

Date of Hearing: April 21, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 1923 (Soria) – As Amended March 26, 2026

SUBJECT: Distressed Hospital Loan Program.

SUMMARY: Makes a hospital, regardless of ownership type or system affiliation eligible for state assistance under the Distressed Hospital Loan Program (DHLP). Requires the evaluation for loan forgiveness in the DHLP to incorporate projections of future financial performance, and, in place of the current criteria, requires the Department of Health Care Access and Information (HCAI) to provide loan forgiveness to any participant in DHLP who received a loan award before the effective date of this bill, if HCAI and the California Health Facilities Financing Authority (CHFFA) determine the participant has demonstrated a good faith effort to comply with program requirements through January 1, 2026, and the financial projections demonstrate that the participant will become financially distressed as a result of loan repayments or other outside factors, including, but not limited to, the impacts of the federal One Big Beautiful Bill Act. Appropriates \$300,000,000 from the General Fund to the DHLP to provide additional rounds of funding to hospitals in financial distress. Contains an urgency clause to ensure that the provisions of this bill go into immediate effect upon enactment. Specifically, **this bill:**

- 1) Adds to the existing parameters of the DHLP the provision of interest-free cashflow loans or other relief as authorized by this bill to any hospital, regardless of ownership type or system affiliation, that meets the applicable criteria for significant financial distress as established by HCAI and CHFFA.
- 2) Requires the methodology for determining financial distress to include projections that account for impacts of federal and state policy changes affecting hospital reimbursement or health care coverage, including, but not limited to, the federal One Big Beautiful Bill Act (Public Law No. 119-21).
- 3) Requires HCAI, no later than two months after the effective date of this bill before this bill, to provide loan forgiveness to any participant of the program who received a DHLP loan before this bill takes effect, if HCAI and CHFFA determine the participant meets both of the following:
 - a) The participant has demonstrated a good faith effort to comply with program requirements through January 1, 2026; and,
 - b) Financial projections demonstrate that the participant will become financially distressed as a result of loan repayments under the program or other outside factors, including, but not limited to, the impacts of the federal One Big Beautiful Bill Act (Public Law No. 119-21).
- 4) Requires the Department of Finance to transfer \$300,000,000 from the General Fund to the DHLP Fund in state fiscal year 2025–26 to provide additional rounds of funding to hospitals in financial distress.
- 5) Extends the sunset date of the DHLP from January 1, 2032 to January 1, 2034.

EXISTING LAW:

- 1) Establishes HCAI, and among other responsibilities, charges HCAI with administering various health facility loan insurance and financing programs, including the Health Facilities Construction Loan Insurance Program, and the Rural Hospital Grant Program. [HSC § 127000, *et seq.* and § 129000, *et seq.*]
- 2) Establishes the DHLP to provide interest free cash-flow loans to not-for-profit hospitals and public hospitals, as defined, in significant financial distress, or to governmental entities representing closed hospitals, to prevent the closure of, or facilitate the reopening of, those hospitals. Requires HCAI to administer the DHLP and to enter into an interagency agreement with CHFFA in the State Treasurer's Office to implement the DHLP. [HSC § 129380, *et seq.*]
- 3) Requires a hospital to begin making monthly repayments of loans received under the DHLP after the first 18 months, and to repay the loan within 72 months of the date of the loan. [HSC § 129834]
- 4) Requires HCAI, in consultation with CHFFA, and upon the approval of the Department of Finance, to develop an application and approval process for loan forgiveness or modification of the terms of the loan, including a delay of the beginning of the loan repayment period or an extension of the 72-months, or both. Requires the process to include eligibility criteria for an applicant for loan forgiveness or modification. Authorizes the Department of Finance to approve any loan forgiveness and any modification of loan terms. [HSC § 129834(c)]

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, in January of 2023, Madera Community Hospital (MCH) shut its doors and filed for bankruptcy, leaving thousands of people in the Central Valley without timely access to emergency care. In response to the closure of MCH and the significant financial challenges facing hospitals around the state, particularly those serving rural or large Medi-Cal populations, the Legislature created the DHLP to prevent other hospital closures and help reopen MCH. The \$300 million program has been a success, saving 15 hospitals from closing or severely curtailing services, and helping MCH reopen its doors. The author states that since the conclusion of the program, financial strain on California's hospitals has continued to grow with four California hospitals closing or being saved from closure by last-minute bailouts. In addition to existing financial difficulties, healthcare cuts passed by Congress in H.R. 1 are set to create a health care financing crisis in the state. Without direct intervention, these cuts threaten to upend California's entire hospital system. The author concludes that this bill would provide relief to California's most distressed hospitals by investing a new round of funding into the program to give loans to newly financially distressed hospitals and granting loan forgiveness for current recipients of distressed hospital loans to the extent that repayment would cause financial distress.

2) BACKGROUND.

a) **DHLP.** AB 112 (Committee on Budget), Chapter 6, Statutes of 2023, establishes the DHLP, until January 1, 2032, which will provide interest free cashflow loans to not-for-profit hospitals and public hospitals, as defined, in significant financial distress, or to governmental entities representing closed hospitals. The DHLP is jointly administered by HCAI and CHFFA. The following hospitals received a total of \$300 million in financial support:

- i) Beverly Hospital - \$5 million;
- ii) Dameron Hospital Association - \$29 million;
- iii) El Centro Regional Medical Center (El Centro) - \$28 million;
- iv) Hayward Sisters Hospital, dba St. Rose Hospital - \$17.65 million;
- v) Hazel Hawkins Memorial - \$10 million;
- vi) John C. Fremont Healthcare District - \$9.35 million;
- vii) Kaweah Delta Health Care District - \$20.75 million;
- viii) Madera Community Hospital - \$2 million;
- ix) Martin Luther King, Jr. Community Hospital- \$14 million;
- x) Palo Verde Hospital - \$8.5 million;
- xi) Pioneers Memorial Healthcare District - \$28 million;
- xii) Ridgecrest Regional Hospital - \$5.5 million;
- xiii) San Geronio Memorial Healthcare District - \$9.8 million;
- xiv) Sonoma Valley Hospital - \$3.1 million;
- xv) TriCity Medical Center - \$33.2 million; and,
- xvi) Watsonville Community Hospital - \$8.3 million.

The loans are at zero-interest and are repayable over 72 months, with an initial 18-month grace period at the beginning of the loan term. The program will sunset on January 1, 2032. HCAI and CHFFA received 30 applicants for the program, however, not all hospitals were awarded funds. During the extensive loan application review process, HCAI considered a diverse set of criteria. Hospitals that demonstrated the greatest levels of financial distress, at-risk of closing in the near term, and had a well-founded plan to remain open and provide services and care, were prioritized and issued loans through the program. Hospitals that did not receive funds from the program demonstrated less financial distress when compared to other hospitals that applied.

b) **DHLP Loan Modifications.** Current law states DHLP loans are to be structured as zero-interest working capital loans with a 72-month term and an initial 18-month payment deferment period. When those deferment periods began to expire, HCAI and CHFFA established a formal loan modification process (explained above) rather than granting blanket extensions. Existing borrowers seeking a loan modification must complete a two-step process. Step 1 is a 12-month extension of the payment deferral period and maturity

date with a recast of the amortization over 60 months. Step 2 is forgiveness of the next succeeding 12 months of principal debt service, and Step 2 may only be considered after Step 1 has first been approved.

An applicant must apply no earlier than 120 days and no later than 90 days, before a loan modification or forgiveness is needed. Submitting within this period ensures that the applicant’s most current financial information is used in the analysis and determination.

Not all loans are due at the same time, because of the original closing dates and approved 12-month extensions.

DHLP Borrower	Loan Mod Step 1 Approval Dates	First Monthly Payment Due	Step 2 Application Received
El Centro Regional Medical Center	3/24/2025	5/1/2026	1/29/2026
Imperial Valley Healthcare District/ Pioneers Memorial Healthcare District	3/24/2025	5/1/2026	1/28/2026
Watsonville Community Hospital	3/24/2025	5/1/2026	1/30/2026
Chinese Hospital Association dba Chinese Hospital	4/16/2025	6/1/2026	3/3/2026
Martin Luther King Jr. Community Hospital	4/16/2025	6/1/2026	2/11/2026
Palo Verde Hospital	5/7/2025	6/1/2026	
Ridgecrest Regional Hospital	5/7/2025	6/1/2026	3/6/2026
Tri-City Medical Hospital	4/16/2025	6/1/2026	2/26/2026
Hayward Sisters dba St. Rose Hospital	5/7/2025	7/1/2026	
Dameron Hospital Association	6/23/2025	8/1/2026	
John C. Fremont	6/23/2025	8/1/2026	
San Geronio Memorial Hospital	6/23/2025	8/1/2026	
Kaweah Delta Healthcare District	6/23/2025	9/1/2026	
Madera Community Hospital	12/19/2025	1/1/2027	
Sonoma Valley Hospital	1/8/2026	3/1/2027	
Hazel Hawkins	Not modified	2/1/2026	

As referenced in the table on the previous page, 15 DHLP borrowers submitted applications for Step 1 modifications that were approved for 12-month extensions in 2025.

To be considered, a DHLP borrower must submit a complete application and justify that, despite its best efforts to implement the Turnaround Plan initiatives, the borrower remains in financial distress. The evaluation uses minimum financial thresholds referred to as the “Stable Financial Ratios,” which are: greater than 60 days cash on hand, greater than 1.5x debt service coverage, and greater than 2.0x current ratio.

- c) **Continuing Distressed Hospitals.** HCAI utilizes quarterly financial data to track each hospital’s performance as well as consolidated program performance. The hospital also submits a turnaround plan narrative that is evaluated in conjunction with the financial data to build a comprehensive view of the hospital’s performance. This information is used to calculate Stable Financial Ratios and determine how a hospital is performing over time. Turnaround plans are evaluated to determine if the initiatives are being implemented and if these efforts are effective. This allows HCAI to determine which hospitals are continuing to face distress and which ones are improving.
- d) **Loan forgiveness.** According to HCAI, for Step 2 loan forgiveness, forgiveness will be considered only if all of the following are shown: Step 1, loan modification was previously approved, and the DHLP proceeds were used for Turnaround Plan initiatives; financial performance has not improved to meet or exceed stable thresholds even after those initiatives as evidenced by missing two of the three stable financial ratios, or has worsened due to external economic or healthcare marketplace factors outside the borrower’s control; and 24-month projections demonstrate that the borrower will still be unable to reach the stable thresholds while making required DHLP debt service payments. Hospitals need to reapply for Step 2 loan forgiveness on an annual basis for forgiveness for the preceding 12-month period.

The application also requires substantial support for those requests, including updated turnaround plan information, an explanation of how DHLP proceeds were used, variances from the original turnaround plan, any ownership or management changes or extraordinary events, current financial statements no more than 45 days old, current ratio calculations, changes in debt, revenue timing issues, and 24-month projections. Applications must be submitted at least 90 days but no more than 120 days before the modification is needed, and require approval from HCAI, California Health and Human Services (HHS) Agency, CHFFA, and the Department of Finance.

At this time, no hospital loans have been forgiven, and several loan forgiveness applications are under review.

- e) **Expansion of the DHLP as proposed by this bill.** Under existing law, hospitals belonging to integrated health care systems with more than two separately licensed hospital facilities are ineligible for assistance under DHLP. This bill would change that prospectively for future awards provided after its effective date. For existing borrowers, the public loan modification materials do require applicants to disclose changes in ownership, management, or other extraordinary events and to update turnaround plans. That means affiliation activity is relevant to the modification review. HCAI and CHFFA

review those requests based on the governing agreements, the modification criteria, the borrower's current and projected financial condition, and the facts of the affiliation.

HCAI has the authority to determine service provision requirements in approving and for the duration of loans to eligible hospitals and can consider service provision requirements in the context of loan modification requests. Hospitals also must adhere to conditions provided in their respective approved turnaround plans, including any applicable provisions requiring continuation of specific service lines, such as emergency services or labor and delivery services.

However, HCAI may experience limitations in the currently available hospital-level data, should the DHLPP be broadened to larger systems that become financially distressed. HCAI's data documentation notes that hospitals operating under a consolidated license may report financial data under the parent facility because they often use an integrated accounting system, which means that public and reported financial data may not always isolate the acquired or affiliated hospital on a standalone basis. As a result, for a system-affiliated applicant, HCAI may need more entity-specific and projection-based information to determine whether the individual hospital, as opposed to the larger system, is financially distressed.

- f) **Peterson-Milbank Program for Sustainable Health Care Costs.** The Peterson-Milbank Program published a study in September of 2025 titled "Separating the Haves from the Have-Nots: State Options for Targeted Application of Hospital Affordability Policies," which notes that states pursuing health care affordability strategies face major pushback from hospitals and their lobbying groups. The report acknowledges that certain increase in uncompensated care in the coming years (resulting from people losing their insurance due to the terms of federal HR1, recently passed and signed into law) will increase financial pressures. Hospitals argue that these policies will have disastrous financial impacts for them and that this legislation could force them to make service cuts or even close facilities, endangering patient access to care. However, these arguments mask a critical truth: Not all hospitals and health systems are in the same financial position. Rather, the hospital industry is characterized by a mix of what the study coauthors have referred to as haves and have-nots. Some hospitals and health systems (the haves) retain large reserves and strong market power, and others (the have-nots) are financially precarious. The haves are often large and/or located in high-income communities, whereas the have-nots are often small and/or located in low-income communities. Historical information suggests that high-asset hospitals grow their assets particularly through nonpatient care activities, using their wealth to generate more funds, while low-asset hospitals are likely to stay asset-poor.

The study notes that while the hospital industry has faced serious challenges since 2020 and, in particular, experienced widescale losses in fiscal year (FY) 2022 as federal pandemic relief programs ended and stock market swings decreased investment portfolio values. Though industry-wide financial performance has improved since then, with gradual recovery starting in late FY2023 and continuing in FY2024, some hospitals continue to struggle. However, these challenges have not been felt evenly. While some hospitals and systems have seen degradation of their finances (e.g., poor margins, low liquidity, and downgraded credit ratings), others have maintained robust financial health, maintaining significant reserves and high credit ratings.

g) Costs, Consolidation, and Private Equity. One driver of the high cost of care is pervasive consolidation across health care markets, including hospitals, physicians, insurance, and pharmaceutical markets. While consolidation can theoretically reduce fragmentation and improve efficiency, it also makes smaller entities subject to sophisticated business strategies of a larger organization that may seek to use disproportionate market power to charge prices beyond what would be viable in a competitive marketplace. An environmental scan of consolidation trends (mergers, purchases, acquisitions, ownership, and contractual agreements for joint price negotiations) published in RAND Health Quarterly in 2023 reported findings that health care consolidation, particularly horizontal consolidation of providers (hospitals acquiring other hospitals), was associated with higher prices, with little or no impact on health care quality. Furthermore, although horizontal consolidation of commercial insurers is associated with lower provider costs, these savings are not passed on to consumers, who face higher premium costs after consolidation. A September 2025 report published by the General Accounting Office indicates that vertical integration of physicians into hospital systems increased Medicare spending and the prices paid by commercial insurers.

Private equity arrangements with physician practices and other players in the health system are growing and vary by specialty and geographic market. Private equity is a form of corporate ownership that often entails relying on loans to acquire a business, taking it private if not already, and attempting to increase its value to sell it at a profit in three to seven years. In California, private equity acquisitions of health care providers, health care technology, and pharmaceutical and biotech industries totaled \$20 billion. Private equity acquisitions of health care providers, including clinics, hospitals, and nursing homes, made up a significant portion of deals in the state. Private equity firms now own approximately 8% of all private hospitals in the U.S. and approximately 6% of private hospitals in California. Research demonstrates these acquisitions lead to higher costs for patients and insurers, lower patient satisfaction, and worse financial outcomes for the entities being acquired.

3) SUPPORT. The California Hospital Association (CHA) supports this bill and states that, created in 2023 in the aftermath of the COVID-19 pandemic, the DHLP has proven incredibly effective. It successfully prevented closures and cuts for 15 participating hospitals and — against significant odds — helped one closed hospital, Madera Community Hospital, reopen its doors. CHA notes that at the time the program was created, this assistance was limited to only certain hospital types, making this lifeline unavailable to dozens of hospitals throughout the state. Now, funding for this successful program is depleted. CHA contends that federal funding cuts have made it challenging for existing recipients to repay the loans that are now coming due; they may be forced to once again consider layoffs, service reductions, or closure. CHA also notes that in 2025 alone, hospitals were forced to lay off 3,500 workers. As of 2024, nearly half (44%) of the state's hospitals were operating in the red. In the past three years, three hospitals in California have been forced to close. Others have had to make the difficult decision of shuttering service lines to remain financially viable. Between 2018 and 2022, 22 hospitals closed their maternity units — leaving 12 counties without maternity care, 17 hospitals stopped providing acute psychiatric services, and 80 hospital-based medical education programs were closed. CHA states that these trends must not be allowed to continue. CHA asserts that rejuvenating the DHLP would give hospitals a fighting chance to continue serving their communities.

The California Chapter of the American College of Emergency Physicians (California ACEP) supports this bill and states that rejuvenating the DHLP would give hospitals – and their emergency departments – a fighting chance to continue serving their communities. California ACEP notes that the DHLP has a proven track record of swiftly delivering targeted financial support to hospitals most in need, all while promoting strong accountability by requiring participating hospitals to implement comprehensive turnaround plans to ensure they can care for their communities for years to come.

- 4) **OPPOSE UNLESS AMENDED.** Service Employees International Union California State Council (SEIU) is opposed to this bill unless it is amended and states that while SEIU appreciates the author's goal of preserving access to care and providing funding flexibility, they oppose extending this program to systems and for-profit hospitals. SEIU notes that when the DHLP was enacted by the Legislature, it was narrowly focused on addressing the needs of communities with hospitals at risk of closure and with limited alternatives for additional funding support. This expands this program to for-profit hospitals and hospital systems, both of which could shift resources in ways that put individual hospitals into distress. With scarce state funding, SEIU contends that the Legislature is better served by investing in programs that address the health needs of communities. SEIU argues that everyone should have access to high-quality healthcare and if the Legislature believes that a hospital needs additional support so it does not close, recommends that the hospital be converted into a public hospital whose primary goal is to focus on the health needs of the community and not on profiting off families when they are at their most vulnerable. SEIU requests, as the bill moves forward, it include additional guardrails to protect these dollars and further the state's goal of access to quality care.

Health Access California (HAC) is opposed to this bill unless it is amended to ensure that if a hospital is a for-profit or has associated entities like a system or private equity owner, the associated entities must also be financially distressed to qualify for the loan. HAC notes that the bill in print allows any hospital regardless of system affiliation or owner to qualify for a loan if the hospital meets the criteria for financial distress. While the hospital has to meet the financially distressed criteria determined by HCAI, the system and owner does not under the bill. This would allow a financially distressed hospital that is owned by a health system that is doing financially well to qualify for the loan. If a financially distressed hospital is affiliated with a system that has immense cash-on-hand profits and reserves, that system should help their hospital instead of asking the state for a loan. For example, in 2024, Adventist Health had \$2.8 billion in cash and investments and \$6.9 billion in revenue. If a financially distressed hospital is a part of Adventist, Adventist should help the hospital financially improve, not ask the state for a loan. If the financially distressed hospital is controlled by a private equity firm or other for-profit entity that is profiting and paying out shareholders and investors, then that private equity firm should help the financially distressed hospital stay afloat, not ask the state for the loan. HAC notes that this bill would allow hospitals in both situations to qualify for the loan. HAC continues that proposed amendments would ensure that state funds go to financially distressed hospitals that do not have other financial resources available. The finances of the hospital's associated entities should be considered before the hospital qualifies for the loan. To do that, requested amendments require the hospitals to submit financial information to HCAI, including reserves and investments, and audited financial statements for the last 3 years. If the hospital or associated entities are for-profit – which this bill opens the loan program up to – the financial disclosure must include payouts to investors, shareholders and management companies. If the for-profit entities

already paid out to investors, shareholders and management companies, that amount should be deducted from the loan. If the hospital and its associated entities are determined financially distressed based on this information and criteria determined by HCAI, the hospital would qualify for the loan.

The California Pan-Ethnic Health Network (CPEHN) is opposed to this bill unless it is amended and notes that current law requires hospitals to submit a plan demonstrating how they intend to regain financial viability as a condition of receiving a loan and requires HCAI to determine whether that plan is viable. However, HCAI is currently not required to consider whether the plan would maintain timely access to care for the impacted community. As a result, a hospital could receive public funds while planning to close its trauma center or eliminate labor and delivery services. CPEHN seeks amendments that would authorize HCAI to consider how a hospital intends to use the loan to maintain essential services and to be able to set conditions requiring hospitals to maintain services, charity care, and other community benefits; and, require loan recipients submit regular progress reports to HCAI documenting compliance with any loan conditions and their financial progress so that the state has the information.

- 5) **RELATED LEGISLATION.** AB 1882 (Ellis) would establish the Safe Delivery Fund Pilot Program, until January 1, 2030, which would be administered by HCAI to provide funding to hospitals 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. AB 1882 would require a hospital to meet specified requirements to qualify for the program, including, among other things, that the hospital can demonstrate that the hospital serves a geographically isolated population and that loss of obstetric services would significantly impact access to maternity care. AB 1882 is pending in the Assembly Health Committee.
- 6) **PREVIOUS LEGISLATION.**
 - a) AB 2271 (Ortega) of 2024 would have required HCAI, subject to review and approval by the Department of Finance, to approve the forgiveness of a DHLP loan for the St. Rose Hospital in the City of Hayward. AB 2271 was vetoed by Governor Newsom, who stated, in part: “The DHLP was established in 2023 with \$300 million to offer interest-free loans to non-profit and publicly operated hospitals in financial distress. A total of 16 hospitals received loans from the program in August 2023, including \$17.65 million to St. Rose Hospital. As part of the DHLP statute, HCAI is required to develop loan modification and forgiveness guidelines that all hospitals may apply for. These guidelines will be released before the end of the year, and I encourage St. Rose Hospital to pursue loan forgiveness through this path.”
 - b) AB 112 establishes the DHLP, until January 1, 2032, which provides interest-free cashflow loans to not-for-profit hospitals and public hospitals, as defined, in significant financial distress, or to governmental entities representing closed hospitals. Requires HCAI to administer the DHLP and to enter into an interagency agreement with CHFFA to implement the DHLP.
 - c) AB 412 (Soria) of 2023 would have established the DHLP. The provisions of AB 412 were later amended into AB 112.

- 7) **AMENDMENTS.** Currently, the DHLP is intended to provide interest-free cash-flow loans to not-for-profit hospitals and public hospitals, as defined, in significant financial distress. As currently drafted, this bill would make all hospitals, including for-profit hospitals in California eligible to apply for a DHLP loan regardless of whether or not they are part of a larger system or have private equity investors. The Committee may wish to amend this bill to clarify that in order to qualify for a loan, the entire system, and associated entities, such as private equity investors, would all need to be deemed to be in financial distress.

REGISTERED SUPPORT / OPPOSITION:

Support

California Hospital Association (sponsor)
Adventist Health
Alliance of Catholic Health Care
Association of California Healthcare Districts
Bear Valley Community Hospital
California Association of Public Hospitals & Health Systems
California Chamber of Commerce
California Chapter of the American College of Emergency Physicians
California Children's Hospital Association
California Special Districts Association
Community Health System
County of Fresno
County of Santa Cruz
Desert Regional Medical Center
Dignity Health
District Hospital Leadership Forum
Doctors Hospital of Manteca
Doctors Medical Center
Hi-desert Medical Center
Indivisible Ca: StateStrong
Jerold Phelps Community Hospital
JFK Memorial Hospital
Marshall Medical Center
Mayers Memorial Hospital District
Pih Health
Pomona Valley Hospital Medical Center
Private Essential Access Community Hospitals
Rural County Representatives of California (RCRC)
Saint Agnes Medical Center
San Bernardino Mountains Community Hospital District
Santa Cruz County Board of Supervisors
Sharp Healthcare
United Hospital Association
Two individuals

Opposition

None on file

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