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## SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair  
2025 - 2026 Regular Session

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### AB 1923 (Soria) - Distressed Hospital Loan Program

**Version:** July 2, 2026

**Urgency:** Yes

**Hearing Date:** August 3, 2026

**Policy Vote:** HEALTH 10 - 0

**Mandate:** No

**Consultant:** Agnes Lee

**Bill Summary:** AB 1923, an urgency measure, would make changes to the loan forgiveness and modification process under the Distressed Hospital Loan Program.

#### **Fiscal Impact:**

- Unknown loss of loan recoupments, potentially high tens of millions, that would otherwise revert to the General Fund.
- The Department of Health Care Access and Information (HCAI) anticipates no fiscal impact to state operations.

**Background:** Current law establishes the Distressed Hospital Loan Program (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. Not-for-profit hospitals and public hospitals that are part of system with three or more separately licensed hospital facilities are not eligible for the DHLP. Hospitals must 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. The DHLP sunsets January 1, 2032.

The DHLP received authorization to provide up to \$300 million in one-time funding to implement the program (\$150 million from the General Fund to the Distressed Hospital Loan Program Fund and \$150 million from the Medi-Cal Provider Payment Reserve Fund to the Distressed Hospital Loan Program Fund). Current law requires security for the cashflow loans to be Medi-Cal reimbursements due to the hospital from the Department of Health Care Services (DHCS). The recoupment of these cashflow loans cannot exceed 20 percent of the hospital's respective Medi-Cal checkwrite payments until the loan amount has been satisfied. In the event that a 20-percent withhold will not result in full repayment of the loan within a 72-month period, the DHCS may extend the repayment term of the loan.

Current law requires HCAI 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. The process must include, but is not limited to, eligibility criteria for an applicant for loan forgiveness or modification, including which portion of a loan may be forgiven or modified. The HCAI indicates that the current outstanding DHLP loan balance is \$283.1 million, of which \$35,288,000 has been forgiven.

**Proposed Law:** Specific provisions of the bill would:

- Require that the eligibility criteria for an DHLP applicant for loan forgiveness or modification incorporate projections of future financial performance in addition to a hospital's point-in-time financial condition.
- Require HCAI to provide loan forgiveness to a participant of the program who received a loan, as specified, if the participant meets both of the following:
  - The participant has demonstrated a good faith effort to comply with program requirements through January 1, 2026.
  - 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).
- Make the provisions related to the loan forgiveness and modification requirements contingent upon an appropriation.
- Extend the sunset for the DHLP from January 1, 2032 to January 1, 2035.
- Contain an urgency clause.

**Related Legislation:** The Budget Act of 2026 includes a one-time General Fund augmentation of \$90 million to provide grants to distressed hospitals, and allows for an additional augmentation of \$50 million General Fund for grants to distressed hospitals, as specified.

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