

CALIFORNIA DEPARTMENT OF HEALTH CARE ACCESS AND INFORMATION



Distressed Hospital Grant Program Grant Guide and Application

Application Deadline:

November 9, 2026

5:00 p.m. PST

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Sacramento, CA 95833
(916) 319-8800
dhsgp@hcai.ca.gov
<https://hcai.ca.gov/>

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GRANT GUIDE AND APPLICATION INSTRUCTIONS

We appreciate your interest in the Distressed Hospital Grant Program (Program), administered by the California Department of Health Care Access and Information (HCAI). Your commitment to delivering quality health care is valued, and we look forward to learning more about your organization as part of this application process. The Program provides grants to not-for-profit and public hospitals facing significant financial distress, as outlined in Senate Bill (SB) 111 (Laird, Chapter 21, Statutes of 2026). The legislation authorized \$85.5 million in grant funding to hospitals in financial distress which can be augmented up to \$50 million if approved by Department of Finance

To be eligible for this Program, applicants must satisfy the requirements set forth in SB 111:

- Be a not-for-profit or a public hospital.
- Operate as a standalone facility or be part of an integrated health care system with not more than two separately licensed hospital facilities. Hospitals in systems with more than two licensed facilities are ineligible.
- Demonstrate it has government and uninsured payor mix of at least 60% of gross revenue.
- Submit a viable Strategic Initiative Plan that includes financial projections and an explanation of how grant funds will be used, along with strategies from the hospital's governing body to regain financial viability and continue to operate.
- Have demonstrated best efforts to exhaust other financial options, including, but not limited to, resolving outstanding revenue timing issues or requesting forgiveness or deferral of other short-term and long-term debt

The Program invests in hospitals whose stabilization is essential to maintaining health care access in California. The Program recognizes the challenges faced by hospitals and provides support tied to strategic initiatives with defined key performance indicators that will drive measurable hospital improvements.

Applicants must complete all sections of the application form, and submit all supporting documents as outlined in the Supporting Document Checklist. Responses to all questions should be attached as supplemental pages to the application form

All applications will be reviewed for eligibility. Eligible applications will be scored by evaluation of five areas of focus, including:

- Viability of Strategic Initiatives
- Financial Ratios and Results
- Partnerships and System Level Resources to Capital
- Leadership Capabilities
- Community Need. Geographic Access

Awards will be disbursed as follows:

- 50% upon Award
- 50% Six Months Post Award subject to progress of Strategic Initiatives

Awardees will be subject to reporting requirements which will be due in six (6) months.

The financial application package will include:

- Current Financial Statements
- Current Utilization Reports
- Updated Strategic Initiatives

Additionally, Awardees will be required to file a final retrospective report at twelve (12) months post award. A template will be provided by HCAI for this report. The report will detail the results of the Strategic Initiative Plan and updated financial standing.

To be considered for a grant under this program, a **complete** application must be submitted electronically to HCAI at dhsqp@hcai.ca.gov **by 5:00 PM Pacific Standard Time on November 9, 2026**. Applications submitted after the deadline or that are incomplete will not be considered.

We are committed to supporting applicants throughout the application process and encourage you to reach out with any questions to dhsqp@hcai.ca.gov. HCAI reserves the right to request additional information in review of the application and determination of grant awards.

APPLICATION FORM

SECTION ONE: APPLICANT INFORMATION

Legal Name of the Facility Including DBA Name (Applicant):	
Physical Address:	Mailing Address (if different than physical):
Taxpayer Identification Number (TIN) or Employer Identification Number (EIN):	Type of Entity: ☐ Not-for-profit Hospital ☐ Public Hospital
Authorized Signatory First and Last Name:	Title:
Phone Number:	Email Address:
Alternative Contact First and Last Name:	Title:
Phone Number:	Email Address:

SECTION TWO: STRATEGIC INITIATIVE PLAN

- A. Submit a Strategic Initiative Plan in accordance with the instructions found in Exhibit A.
- B. Identify the total requested grant amount pursuant to the Strategic Initiative Plan in Exhibit A: \$ _____

SECTION THREE: FINANCIAL STANDING

A. Access to Capital

Describe the Applicant's existing access to capital and the steps taken to increase its access to capital through lines of credit, loans, partnerships, mergers, and other debt instruments. Include the amount, terms, maturity dates, and other relevant details.

B. Financial Statements

Submit the following financial statements:

- 1) Two most recent annual audited financial statements, including management letters.
- 2) Most recent (not older than 60 days) internally prepared financial statements (balance sheet, income statement, and cash flow statement) covering the last twelve months with monthly breakdown.

C. Financial Ratios

Submit the calculation for the following financial ratios covering the most recent twelve-month period. Detailed calculations should be attached to the application and the figures used must match the submitted financial statements.

1) Days Cash on Hand

Days Cash on Hand = Unrestricted Cash and Investments ÷ [(Operating Expenses – Non-Cash Expenses) ÷ 365]

2) Current Ratio

Current Ratio = Current Assets ÷ Current Liabilities

3) Net Margin

Net Margin = Net Income ÷ Total Revenue

4) Net Cash Runway

Net Cash Runway = Unrestricted Cash and Investments ÷ Monthly Average Operating Loss (including interest expense and excluding non-cash expenses)

5) Debt Service Coverage Ratio

Debt Service Coverage Ratio = Net Income Available for Debt Service ÷ Debt Service (principal & interest) for the Following Twelve Months*

** Net Income Available for Debt Service = Excess of Revenue Over Expenses + Depreciation Expense + Amortization Expense + Interest Expense + Non-Cash Expenses – Restricted Donations – Extraordinary/Non-Recurring Revenue (Expenses) – Non-Cash Revenues – Unrealized Gain (Loss) on Investments*

D. Utilization Statistics

Provide the Applicant's utilization statistics for the last twelve-month period.

E. Payer Mix

Complete the following table for the two most recently completed fiscal years, provide the percentage of each revenue source.

<u>Revenue Source</u>	<u>Percent of Gross Revenue</u>	
<i>For Fiscal Year:</i>	20__	20__
Medi-Cal (Including Managed Medi-Cal)	____%	____%
Medicare (including Medicare Managed Care)	____%	____%
Commercial (Private Insurance)	____%	____%
Self-pay	____%	____%
Charity, Unreimbursed Care, Other	____%	____%
<i>Total:</i>	100%	100%

SECTION FOUR: PARTNERSHIPS, AFFILIATIONS, and MERGERS

A. Partnerships, Affiliations, & Mergers

- 1) Submit a list of all existing partnership(s), management service agreement(s), affiliation(s), merger(s) and include a description of the nature of each. Applicants must disclose any partnerships, affiliations and/or mergers that may involve shared decision-making, resource allocation, funding flows, or operational dependencies. HCAI reserves the right to request executed copies of any such documents at its sole discretion.

- 2) Is the Applicant currently seeking or developing a partnership, an affiliation and/or a merger with another organization?

☐ YES

☐ NO

If yes, attach a separate response describing the nature of the partnership, affiliation, and/or merger.

SECTION FIVE: MANAGEMENT AND GOVERNANCE

A. C-Suite

Submit resumes for the individuals in the roles listed below:

- 1) Chief Executive Officer / Executive Director / Administrator or equivalent
- 2) Chief Operating Officer or equivalent
- 3) Chief Financial Officer or equivalent
- 4) Medical Director / Chief Medical Officer or equivalent

If any of the roles are vacant or interim appointments, include a description of how long the role was vacant or held on an interim basis, and the reason for the vacancy or interim appointment.

B. Board of Directors

Submit a list of the Applicant's board of directors, including the following:

- 1) Each board member's occupation / professional background, board position (chair, secretary, member, etc.), tenure, and term expiration. Identify any current vacancies and duration of the vacancy, if applicable.
- 2) Describe the governance and decision rights of the Applicant's board of directors.
- 3) If required by the Applicant's governing body, attach documentation of board resolution for submission of this application.

SECTION SIX: RECENT AND ANTICIPATED CHANGES

- ### **A.**
- Describe any significant changes that have occurred within the past two years or are expected to occur within the next two years involving the Applicant, its affiliated system, partners, or geographic service area, including, but not limited to, the following examples:

- Significant capital expenditures or investments;
- Changes to Supplemental Revenue streams
- Expansion or reduction of the Applicant's facilities, services, workforce, or other operational footprint;
- The opening or closure of nearby health care facilities that materially affect the Applicant's operations;
- Significant changes in the service-area population, including substantial population growth or outmigration;
- Changes in management services relationships
- Other actions or events that could materially affect the Applicant's operations or financial condition, including bankruptcy or material litigation.

SECTION SEVEN: COMMUNITY NEED

- A. Describe whether the Applicant is small, rural, a critical access hospital, a trauma center, an urban hospital providing access for an underserved area, a hospital that serves a disproportionate share of Medi-Cal patients or is serving a rural catchment area. Include any information on any services that are exclusive to the Applicant's primary service area.

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SECTION EIGHT: ATTESTATION

An individual with the authority to bind the Applicant to an agreement with the State of California, if a grant under the Program is approved for the hospital, must complete the following attestation:

- ☐ I attest that the Applicant meets the following eligibility criteria required under the Program:
- 1) The Applicant is a not-for-profit or public hospital.
 - 2) The Applicant is a standalone hospital or part of an integrated health care system with not more than two separate licensed hospital facilities.
 - 3) The Applicant has government and uninsured payor mix of 60% or greater based on the percentage of gross revenue.
 - 4) The Applicant has submitted a viable Strategic Initiative Plan that includes financial projections and an explanation of how grant funds will be used, along with strategies from the hospital's governing body to restore financial viability and continue to operate.
 - 5) The Applicant has demonstrated best efforts to exhaust other financial options, including, but not limited to, resolving outstanding revenue timing issues or requesting forgiveness or deferral of other short- and long-term debt has exhausted all other financial options.
- ☐ I attest that the Applicant is not currently under any local, state, or federal investigation that would materially impair the Applicant's ability to participate in or fulfill the commitments associated with this Program.
- ☐ I attest that the Applicant will maintain documentation and supporting records related to grant fund management, implementation progress, milestone achievement, reporting, and performance measurement consistent with applicable grant requirements.
- ☐ I attest that supplemental materials submitted by the Applicant are complete, true, and accurate to the best of my knowledge and that I am authorized to submit this application on behalf of the Applicant. I understand that if the Applicant is approved for a grant, the hospital will provide any additional information or documentation that may be required for grant disbursement. I further understand that misrepresentation or inaccurate information or documentation provided by the hospital may result in the cancellation of the grant, if approved, and that the State of California is authorized to take any additional actions as may be provided under the laws of the State of California.

Signature: _____

Name: _____

Title: _____

Date: _____

EXHIBIT A - STRATEGIC INITIATIVE PLAN

The Applicant must prepare and submit a Strategic Initiative Plan (Plan) that addresses, but is not limited to, the following:

A. Executive Summary

Provide a high-level summary of the Applicant's need for Program funding and the proposed use of Program funding. The summary should outline why the Applicant requires funding to support operational sustainability, access, and implementation of its Plan. Applicants may reference financial instability, service-line vulnerability, workforce shortages, operational challenges, infrastructure limitations, the hospital's importance to maintaining regional access, or other relevant evidence to highlight why they should receive Program funding.

B. Strategic Importance

Explain the Applicant's strategic importance to maintaining health care access and system stability within its designated service area. Applicants should identify factors demonstrating the hospital's importance to the region, such as critical services provided, patient demographics, and regional health needs. Responses should prioritize objective evidence and measurable indicators rather than general organizational descriptions.

Examples of strategic importance factors may include, but are not limited to:

- The hospital is the sole provider of maternity care within its region or would create a maternity care desert if its labor and delivery department were closed.
- Patients in the service area have a high prevalence of chronic illnesses, such as diabetes or heart disease.
- The region faces significant barriers to accessing essential health care services, including primary, specialty, emergency, behavioral health, or maternity care.
- The hospital is designated as a critical access facility, trauma center, or serves rural or urban populations with limited alternatives.
- The hospital provides care to a disproportionately high number of Medicare, Medi-Cal or uninsured populations or other vulnerable populations.

C. Financial or Operational Challenges

Describe the Applicant's primary financial and operational difficulties that affect long-term viability, for example workforce retention, access for patients, and the quality of care delivered. Applicants should include measurable data to illustrate the scale and operational effects of each issue. Emphasize recent and persistent challenges that the Applicant's strategic initiatives are designed to resolve.

Examples of financial or operational challenges may include, but are not limited to:

- Specific workforce shortages
- Low utilization
- Limited care coordination services for discharge planning
- Limited capital for facility improvements
- Service-line closures
- Delayed reimbursement from health plans or other payors
- Outdated technology infrastructure

- Technology interoperability gaps

D. Strategic Initiatives

Applicants must identify up to five (5) strategic initiatives they propose to fund through the Program to address the impact of the operational challenges and drive long-term financial stability. Each initiative should be developed using the template (Exhibit B). An example is also provided (Exhibit C). Each initiative must be linked to specific Key Performance Indicators (KPIs). The total sum of all initiatives investment should be entered as the full requested grant amount in Section Two (B) of the Application Form.

After six-months, grant recipients will be required to report on the progress of their strategic initiatives as part of the mandatory six-month post award update. These reports will include documentation of milestone achievement, KPI progress and the financial impact of the strategic initiatives on overall financial performance. Delays in milestone reporting or making progress towards achievement may result in deferral of future Award payment.

E. 24-Month Financial Projection

Prepare a 24-month financial projection that includes a balance sheet, income statement, and cash-flow statement and incorporates the strategic initiatives identified in the Plan. The projections must include the following:

- Detailed list of all revenue and expense assumptions used in the forecast. Include upcoming supplemental revenue and expenses.
- Effect of each initiative should be clearly illustrated, including baseline run rate and the economic impact of the initiative.

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EXHIBIT B – STRATEGIC INITIATIVE TEMPLATE

Strategic Initiative Name:

Funds Required: \$

Initiative Type: (i.e., Volume Growth/Capacity Expansion, Revenue Cycle, Labor Efficiency, Supply Chain, Debt Restructuring, Other Expense Reduction)

Designated Executive Responsible for Implementation: (i.e., CEO, CFO, etc.)

Initiative Description: Summarize the strategic initiative, including its primary purpose, intended outcomes, and alignment with the organization's strategic goals. Explain the need for the initiative by identifying the challenges it will address, the opportunities it will pursue, and any anticipated community benefits. Describe the key activities and implementation steps, as well as the expected effects on operations, finances, and organizational performance, where applicable.

Key Milestones: Identify the major events, accomplishments, or deliverables that will demonstrate meaningful progress in implementing the strategic initiative over the next 24 months. For each milestone, indicate the expected completion date and, if applicable, the investment amount. Briefly describe the outcome or deliverable associated with each milestone. Milestones should be specific, measurable, and aligned with the initiative's overall objectives. The total investment must equal the funds required for the initiative. See example on the following page.

Investment Schedule: For each quarter, identify the amount that will be invested. Total should match the funds required for the initiative. See example on the following page.

Financial Improvement Projection: For each quarter, identify the projected financial improvement (to illustrate increased revenue, reduced expenses, or net profit). Use specific amounts and provide short descriptions, if needed, to clarify assumptions (e.g., In Q1 "\$100,000 to purchase equipment"). See example on the following page.

Primary KPI(s) Projection: Identify the key performance indicators (KPIs) relevant to tracking the progress of the initiative. These may include, but are not limited to, metrics such as revenue growth, utilization growth, or operational efficiency, etc. Identify the baseline values for each KPI, which represent the starting point or current performance level before any interventions or changes. Forecast the expected values for each KPI quarterly. Ensure that all projections are realistic, data-driven, and aligned with your strategic objectives. See example on the following page. Note: Six-month grant award payment will be aligned with showing progress on KPIs.

EXHIBIT C – STRATEGIC INITIATIVE EXAMPLE

Strategic Initiative Name: *Cardiology Growth*

Funds Required: \$1,000,000

Initiative Type: *Volume Growth – Cardiology*

Designated Executive Responsible for Implementation: *Name/Title (i.e., CEO, CFO, etc.)*

Initiative Description: *Complete agreement with local cardiology physician group to provide expanded services at the hospital. The new team will begin by seeing patients 2 days a week in existing, unused licensed clinic space and will ramp up to 5 days a week within 9 months.*

Key Milestones:

Completion Date	Milestone Description	Investment
12/31/26	Agreement with local Cardiology group completed	
1/31/27	Purchase new equipment and expand inventory of supplies to support expanded patient volume using grant funds	\$300k
2/28/27	Engage staffing agency and recruit new clinic personnel using grant funds	\$200k
3/31/27	New cardiologists privileged and completed proctoring as necessary	
3/31/27	Staff complete non-billable training and orientation supported by grant funds	\$250k
3/31/27	Clinic fit-up complete (equipment, inventory, IT/telecom, etc.)	
4/1/27	First new patients: 2 days a week (adds 200 clinic visits, 32 procedures & 8 inpatient admissions in Yr 1 Q4)	
7/1/27	Clinic expands to 3 days a week (adds 100 clinic visits, 16 procedures & 4 inpatient admissions in Yr 2 Q1)	
9/30/27	-Hire, train & orient additional staff to support expanded hours of operation. -Clinic expands to 4 days a week (adds 100 clinic visits, 16 procedures & 4 inpatient admissions in Yr 2 Q2)	\$250k
1/1/28	Clinic expands to 5 days a week (adds 100 clinic visits, 16 procedures & 4 inpatient admissions in Yr 2 Q3)	

Investment Schedule:

Year 1 Q1 3/31/27	Year 1 Q2 6/30/27	Year 1 Q3 9/30/27	Year 1 Q4 12/31/27	Year 2 Q1 3/31/28	Year 2 Q2 6/30/28	Year 2 Q3 9/30/28	Year 2 Q4 12/31/28	Total
\$750k		\$250k						\$1,000k

Financial Improvement Projection:

Year 1 Q1 3/31/27	Year 1 Q2 6/30/27	Year 1 Q3 9/30/27	Year 1 Q4 12/31/27	Year 2 Q1 3/31/28	Year 2 Q2 6/30/28	Year 2 Q3 9/30/28	Year 2 Q4 12/31/28	Total
	\$100k	\$150k	\$200k	\$250k	\$250k	\$250k	\$250k	\$1,450k

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Primary KPI(s) as of quarter end date:

KP	Quarterly Baseline	Year 1 Q1 3/31/27	Year 1 Q2 6/30/27	Year 1 Q3 9/30/27	Year 1 Q4 12/31/27	Year 2 Q1 3/31/28	Year 2 Q2 6/30/28	Year 2 Q3 9/30/28	Year 2 Q4 12/31/28
<i>Clinic Vsits</i>	500	500	700	800	900	1,000	1,000	1,000	1,000
<i>Outpatint Procees</i>	80	80	112	128	144	160	160	160	160
<i>Cardiol Admissons</i>	20	20	28	32	36	40	40	40	40

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EXHIBIT D - APPLICATION SUPPORTING DOCUMENT CHECKLIST

Applicants must submit all items listed below as part of their application package. Applications missing any required documents will be deemed incomplete and will not be reviewed or awarded.

- ☐ Completed Application Form and Signed Attestation (this document) including responses to all questions as attachments.
- ☐ Strategic Initiative Plan pursuant to Exhibit A including a 24-month projection
- ☐ Two most recent audited financial statements including management letters.
- ☐ Most recent internally prepared financial statement covering the last twelve-month period including monthly breakdown of figures/items on balance sheet, income statement, and cash flow statement.
- ☐ Financial Ratio Calculations
- ☐ Utilization Statistics
- ☐ Partnerships, Affiliations, & Mergers List
- ☐ C-Suite Resumes
- ☐ Management Services Agreement (MSA), if applicable.
- ☐ Board of Directors List
- ☐ Board Resolution, if applicable.