

The Honorable Assemblyman Jim Wood  
State Capitol  
P.O. Box 942849  
Sacramento, CA 95814

RE: Support for AB 869

The Mendocino Coast Healthcare District Board of Directors enthusiastically endorses your Assembly Bill 869 to amend existing requirements for hospitals and health care special districts to meet seismic standards by 2030.

The Mendocino Coast Healthcare District is responsible for retrofitting the only acute care facility within 30 to more than 60 miles over mountain roads for approximately 29,000 people living on the remote Mendocino Coast. The District, with very limited resources, is working with the community to assess and address the seismic compliance needs of an aging and outdated structure built in the 1970's. Preliminary assessments suggest that most of the facility does not meet 2030 earthquake standards. Very preliminary cost estimates are in the vicinity of \$40 million dollars to comply with existing law. While there is community discussion about building a new hospital at a cost of over \$100 million, funding and timing for such an endeavor is likely to be very difficult.

In 2018, voters passed Measure C, a local parcel tax to support maintaining critical hospital services on the coast that sunsets in 2030. The District was also able to avert closing its 25-bed critical access hospital in 2020 by affiliating with Adventist Health through a lease agreement. However, the availability and sustainability of high quality acute care for an aging rural population within a changing local economy remains a challenge.

Requirements to meet seismic standards add an additional challenge that could result in eventual closure unless the right choices are made as we address questions of retrofitting the existing structure or finding resources to build a new one that meets current needs. To obtain the structural analysis of the current facility in order to make informed choices with a fully engaged community takes time that this bill could provide by delaying the deadline for seismic compliance to 2035. The potential for funding included in this bill will be crucial for the District's ability to implement the recommended work once a choice has been made and a plan acceptable to all parties is complete.

We thank you for your very timely and excellent work on this bill to address a serious concern in our area. Please let us know if there is anything further we can do to support passage of this essential legislation.

Lee Finney  
Chair of the Board of Directors  
Mendocino Coast Health Care District

# AB 869 (Small rural and district hospital seismic safety compliance)

## Assemblymember Jim Wood

### THE PROBLEM

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According to the American Hospital Association, rural hospitals provide care to nearly 20% of Americans and are often the largest local employer. However, many rural hospitals are struggling financially and since 2010, 121 have closed across the country. According to the University of North Carolina Rural Health Research Program, since 2006, nine of those closures were in California.

Healthcare District hospitals face many of the same financial pressures as small rural hospitals. California Healthcare Districts are created by voters at the local level, generally funded by a local property tax. California currently has 76 Healthcare Districts, 54 of which serve the state's rural areas.

### EXISTING LAW

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Establishes timelines for hospital compliance with seismic safety standards, including a requirement that buildings posing a significant risk of collapse and a danger to the public (referred to as SPC 1 buildings) be rebuilt or retrofitted to be capable of withstanding an earthquake, or removed from acute care service and a requirement that a hospital must also be capable of continued operation by January 1, 2030.

Existing law also establishes the Small and Rural Hospital Relief Program under the Department of Health Care Access and Administration (HCAI) and requires HCAI to provide grants to small and rural hospitals to assist with planning to meet 2030 seismic safety requirements.

### BACKGROUND

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Non-structural damage to hospitals by the 1994 Northridge earthquake prompted the Legislature to update seismic safety requirements from 1974

that only applied to new construction. SB 1953 (Alquist), Chapter 740, Statutes of 1994 required the then Office of Statewide Health Planning and Development (now HCAI) to create seismic performance categories for hospitals depending on the risk of collapse, and the ability to remain operable following an earthquake. Specifically, SB 1953 required HCAI to create structural performance categories (SPCs), as well as nonstructural performance categories (NPCs) for “nonstructural systems that are critical to providing basic services to hospital inpatients and the public after a disaster.” Each hospital building receives both an SPC and an NPC rating. According to HCAI, the SPC requirements can be thought of as protecting the skeleton, while NPC requirements ensure the organs and other tissues necessary for a human body to function will remain safely attached to the skeleton. There are very few remaining buildings at risk of collapse in an earthquake. Based on the 2030 requirement to remain operational, 75% of hospital buildings are already 2030 compliant with the more expensive SPC requirements; however, the remaining hospitals, which are spread across more than 250 hospital campuses, must be taken out of service by 2030 or rebuilt to the SPC 4D standard.

### BILL SUMMARY

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AB 869 would require HCAI, upon appropriation by the Legislature, to provide grants to financially distressed small rural, and district hospitals to pay for 2030 seismic upgrades, and delay the requirement to 2035.

If funds are not available, financially distressed rural hospitals (with an estimated seismic cost of more than \$1 million or 2% of the hospitals revenue, whichever is greater) will not be required to comply with 2030 seismic requirements until funds are available. Financially distressed district hospitals, as determined by HCAI, that meet at least one of

the following additional criteria also would not be required to comply with 2030 seismic requirements until funds are available. The additional criteria include 1) 30 miles or 30 minutes away from another hospital, 2) MediCal revenue above the statewide average for a hospital, 3) the district's voters have rejected a bond measure providing additional financial resources for seismic compliance.

## **SUPPORT**

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## **FOR MORE INFORMATION**

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**ASSEMBLY BILL**

**No. 869**

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**Introduced by Assembly Member Wood**

February 14, 2023

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An act to add Section 130078.5 to, and to add Chapter 1.6 (commencing with Section 130080) to Part 7 of Division 107 of, the Health and Safety Code, relating to hospitals.

LEGISLATIVE COUNSEL'S DIGEST

AB 869, as introduced, Wood. Hospitals: seismic safety compliance.

Existing law requires, no later than January 1, 2030, owners of all acute care inpatient hospitals to either demolish, replace, or change to nonacute care use all hospital buildings not in substantial compliance with specified seismic safety standards or to seismically retrofit all acute care inpatient hospital buildings so that they are in substantial compliance with those seismic safety standards. Existing law requires the Department of Health Care Access and Information to issue a written notice upon compliance with those requirements.

Existing law establishes the Small and Rural Hospital Relief Program under the administration of the Department of Health Care Access and Information for the purpose of funding seismic safety compliance with respect to small hospitals, rural hospitals, and critical access hospitals in the state. Existing law requires the department to provide grants to small, rural, and critical access hospital applicants that meet certain criteria, including that seismic safety compliance, as defined, imposes a financial burden on the applicant that may result in hospital closure. Existing law also creates the Small and Rural Hospital Relief Fund and continuously appropriates the moneys in the fund for purposes of administering and funding the grant program.

Existing law provides for the formation and administration of health care districts.

This bill would require the department to give first priority to grants for single- and 2-story general acute care hospitals located in remote or rural areas with less than 80 general acute care beds and general acute care hospital revenue of \$75 million or less. The bill would require grants under the program to provide general acute care hospitals with funds to secure an SPC-4D assessment for purposes of planning for, and estimating the costs of, compliance with certain seismic safety standards, as specified. The bill would authorize specified general acute care hospitals to apply for a grant for purposes of complying with those seismic safety standards.

The bill would delay the requirement to meet those and other building standards for specified general acute care hospitals until January 1, 2035, and would exempt a general acute care hospital with an SPC-4D assessment and with a certain estimated cost from those seismic safety standards if the department determines that the cost of design and construction for compliance results in a financial hardship for the hospital and certain funds are not available to assist with the cost of compliance.

The bill would also authorize a health care district to submit financial information to the department to allow the department to determine if the health care district is financially distressed and if so, would allow the health care district to apply for a grant for the purpose of meeting those seismic safety standards. The bill would require a health care district to provide financial information to the department for the purposes of, among other things, demonstrating whether the health care district has attempted to secure other methods of funding, prior to being awarded state funds. The bill would delay the requirement to meet the seismic safety standards until January 1, 2035, for a health care district that qualifies for those grants. The bill would exempt a health care district hospital from those requirements until funds are made available to meet those requirements if the department determines that the cost of design and construction for compliance with those requirements results in a financial hardship that may result in hospital closure.

The bill would require, by January 1, 2030, and at 2-year intervals thereafter, a hospital or health care district that meets the criteria for the above-described abeyances to provide any information that the department deems necessary to assess whether the hospital or health care district continues to meet those criteria. The bill would require the

department to post on its internet website a list of hospitals and health care districts that continue to meet the criteria for abeyance.

The bill would condition implementation of its provisions on an appropriation of funds by the Legislature.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 130078.5 is added to the Health and  
2 Safety Code, to read:

3 130078.5. (a) The department shall give the first priority to  
4 grants for single- and two-story general acute care hospitals located  
5 in remote or rural areas with less than 80 general acute care beds  
6 and general acute care hospital revenue of seventy-five million  
7 dollars (\$75,000,000) or less, as reported to the department  
8 pursuant to Section 128740 in 2020.

9 (b) (1) Grants pursuant to this chapter shall provide general  
10 acute care hospitals described in subdivision (a) with funds to  
11 secure an SPC-4D assessment for purposes of planning for, and  
12 estimating the costs of, complying with Section 130065.

13 (2) The department shall conduct outreach to general acute care  
14 hospitals described in subdivision (a) regarding the availability of  
15 these grants and provide technical assistance to hospitals applying  
16 for the grants.

17 (3) A general acute care hospital receiving a grant for an  
18 assessment pursuant to this subdivision shall provide the estimated  
19 cost of SPC-4D compliance to the department as soon as possible.

20 (4) The department shall provide grants to secure assessments  
21 to general acute care hospitals that qualify within 18 months of  
22 the implementation of this section.

23 (c) (1) (A) Subject to paragraphs (2) and (3), general acute  
24 care hospitals that have received a grant for an assessment pursuant  
25 to subdivision (b) may apply for a grant for purposes of complying  
26 with Section 130065.

27 (B) Subject to paragraphs (2) and (3), general acute care  
28 hospitals that already have a completed SPC-4D assessment may  
29 provide that assessment to the department and the department may  
30 award the general acute care hospital grant money for purposes of  
31 complying with Section 130065.

1 (2) If state funds are appropriated in the future for the purpose  
2 of complying with Section 130065, prior to being awarded state  
3 funds, a hospital that qualified for assessment grants under  
4 subdivision (b) shall provide the department with financial  
5 information on a form as required by the department for the  
6 following purposes:

7 (A) Demonstrating whether or not the hospital has attempted  
8 to secure other methods of funding for SPC-4D compliance,  
9 including federal funding, and if not, why.

10 (B) Confirming the accuracy of the SPC-4D cost estimate, and  
11 that estimated costs are only for the purpose of SPC-4D  
12 compliance.

13 (C) Demonstrating the hospital's need for assistance due to  
14 financial hardship and lack of ability to finance the required  
15 improvements, in order to access state funds.

16 (3) In awarding grants, the department shall have the authority  
17 to deny costs from the assessment completed pursuant to  
18 subdivision (b) that the department determines are not necessary  
19 to comply with SPC-4D requirements.

20 (d) General acute care hospitals that qualify for grants as  
21 described in subdivision (b) shall be required to comply with  
22 NPC-3 standards no later than January 1, 2035.

23 (e) General acute care hospitals as described in subdivision (a)  
24 that apply, and qualify, for grants pursuant to subdivision (c) shall  
25 be required to comply with Section 130065 by January 1, 2035.

26 (f) (1) A general acute care hospital as described in subdivision  
27 (a) with a completed assessment pursuant to subdivision (b), with  
28 an estimated cost over one million dollars (\$1,000,000), or 2  
29 percent of the hospitals revenue, whichever is greater, shall not be  
30 required to comply with Section 130065 if the department  
31 determines that the cost of design and construction for SPC-4D  
32 compliance results in a financial hardship for the hospital and state  
33 funds, federal grants, or private foundation funds are not available  
34 to assist with the cost of compliance.

35 (2) The department shall confirm a hospital's lack of ability to  
36 comply with Section 130065 and that the cost of compliance may  
37 result in hospital closure, or would substantially impact the  
38 accessibility to health care in communities surrounding the hospital.

39 (g) (1) By January 1, 2030, and at two-year intervals thereafter,  
40 each hospital whose compliance with the requirements of Section

1 130065 is in abeyance according to subdivision (f) shall provide  
2 to the department any information that the department deems  
3 necessary to assess whether the hospital continues to meet the  
4 criteria of subdivision (f). If a hospital's circumstances have not  
5 significantly altered, the department shall not require an updated  
6 SPC-4D assessment.

7 (2) The department shall post on its internet website a list of  
8 hospitals that continue to meet the criteria for an abeyance from  
9 the requirements of Section 130065 pursuant to subdivision (f).

10 (h) This section shall be implemented only upon appropriation  
11 of funds by the Legislature.

12 SEC. 2. Chapter 1.6 (commencing with Section 130080) is  
13 added to Part 7 of Division 107 of the Health and Safety Code, to  
14 read:

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16 CHAPTER 1.6. HEALTH CARE DISTRICT RELIEF PROGRAM

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18 130080. (a) (1) A health care district hospital authorized  
19 pursuant to Division 23 (commencing with Section 32000) may  
20 submit financial information to the Department of Health Care  
21 Access and Information to allow the department to determine if  
22 the health care district hospital is financially distressed, including,  
23 but not limited to, the health care district hospital's percentage of  
24 patients on Medi-Cal and Medicare.

25 (2) If the department determines the hospital is financially  
26 distressed according to the information submitted pursuant to  
27 paragraph (1), the health care district hospital may apply to the  
28 department for a grant for the purpose of complying with section  
29 130065. When applying for a grant, the health care district hospital  
30 shall provide the department with an estimate of the cost for the  
31 hospital to comply with Section 130065.

32 (b) (1) If state funds are appropriated in the future for the  
33 purpose of complying with Section 130065, prior to being awarded  
34 state funds, a health care district hospital that qualifies for a grant  
35 pursuant to subdivision (a) shall provide the department with  
36 financial information on a form as required by the department for  
37 both of the following purposes:

38 (A) Demonstrating whether or not the health care district has  
39 attempted to secure other methods of funding for compliance with  
40 Section 130065, including, but not limited to, federal funding, and



1 if not, an explanation for why the hospital has not attempted to  
2 secure other funding.

3 (B) Demonstrating the health care district's need for assistance  
4 due to financial hardship and lack of ability to finance the required  
5 improvements, in order to access state funds.

6 (2) The department shall confirm the accuracy of the health care  
7 district's seismic cost estimate, and that estimated costs are only  
8 for the purpose of compliance with Section 130065.

9 (3) In awarding grants, the department shall have the authority  
10 to deny costs that the department determines are not necessary to  
11 comply with Section 130065.

12 (c) (1) Health care district hospitals that qualify for grants as  
13 described in subdivision (a) shall be required to comply with  
14 Section 130065 no later than January 1, 2035. If the department  
15 determines that the cost of design and construction for compliance  
16 with Section 130065 results in a financial hardship that may result  
17 in hospital closure and state funds, federal grants, or private  
18 foundation funds are not available to assist with the cost of  
19 compliance, and the health care district hospital is more than 30  
20 minutes or 30 miles from the closest hospital, the health care  
21 district hospital shall not be required to comply with Section  
22 130065 until funds are made available for the purpose of complying  
23 with Section 130065.

24 (2) The department shall confirm a health care district hospital's  
25 lack of ability to comply with Section 130065 and that the cost of  
26 compliance may result in hospital closure, or would substantially  
27 impact the accessibility to health care in communities surrounding  
28 the health care district hospital.

29 (d) (1) By January 1, 2030, and at two-year intervals thereafter,  
30 each health care district hospital whose compliance with the  
31 requirements of Section 130065 is in abeyance according to  
32 subdivision (c) shall provide to the department any information  
33 the department deems necessary to assess whether the hospital  
34 continues to meet the requirements of subdivision (c).

35 (2) The department shall post on its internet website a list of  
36 hospitals that continue to meet the requirements for an abeyance  
37 form the requirements of Section 130065 pursuant to subdivision  
38 (c).

1 (e) This section shall only be implemented upon appropriation  
2 of funds by the Legislature.

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