

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1882 (Ellis) – As Amended March 19, 2026

Policy Committee: Health

Vote: 16 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill requires the Department of Health Care Access and Information (HCAI) provide funding to hospitals to offset uncompensated standby costs associated with maintaining inpatient general surgery, labor and delivery, and inpatient pediatrics capacity. The bill establishes the Safe Delivery Fund (Fund), and requires moneys in the fund to be available, upon appropriation, to HCAI to award to hospitals in amounts not to exceed \$5 million per year.

Specifically, this bill:

- 1) Establishes the Safe Delivery Fund Pilot Program (SDFP Program) within HCAI to provide funding to hospitals that support standby capacity for all of the following specialty services:
  - a) Inpatient general surgery.
  - b) A licensed labor and delivery inpatient unit with nursery beds.
  - c) Inpatient pediatrics capability.
- 2) Requires a hospital, to qualify for the program, do all the following:
  - a) Maintain 24-hours-per-day, 365-days-per-year clinical readiness to provide the services described in item 1, above, consistent with state and federal requirements.
  - b) Be a critical access hospital that provides obstetric services.
  - c) Be located at least 75 miles from the nearest tertiary care hospital.
  - d) Perform no more than 225 inpatient surgeries annually.
  - e) Maintain a valid Medi-Cal contract, including participation with the county-designated Medi-Cal managed care plans, as applicable.
  - f) Demonstrate the hospital serves a geographically isolated population and loss of obstetric services would significantly impact access to maternity care.
- 3) Requires a hospital to use the funds from the SDFP Program for salaries, benefits, insurance, contracted physician compensation, contracted advanced practice provider compensation, or

other expenses attributable to maintaining standby clinical capacity.

- 4) Establishes the Safe Delivery Fund, the primary purpose of which is to offset uncompensated standby costs associated with maintaining specialty physician coverage, advanced practice provider coverage, and hospital staffing necessary to safely provide deliveries and related inpatient specialty services.
- 5) Requires moneys in the fund to be available, upon appropriation by the Legislature, to HCAI for the purposes of this bill.
- 6) Prohibits HCAI from awarding a hospital more than five million dollars (\$5,000,000) per year.
- 7) Requires HCAI to annually calculate standby costs, in consultation with providers, using the hospital's prior-year Medicare or Medi-Cal cost report, as specified, and standby costs per delivery.
- 8) Requires the SDFP Program to reimburse a hospital quarterly based on the number of deliveries performed per day, as follows: \$25,000 for zero deliveries; \$18,500 for one delivery, \$12,000 for two deliveries; \$5,500 for three deliveries; and \$0 for four or more deliveries per day.
- 9) Authorizes HCAI to conduct audits of a participating hospital's cost reports and requires, by April 1, 2027, and quarterly thereafter, a participating hospital to submit to HCAI specified data.
- 10) Authorizes HCAI to conduct annual audits or program reviews to ensure funds are used to maintain standby specialty service capacity and hospitals continue to meet eligibility criteria and quality requirements.
- 11) Requires a hospital to meet all program requirements to continue to participate in the program.
- 12) Sunsets on January 1, 2030.

#### **FISCAL EFFECT:**

General Fund cost pressures in the millions of dollars per year. The author has requested an allocation of up to \$5 million annually to fund this bill as a pilot program. Costs to HCAI to administer the program could be in the hundreds of thousands to low millions, depending on how many hospitals participate.

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

#### **COMMENTS:**

- 1) **Purpose.** This bill is sponsored by Ridgecrest Regional Hospital. According to the author:

For the residents of Ridgecrest and the workforce at China Lake Naval Air Weapons Station, Ridgecrest Regional Hospital is a lifeline. Without local access to Labor and Delivery, expectant mothers face dangerous multi-hour drives for basic prenatal services. This creates an untenable burden for those stationed here for our national security. [This bill] addresses this crisis by establishing the Safe Delivery Fund Pilot Program, which will provide the targeted financial support necessary to maintain 24/7 standby clinical capacity. This bill critical investment in the operational readiness of our military and the long-term health of a geographically isolated community.

- 2) **Background.** In the past decade, more than 50 labor and delivery wards have closed in California hospitals. As a result, large areas lack access to birthing facilities or maternity care providers. Twelve California counties, most of them rural, do not have any hospitals delivering babies. In 2023, CalMatters reported that, from 2012 to 2019, at least 19 hospitals stopped offering labor and delivery services (six of these hospitals closed completely).

Hospital administrators cite several reasons for the closures, including high costs, labor shortages, and declining birth rates. In the past 30 years, the number of births has dropped by half in California, and the birth rate is at its lowest level on record. According to the Assembly Health Committee analysis, many closures result from hospital systems consolidating maternity care into one location, which hospitals argue can help maintain staff training and provide a higher level of care. According to CalMatters, labor and delivery units are often the second most expensive department for hospitals to run.

According to a 2025 California Hospital Association report, after more than 65 years delivering babies, the Central Valley's Ridgecrest Regional Hospital shuttered labor and delivery services in the spring of 2024, due to a shortage of obstetric clinicians and annual losses of \$5 million to \$6 million attributed to the high costs of running a labor and delivery unit and low reimbursement rates. Expectant mothers in the community, which is built around the China Lake Naval Air Weapons Station, had to travel up to two hours to deliver babies. Emergency funding from the U.S. military has enabled services to resume for now.

- 3) **Related Legislation.** AB 1923 (Soria) makes a hospital, regardless of ownership type or system affiliation eligible for state assistance under the Distressed Hospital Loan Program (DHLP), changes criteria for loan forgiveness in the DHLP, and appropriates \$300 million from the General Fund to the DHLP to provide additional rounds of funding to hospitals in financial distress. AB 1923 is pending in this committee.
- 4) **Prior Legislation.** SB 669 (McGuire), Chapter 603, Statutes of 2025, requires the California Department of Public Health to establish a five-year pilot project to allow critical access and individual and small system rural hospitals to establish standby perinatal medical services. It also requires a participating hospital to be greater than 60 minutes from the nearest hospital providing full maternity services and not have closed a full maternity or labor and delivery department on or after January 1, 2025.