

LEGISLATIVE UPDATE



Week of May 1, 2023

State Issues

<p>Financially Distressed Hospital Loan Program</p>	<p>Late last week, AB 112 (Committee on Budget) was amended to include language from Governor Newsom’s office that would provide for an interest free loan program for financially distressed hospitals. The bill was heard in Budget Committee this week, was unanimously supported by the Legislature, and is awaiting action on the Governor’s desk. We expect his signature in the next several days. The bill includes funding of \$150 million and is aimed at supporting just a handful of hospitals that are on the brink of closure, are already closed, or are in bankruptcy. The Administration will have an application process, where hospitals have to share details on their financial condition and their plan for getting out of their fiscal crisis. The Department of Finance announced they hope to have all of the funds dispersed before the end of June. The Administration indicated the Department of Health Care Access and Information has already started to work on the technical details of implementation.</p> <p>In the Senate, there was much discussion on the bill, including discussion about transparency and an interest in including more strings to the funds; however, given how quickly things are moving, no amendments seem to be likely. While this is a positive step for a small number of hospitals that are about to close, it does not address the problems encountered by many more hospitals in the safety net who are struggling with frozen or too low reimbursement rates, crippling inflation and residual effects of the COVID pandemic.</p>
<p>Senate Budget Proposal</p>	<p>The very positive news for all hospitals that came out of the debate on financially distressed hospitals is the bipartisan and universal call for more to be done to support our struggling hospitals. The Senate released a budget plan, prior to the May Revise budget being released by the Governor next week. In this plan, they seek to prioritize spending on struggling hospitals. Their plan includes \$400 million every year for 4 years to support hospitals. They make it clear that these funds are in addition to the \$150 million in the loan program and the funding that will be included in the Managed Care Organization (MCO) tax proposed by the Governor. The MCO tax details are still being worked out, and more details on the Governor’s position should be forthcoming in the upcoming May Revise.</p>
<p>May Revise Preview</p>	<p>The Department of Finance is saying the May Revise budget plan will reflect that the state revenue, as of March, was \$4.7 billion below the Governor’s January forecast. In addition to lagging revenue, a handful of issues at the national level pose elevated risks that could further widen the state’s budget gap. This means that the Governor and Legislature will need to identify new fixes. These could involve additional delays in funding or outright cuts to programs. This will, of course, make securing funding for struggling hospitals even more challenging. However, we are hearing that the Legislature may simply pass a skeleton budget by its June 15 deadline and leave most large budget issues to be resolved in August, when more issues should be resolved at the federal level and the economy should see an increased recovery.</p>

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