

Distressed Hospital Loan Program

The Distressed Hospital Loan Program (Program) was established through Chapter 6, Statutes of 2023 (Assembly Bill 112). The legislation requires the Department of Health Care Access and Information (HCAI) and the California Health Facilities Financing Authority (CHFFA) to collaboratively develop the Program to offer interest-free, working capital loans to non-profit and publicly-operated financially distressed hospitals, including hospitals that belong to integrated health care systems with no more than two separately licensed hospitals in California that are facing a risk of closure, or to governmental entities representing a closed hospital, while they implement turnaround strategies to regain financial viability or reopen.

HCAI will contract with CHFFA through an Inter-Agency Agreement to administer the loan program. HCAI and CHFFA are developing a loan application and criteria to make loans to financially distressed hospitals seeking assistance. Some details of the Program are as follows:

- The legislation authorizes up to \$150 million in one-time funding to implement the Program, including administrative costs.
- Loans will be offered at zero-percent interest.
- Loans are repayable over 72-months, with an initial 18-month grace period at the beginning of the loan term.
- Lending parameters will be focused on hospitals in significant financial distress, in areas where demand for services and service adequacy are of concern.
- The Program will sunset on December 31, 2031.
- Loans are secured using Medi-Cal checkwrite payments for participating hospitals.

The legislation also includes provisions for requiring hospitals to submit quarterly financial data to HCAI, for use in monitoring the financial health of hospitals throughout the state. This will enable HCAI to better prepare for and identify developing fiscal challenges at hospitals statewide.

The list below outlines the activities HCAI and CHFFA will undertake to meet the requirements of AB112 and open the Program for application submittals and loan issuance.

Program Activities	Goal Completion Date	Agency
<ul style="list-style-type: none"> • Interest survey distributed to all hospitals to inquire on interest for the Program 	Week of May 15	HCAI
<ul style="list-style-type: none"> • Draft evaluation methodology posted online for Program applications 	Week of May 22	HCAI

<ul style="list-style-type: none"> Stakeholder webinar to receive feedback on draft evaluation methodology 	Week of May 22	HCAI & CHFFA
<ul style="list-style-type: none"> CHFFA Board meeting to approve authorizing loan administration 	May 25, 2023	CHFFA
<ul style="list-style-type: none"> Loan applications go live for submittal 	June 2023	CHFFA
<ul style="list-style-type: none"> Informational webinar about the Program to interested applicants 	June 2023	HCAI & CHFFA

If you have further questions, you can contact the Distressed Hospital Loan Program via email at dhlp@hcai.ca.gov.

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