

Record Health Care Inflation Putting the Most Vulnerable Californians at Risk to Lose Critical Health Care Services

The Issue

After more than two years leading to over \$12 billion in hospital losses, there simply are not enough resources to cover the rapidly growing cost of delivering care to Californians.

- Labor expenses **have spiked 16%** since **2019**.
- Pharmaceutical costs **have grown by 41%**.
- The cost for medical supplies has **jumped 19%**.

Patients and communities are already hurting. Just a few examples:

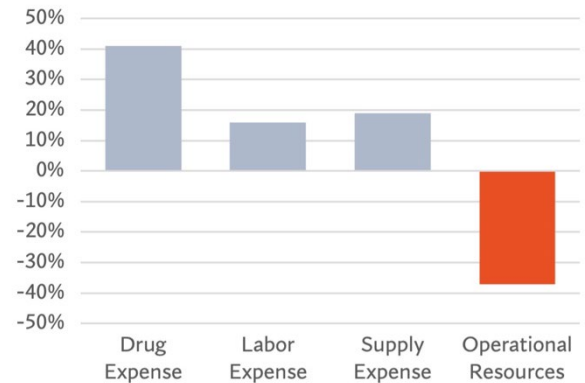
- In January, **Madera Community Hospital was forced to close its doors, forcing those relying on the hospital for care to travel as far as Fresno**, nearly 30 miles from the city of Madera.
- In December, **Hazel Hawkins Memorial Hospital — the only hospital that serves residents in San Benito County — declared a fiscal emergency**, warning of potential closure in February unless it receives significant funding.
- In August, **San Diego County learned it would lose 28% of its geriatric psychiatric beds**, used to care for people experiencing dementia or other mental illness, when Palomar Medical Center in Poway had to shutter 17 specialty beds.
- In October, **nearly 300 people in Visalia lost their jobs** when Kaweah Health Medical Center — the city's second biggest employer — was forced to reduce staff to make ends meet.
- In the fall, **Modoc Medical Center paused on development of home health, hospice care, and geriatric psychiatry programs**.

For low-income Californians who rely on Medi-Cal for coverage — two-thirds of whom are people of color — the situation is even more dire. Communities with high Medi-Cal enrollment already suffer from a severe lack of health care providers, often relying on hospitals as their sole and primary care solution. With services at risk of being reduced and outright closures a looming likelihood, California's most vulnerable, including people living in rural and underserved areas, would see their access to care decline.

What's Needed

The state has not increased certain Medi-Cal rates paid to hospitals for over a decade. **California's health care system, including hospitals that care for the most vulnerable, needs an emergency lifeline to absorb the impact of the inflationary crisis.** Medi-Cal's share of the impact of these unprecedented inflation spikes is \$1.5 billion. A one-time relief package in 2023 to cover these costs, followed by structural rate increases to prevent future crises, would help protect access for Californians with the greatest health needs.

Cost to care for Californians sees record inflation from 2019 to 2021



More than 50% of California's hospitals are losing money every day caring for patients.

Sources:

<https://data.chhs.ca.gov/dataset/hospital-annual-financial-data-selected-data-pivot-tables>

https://www.kaufmanhall.com/sites/default/files/2022-04/KH_CHA-2021-Financial-Analysis-Ebook.pdf