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California State Senate

SENATOR
ANNA M. CABALLERO
FOURTEENTH SENATE DISTRICT



March 13, 2023

The Honorable Nancy Skinner
Chair, Senate Budget Committee
1020 N Street, Room 502
Sacramento, CA 95814

The Honorable Caroline Menjivar
Chair, Senate Budget Committee, Subcommittee No. 3 on Health and Human Services
1021 O St., Room 6720
Sacramento, CA 95814

SUBJECT: Budget Request — Urgent Assistance Needed for Hospitals

Dear Senator Skinner and Senator Menjivar:

We are writing to respectfully request a one-time emergency infusion of \$1.5 billion for California's hospitals so they can continue to provide care for vulnerable communities throughout the state. The huge losses sustained due to the pandemic (\$12 billion) and skyrocketing inflation, combined with severe underfunding of the state's Medi-Cal reimbursement rates, have created a health care crisis that risks access to care for communities that need it most. Multiple hospitals throughout the state will be closing and are currently reducing the services they offer, and many more are just weeks or months from having to consider similar measures. The cost of providing care has skyrocketed, with a 16% increase in labor, a 41% increase in pharmaceutical costs, and a 19% jump in medical supplies. Exacerbating the current crisis is a structural problem with Medi-Cal reimbursement.

As California has expanded the number of Medi-Cal enrollees, reimbursement for their care has not kept pace. **California pays just 74 cents for each dollar it costs to care for Medi-Cal patients, a rate that has not been adjusted in over a decade.** Medi-Cal underfunding has created a two-tiered system of care that is exacerbating health care inequities.

To protect access to care and stabilize the health care delivery system for California's most vulnerable, this emergency lifeline (representing just 1% of all Medi-Cal funding) is essential to keep hospital doors open and services available in the short term. A one-time relief package in 2023 to help survive the immediate challenges, followed by structural rate increases to prevent future crises, would stabilize hospitals with high medi-cal users, and help protect access for Californians with the greatest health needs.

For low-income Californians who rely on Medi-Cal for coverage — two-thirds of whom are people of color — the situation is most dire. Communities with high Medi-Cal enrollment already suffer from a

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lack of health care providers, often relying on hospitals as their sole and primary care solution. With reduced services and outright closures looming, California's most vulnerable, including people living in rural and underserved areas, will see their access to care evaporate if immediate fiscal state relief is not delivered.

The \$1.5 billion relief package would be proportionally disbursed based on Medi-Cal utilization. Specifically, the methodology would allocate funding to each hospital based on its pro rata share of total Medi-Cal adjusted days. For instance, if a hospital provided 5% of the total aggregate Medi-Cal adjusted days, it would receive 5% of the total funding. By basing disbursement on Medi-Cal days (as opposed to all payer days), this methodology targets funding to hospitals that provide services to a greater number of Medi-Cal patients. Targeting the allocation of these funds based on the level of Medi-Cal services that hospitals provide recognizes and gives immediate relief to hospitals most distressed due to the state's systemic underfunding of Medi-Cal.

Hospital closures and service reductions are not prospective, on some far-off horizons. Rather, they are immediate and clear threats to health care in the communities we represent in California. Last month, the nationally respected consulting firm Kaufman Hall affirmed the likelihood that in the coming months, even more hospitals will be forced to close or reduce services — a deeply troubling prospect for communities throughout California.

Without help, cities and towns throughout the state are on track to lose vital community pillars of health care services and jobs: Madera, Visalia, Placerville, Porterville, Hollister, Bakersfield, Montebello, Humboldt County, all of Imperial County, pockets of Los Angeles serving our most vulnerable communities, and next year even more hospitals could close.

This one-time \$1.5 billion relief package is part of a larger solution that seeks to correct the structural underfunding in the Medi-Cal system that must be resolved to create long-term stability for our state's health care system. The crisis is not theoretical. It's happening now. The hospital closure in Madera County will, without question, be replicated in other parts of California without relief. And once a hospital closes, it is incredibly difficult to reopen, let alone reopen with the same level of services that Californians need and deserve. It is for these reasons that we are requesting this one-time relief package to support hospital care for Medi-Cal patients.

Sincerely,

Handwritten signature of Anna M. Caballero in black ink.

Anna M. Caballero
Senator, 14th District

Handwritten signature of Marie Alvarado-Gil in black ink.

Marie Alvarado-Gil
Senator, 4th District

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Handwritten signature of Monique S. Limon in blue ink.

Monique S. Limon
Senator, 19th District

Handwritten signature of Shannon Grove in black ink.

Shannon Grove
Senator, 12th District

Handwritten signature of Janet Nguyen in purple ink.

Janet Nguyen
Senator, 36th District

Handwritten signature of John Laird in black ink.

John Laird
Senator, 17th District

Handwritten signature of Bob Archuleta in black ink.

Bob Archuleta
Senator, 30th District

Handwritten signature of Brian Dahle in blue ink.

Brian Dahle
Senator, 1st District

Handwritten signature of Roger Niello in black ink.

Roger Niello
Senator, 6th District

Handwritten signature of Susan Rubio in black ink.

Susan Rubio
Senator, 22nd District

cc: The Honorable Members of Senate Budget Subcommittee No. 3 on Health and Human Services
Elisa Wynne, Staff Director, Senate Budget Committee
Scott Ogus, Deputy Staff Director, Senate Budget Committee