

Key Messages

California's Health Care System Is on Life Support

The risk of losing access to critical health care services for Californians has never been greater.

- In the past three years alone, two hospitals in California have been forced to close. Another 22 have had to shutter maternity units just to stay afloat, leaving 12 counties without maternity care. Today, dozens more are facing similar grim choices, with more than 40 hospitals at significant short-term risk of closure.
- Statewide, 44% of hospitals lose money every day caring for patients, and operating expenses for California hospitals collectively exceed patient care revenues by \$2.8 billion a year.
- This is at a time when the cost of providing health care continues to rise exponentially. Labor costs — the largest share of hospital spending on care — have increased 51% since 2019, more than twice the rate of general inflation.

At a time when hospitals are already challenged like never before, recent federal and state policy changes will make it even more difficult for Californians to get the care they need.

- In the coming months and years, nearly 2 million Californians are expected to lose their health care coverage. But they won't stop getting sick and needing hospital care — that means a significant increase in the free care that hospitals will need to provide.
- Additional federal cuts to Medicaid (Medi-Cal) will strip tens of billions of dollars from California's health care system over the next decade. These cuts will hit different hospitals disproportionately, with those in communities with high reliance on Medi-Cal coverage seeing the greatest losses.
- New restrictions from the Office of Health Care Affordability on how much can be spent to care for Californians are leading insurance companies to reduce their payments to hospitals, shrinking resources for care even more.

Time is running short for action that would protect patients and communities from longer wait times, living in health care deserts, and worsening health outcomes.

- At the state level, on the heels of the largest federal cut to health care in the nation's history, California must provide financial support for rural and other struggling hospitals, analyze the actual cost to the health care system of significant pending legislation, reduce the regulatory costs to deliver health care, and examine reforms to the Office of Health Care Affordability to protect access to health care.
- At the federal level, Congress must permanently protect funding for disproportionate share hospitals (those at great risk of closure), preserve the 340B Drug Pricing Program, and reject site-neutral cuts to hospitals. It's also critical that the Centers for Medicare & Medicaid Services approve the next version of the Hospital Fee Program, a lifeline without which dozens more hospitals could close.
- Over the long term, state and federal policymakers should create opportunities to transform California's health care system to be more effective and more efficient, in part by addressing upstream drivers of health.