Sept. 6, 2024

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

SUBJECT: SB 1423 (Dahle) - REQUEST FOR SIGNATURE

Dear Governor Newsom:

The California Hospital Association (CHA) respectfully requests your signature on Senate Bill 1423 (Dahle) — legislation that will advance a conversation to protect the health and well-being of Californians who live, work, and play in remote areas of the state.

Nearly 750,000 of the state's 2.3 million rural residents live in communities served by California's 37 critical access hospitals (CAHs) — those hospitals that serve communities at least 35 miles from another medical facility. These communities are integral to the vibrant agricultural, tourism, and energy sectors that contribute to California's strong and diverse economy, but lifesaving and life-changing hospital care for people in these areas is at risk.

Rural hospitals provide vital services for their patients and drive the economic and social well-being of remote communities. But two-thirds of these hospitals lose money every day delivering care to patients.

Their challenges are driven by lower patient volumes, a high number of Medicare and Medi-Cal patients, and patients who tend to be older and sicker, requiring costlier care. When rural hospitals close, the impact is devastating — the median distance traveled by residents in those communities to receive inpatient care or emergency care increases by more than 20 miles.¹

That's why CHA supports the creation of a hospital technical advisory group within the Department of Health Care Services (DHCS) that will analyze the ability of small, rural, and critical access hospitals to remain financially viable. The advisory group, with oversight by DHCS and composed of representatives from hospitals, health plans, and organizations representing rural communities, will examine the reasons for the challenges facing CAHs and recommend potential solutions.

¹ Rural Hospital Closures: Affected Residents Had Reduced Access to Health Care Services. Government Accountability Office. Dec. 22, 2020.

While the distressed hospital loan program has provided some short-term relief to struggling hospitals, the long-term stability of CAHs is imperative to keep services available in rural communities. The advisory group proposed by SB 1423 provides an opportunity to think creatively about ways to stabilize CAHs for the long-term so they can continue to deliver quality health care.

SB 1423 would align California with other states now seeking solutions to the challenges facing CAHs. For example, Vermont created a Rural Health Services Task Force, like the one that SB 1423 would create, to identify ways to sustain the state's rural health care system. Several other states have developed unique payment models and targeted assistance for rural hospitals.

The approach to sustainability envisioned by SB 1423 will have minimal to no impact on the state's general fund. DHCS can convene the stakeholder group within existing resources and participants will volunteer time for the advisory group. In fact, recommendations that emerge from this advisory group could increase federal matching funds to these hospitals, relieving general fund cost pressures.

For these reasons, CHA and its more than 400 hospital and health system members respectfully ask for your signature on SB 1423.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Scott', with a long horizontal flourish extending to the right.

Kathryn Scott
Senior Vice President, State Relations and Advocacy

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