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## SENATE COMMITTEE ON HEALTH

Senator Akilah Weber Pierson, Chair

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**BILL NO:** AB 1923  
**AUTHOR:** Soria  
**VERSION:** May 20, 2026  
**HEARING DATE:** July 1, 2026  
**CONSULTANT:** Vincent D. Marchand

**SUBJECT:** Distressed Hospital Loan Program

**SUMMARY:** Revises eligibility criteria for the Distressed Hospital Loan Program (DHLP) by extending eligibility to for-profit hospitals and hospitals that are part of a system, if these hospitals meet specified eligibility criteria. Requires the Department of Health Care Access and Information to provide loan forgiveness to any participant in the DHLP who received a loan award before the effective date of this bill, if the participant has demonstrated a good faith effort to comply with program requirements through January 1, 2026, and financial projections demonstrate that the participant will become financially distressed as a result of loan repayments or other factors, including, but not limited to, the impacts of the federal H.R. 1 legislation.

**Existing law:**

- 1) Establishes the Department of Health Care Access and Information (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 in significant financial distress, or to governmental entities representing closed hospitals, to prevent the closure of, or to facilitate the reopening of, those hospitals. Requires HCAI to administer the DHLP and to enter into an interagency agreement with the California Health Facilities Financing Administration (CHFFA) in the State Treasurer's Office to implement the DHLP. [HSC §129380, et seq.]
- 3) Excludes not-for-profit hospitals and public hospitals that are part of system with three or more separately licensed hospital facilities from eligibility for the DHLP. [HSC §129383(e)]
- 4) 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]
- 5) 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)]

**This bill:**

- 1) Requires, for awards provided under the DHLP after the effective date of this bill, any hospital, regardless of ownership type or system affiliation, to be eligible for state assistance under DHLP if the hospital meets the applicable criteria for significant financial distressed as

established by HCAI and CHFFA, and, if the hospital has associated entities, meets the requirements for eligibility in 2) below. Defines “associated entities” as any affiliates, subsidiaries, or other entities that control, govern, or are financially responsible for the hospital or are subject to the control, governance, or financial control of the hospital, foreign or domestic.

- 2) Revises the applicable criteria for a hospital to include the fiscal condition of the hospital, including revenues, reserves, profits, credit rating, debt capacity, capital investment, commercial prices, and assets of the hospital and associated entities. Requires HCAI and CHFFA, in assessing the fiscal condition of the hospital, to review financial reports from the hospital and consolidated financial statements from associated entities, if applicable.
- 3) Revises the methodology for determining financial distress, for purposes of eligibility for the DHLP, by allowing the consideration of additional factors, including credit rating, debt capacity, capital investment, reserves, investments, and commercial prices, and by requiring projected performance to account for impacts of federal and state policy changes affecting hospital reimbursement or health care coverage, including, but not limited to, H.R. 1.
- 4) Requires a hospital with associated entities to only be eligible for state assistance from the DHLP if the hospital’s associated entities are determined not to have the capacity to provide sufficient financial resources to resolve the financial distress of the hospital.
- 5) Requires hospitals with associated entities to submit financial statements and consolidated financial statements with information on all associated entities for CHFFA and HCAI to determine the hospital’s need for financial assistance. Requires the financial information to include, but not limited be to:
  - a) A statement of financial position, including reserves and investments;
  - b) Audited annual financial statements for the last three years; and,
  - c) Payouts to investors, shareholders, and management companies, even if privately held, if the hospital or any associated entity is a for-profit entity.
- 6) Requires the amount paid out to investors, shareholders, and management companies in the last three years to be deducted from any loan amount from the program, if issued.
- 7) Requires HCAI to consider requiring conditions on DHLP loans to maintain timely access to services in the affected community. Permits conditions to include, but not be limited to:
  - a) Maintaining labor and delivery services, emergency services, and other services that the hospital currently provides;
  - b) Continued participation in Medi-Cal, Medi-Cal managed care, and county contracts; and,
  - c) Required or maintaining community benefit and charity care.
- 8) Revises eligibility criteria for DHLP loan forgiveness or modification to incorporate projections of future financial performance in addition to a hospital’s point-in-time financial condition.
- 9) Requires HCAI, no later than two months after the effective date of this bill, to provide loan forgiveness to any participant of the DHLP who received a loan before the effective date of this bill, if HCAI and CHFFA determine that 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 or other factors, including, but not limited to, the impacts of H.R. 1.

10) Repeals a requirement that the Department of Finance be authorized to approve any loan forgiveness and any modification of loan terms that would result in the extension of the payback period by more than one year.

11) Makes all of the provisions of this bill contingent on appropriation. Requires the provisions of this bill to become operative on July 1 of the year an appropriation is made.

12) Extends the sunset date of the DHLP from January 1, 2032, to January 2, 2035.

13) Contains an urgency clause that will make this bill effective upon enactment.

**FISCAL EFFECT:** According to the Assembly Appropriations Committee, HCAI estimates approximately \$1 million in fiscal year 2026-27 and ongoing for five positions, as well as approximately \$6 million in consulting costs over the life of the program.

**PRIOR VOTES:**

Assembly Floor:	77 - 0
Assembly Appropriations Committee:	15 - 0
Assembly Health Committee:	16 - 0

**COMMENTS:**

1) *Author’s statement.* 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. 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 healthcare financing crisis in the state. This bill would provide relief to California’s most distressed hospitals by opening the program to new categories of financially distressed hospitals and granting loan forgiveness for current recipients of distressed hospital loans to the extent that repayment would cause financial distress.

2) *DHLP.* The DHLP was established through AB 112 (Committee on Budget, Chapter 6, Statutes of 2023), following the closure of MCH, in an effort to prevent further hospital closures and to help facilitate the reopening of MCH. AB 112 initially funded the DHLP at \$150 million, but an additional \$150 million was later appropriated to make it a \$300 million loan program. The criteria for eligibility excluded for-profit hospitals, as well as hospitals that were part of a system with three or more hospitals. After development of an application process and reviewing applications from 30 hospitals, HCAI initially awarded loans to the following 17 hospitals:

- a) Beverly Hospital \$5 million\*
- b) Chinese Hospital \$10.35 million

c) Dameron Hospital	\$29 million
d) El Centro Regional Hospital	\$28 million
e) St. Rose Hospital	\$17.65 million
f) Hazel Hawkins Memorial	\$10 million
g) John C. Fremont Hospital	\$9.35 million
h) Kaweah Delta Hospital	\$20.75 million
i) MCH	\$2 million bridge loan, \$50 million held in reserve*
j) MLK Jr. Community Hospital	\$14 million
k) Palo Verde Hospital	\$8.5
l) Pioneers Memorial Hospital	\$28 million
m) Ridgecrest Regional Hospital	\$5.5 million
n) San Geronio Memorial Hospital	\$9.8 million
o) Sonoma Valley Hospital	\$3.1 million
p) TriCity Medical Center	\$33.2 million
q) Watsonville Community Hospital	\$8.3 million

\*Subsequent to these initially announced awards, a bankruptcy judge ultimately approved a reopening plan for MCH submitted by American Advanced Management. The \$5 million that had been awarded to Beverly Hospital, which was already in bankruptcy and declined the loan, was combined with the \$50 million held in reserve, and so MCH ended up being awarded \$57 million in DHLP funds.

As described in Existing Law above, the DHLP also required HCAI to develop, in consultation with CHFFA and upon the approval of the Department of Finance, a process for hospitals who received DHLP loans to request forgiveness or loan modifications. To date, there have been no loans forgiven, but most hospitals with loans have had extensions of the time for repayment approved. Under the DHLP, a hospital was required to begin making payments 18 months after the loan was awarded. The earliest loans were awarded in October of 2023, so the first payments would have been due beginning in April of 2025, but the first batch of 12-month extensions were approved for all hospitals with payments due in 2025. Many hospitals have also applied, and some have been approved, for a second 12-month extension. According to HCAI, Hazel Hawkins, Pioneers Memorial, and Ridgecrest Community Hospital have all started repayments. All other hospitals are still on their first or second extension. MCH’s loan was awarded on June 13, 2024, and they have been awarded an initial 12-month extension, so they would be required to begin repayments in December of 2026, unless they are awarded a second extension.

- 3) *Distressed Hospital Grant Program.* Earlier this year, AB 108 (Gabriel, Chapter 8, Statutes of 2026) amended the 2025 Budget Act to authorize \$25 million in one-time grant funding for financially distressed hospitals. This grant program established eligibility criteria to focus on hospitals in significant financial distress, including requiring the hospital to have less than ten days cash on hand, inclusive of all investments and liquid assets that can be used for operations. This grant program also excluded for-profit hospitals from eligibility. Eleven hospitals applied, and HCAI determined that the following four hospitals demonstrated the greatest level of need and were awarded grants: Southern Inyo Healthcare District (\$400,000); Palo Verde Hospital (\$3 million); Watsonville Community Hospital (\$10.6 million); and, El Centro Regional Medical Center (\$11 million).
- 4) *H.R. 1.* H.R. 1, a vast budget reconciliation bill, makes a number of changes primarily to lower taxes, increase funding for immigration control and national defense, and restrict

access to and funding for SNAP and Medicaid. Medicaid payments were reduced by defunding family planning providers that provide abortions, prohibiting new or increased provider taxes to fund Medicaid and requiring a gradual reduction of existing provider taxes, capping the rate the state may set for certain services, reducing the federal share of payment for emergency services to adults with unqualified immigration status, and making changes in allowable payments under federal waiver programs.

- 5) *Prior legislation.* AB 2271 (Ortega of 2024) would have required HCAI to approve the forgiveness of the \$17.65 million loan awarded to St. Rose Hospital in Hayward from the DHLP. *AB 2271 was vetoed by the Governor, who stated, in part, that this bill would circumvent the loan forgiveness application process in existing law to secure full forgiveness to one hospital through statute. This unfairly advantages St. Rose and sets a precedent for the remaining 15 hospitals that received loans.*

AB 108 (Gabriel, Chapter 8, Statutes of 2026) increased a General Fund appropriation in the Budget Act of 2025 to support grants to hospitals in immediate and significant financial distress.

AB 2098 (Garcia of 2024) would have extended the repayment requirements for nondesignated public hospitals participating in a CHFFA loan program. *AB 2098 was vetoed by Governor Newsom, who stated in part that “While I support efforts to ensure loan repayment requirements are feasible, this bill would advantage one subset of hospital loans above others that did not receive such an extension. Extending the timeline for repayment will affect our budget structure in the out years, and would be better discussed as part of the annual budget process.*

AB 112 (Committee on Budget, Chapter 6, Statutes of 2023), 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. Requires HCAI to administer the DHLP and to enter into an interagency agreement with CHFFA to implement the DHLP.

AB 1131 (Garcia of 2023) would have established the Hospitals First Revolving Fund, administered by HCAI, to offer grants and low-cost loans to hospitals in rural and medically underserved communities to prevent the closure of a hospital or facilitate the reopening of a closed hospital. *AB 1131 was held on the Assembly Appropriations Committee suspense file.*

- 6) *Support.* This bill is sponsored by the California Hospital Association (CHA), which states that patient care in California is at a breaking point, with rapidly rising costs, inadequate reimbursement from government payers, unfunded state mandates, patients with increasingly complex needs, and other challenges straining a health system already on the brink. CHA states that hospitals need help to preserve access to care, and is sponsoring this bill to strengthen the existing DHLP by calling for a new round of loans to struggling hospitals, ensuring expedited forgiveness of existing loans if repayment would result in the hospital returning to financial distress, and expanding program eligibility to hospitals that are part of broader hospitals systems or investor-owned, with appropriate protections. CHA states that Madera Community Hospital’s experience illustrates why proactive support is so critical, despite receiving \$57 million from the program, it took more than two years for the hospital to open, and is only able to remain viable because it has significantly reduced the services it offers. By contrast, awards for participating hospitals that did not close averaged about \$16

million per hospital, and their turnaround plans include service expansions and upgrades, ultimately improving their ability to meet patients' needs. Madera Community Hospital is one of a number of hospitals that wrote in to support this bill, stating that this bill recognizes the ongoing challenges facing hospitals by requiring a more comprehensive evaluation of financial distress that considers future financial projections and the impacts of federal and state policy changes affecting reimbursement. This bill also provides a pathway for loan forgiveness when repayment obligations would cause a hospital to fall back into financial distress despite making good faith efforts to comply with program requirements.

- 7) *Oppose unless amended.* California State Council of Service Employees International Union (SEIU California) is opposed to this bill unless amended to remove the expansion to systems and for-profit hospitals. SEIU California states that when the DHLP was enacted, 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 bill expands this program to for-profit hospitals and hospital systems, both of which could shift resources in ways that put individual hospitals into distress. If the Legislature believes that a hospital needs additional support so it does not close, then they recommend that the hospital be converted into a public hospital whose primary goal is to focus on the health needs of the community.
- 8) *Opposition.* The Private Equity Stakeholder Project (PESP) opposes this, stating that as policymakers consider making any hospital, regardless of ownership type, eligible for state assistance, it is important to understand how ownership structures and financial incentives can shape care delivery, and the risks that may arise when financial returns are prioritized alongside patient care and community health needs. PESP states that the private equity model prefers short-term profits and rapid value extraction over the long-term stability of the companies in their portfolio. Private equity investment in healthcare is often accompanied by financial practices such as high levels of debt, dividend payments, and real estate transactions that can place additional strain on provider operations. In hospital settings, these dynamics can affect staffing, service availability, and long-term financial stability, particularly for facilities serving vulnerable communities. Expanding eligibility for the DHLP to include for-profit hospitals may increase the risk that public funds are used to support entities operating under these financial models.

### **SUPPORT AND 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  
East Bay Leadership Council  
Hi-Desert Medical Center  
Indivisible CA: StateStrong  
Jerold Phelps Community Hospital  
JFK Memorial Hospital  
Madera Community Hospital  
Madera County Economic Development Commission  
Marshall Medical Center  
Mayers Memorial Hospital District  
PIH Health  
Pomona Valley Hospital Medical Center  
Private Essential Access Community Hospitals  
Providence  
Rural County Representatives of California  
Saint Agnes Medical Center  
San Bernardino Mountains Community Hospital District  
SHARP Healthcare  
United Hospital Association

**Oppose:** California Pan - Ethnic Health Network (unless amended)  
California State Council of Service Employees International Union (unless amended)  
Health Access California (unless amended)  
Private Equity Stakeholder Project  
Western Center on Law & Poverty, Inc. (unless amended)

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