

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (AUTHORITY)

Nondesignated Public Hospital Bridge Loan Program II

Resolution No. 2025-03

July 31, 2025

PURPOSE OF THE REQUEST:

Staff requests Authority approval to delegate authority to the Executive Director, or in the Executive Director's absence, the Deputy Executive Director, to modify the Nondesignated Public Hospital Bridge Loan Program II (NDPH II) bridge loans in accordance with statutory changes.

PROGRAM BACKGROUND:

California's nondesignated public hospitals provide significant levels of care to the uninsured and Medi-Cal populations. Through December 2020, nondesignated public hospitals participated in the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) Program, which provided incentive funding for meeting annual performance targets focused on strengthening patient-centered primary and specialty outpatient care to ensure the right care is provided in more appropriate and cost-effective settings. Once the PRIME program shut down, nondesignated public hospitals had to transition to the Quality Incentive Program (QIP), which is a component of Medi-Cal managed care and provides incentive payments but on a different timeline than PRIME. With PRIME, nondesignated public hospitals were able to receive funding well within 90 days, but the transition to QIP prolonged the new funding time to an estimated two years. To offset the delay and assist with the cashflow issues caused by the change from PRIME to QIP, the Legislature in 2021 authorized the Authority to provide \$40 million in low-cost working capital loans to eligible nondesignated public hospitals to assist with their operations through the Nondesignated Public Hospital Bridge Loan Program (NDPH) (Section 25, Chapter 240, Statutes of 2021). Fifteen hospitals received NDPH loans, and all loans were repaid as of December 2024.

In June 2022, an additional \$40 million was authorized for NDPH II through the annual Budget Act of 2022 (Section 2.00, Chapter 43, Statutes of 2022) to continue to assist eligible nondesignated public hospitals with their cash flow issues due to the delay in receipt of their incentive payments. The statutorily-required provisions for the NDPH II loans were as follows:

- 0% interest rate
- Loans to be repaid in one balloon payment at the end of 24 months
- No early payment/prepayment penalty
- Loans to be secured by borrower's Medi-Cal reimbursements
- If a borrower defaulted, 20 % of checkwrite payments would be intercepted and given to CHFFA
- Borrowers were required to execute a Loan and Security Agreement, Promissory Note and a Medi-Cal intercept form authorizing the redirection of Medi-Cal warrants to CHFFA in case of a default in connection with the NDPH II loan.

Nine nondesignated hospitals received NDPH II loans. As of January 2025, six hospitals repaid their loans on time. Three hospitals were unable to make the appropriate balloon repayment by the deadline: El Centro Regional Medical Center (El Centro), Palo Verde Hospital (Palo Verde) and Palomar Health (Palomar).

See the chart below for full breakdown of payments due and loans paid for NDPH II.

	Borrower Name	NDPH II - Loan Amount / Due Date	Total Amount Awarded
1	El Centro Regional Medical Center <i>El Centro, CA (Imperial County)</i>	\$5,663,226 / 12/16/2024	\$5,663,226
2	Hazel Hawkins Memorial Hospital / San Benito Healthcare District <i>Hollister, CA (San Benito County)</i>	\$3,090,086 / 01/03/2025 Paid off	\$3,090,086
3	Kaweah Delta Health Care District <i>Visalia, CA (Tulare County)</i>	\$9,849,993 / 12/20/2024 Paid off	\$9,849,993
4	Oak Valley District Hospital / Oak Valley Hospital District <i>Oakdale, CA (Stanislaus County)</i>	\$5,045,411 / 01/18/2025 Paid off	\$5,045,411
5	Palo Verde Hospital <i>Blythe, CA (Riverside County)</i>	\$600,000 / 12/16/2024	\$600,000
6	Palomar Health <i>Escondido, CA (San Diego County)</i>	\$8,578,801 / 12/20/2024	\$8,578,801
7	Pioneers Memorial Healthcare District <i>Brawley, CA (Imperial County)</i>	\$3,766,770 / 01/27/2025 Paid off	\$3,766,770
8	San Geronio Memorial Hospital / San Geronio Memorial Healthcare District <i>Banning, CA (Riverside County)</i>	\$2,647,471 / 12/20/2024 Paid off	\$2,647,471
9	Sonoma Valley Hospital <i>Sonoma, CA (Sonoma County)</i>	\$758,242 / 01/20/2025 Paid off	\$758,242
	Total:	\$40,000,000	\$40,000,000

Executive Director Aboubechara reported to the Authority board in early 2025 that Palo Verde was not able to meet its payment due date of December 16, 2024; therefore, the Authority provided a notice of default and subsequently began intercepting Medi-Cal checkwrite payments of its Medi-Cal reimbursements, which is the security of the loan, per the loan and security agreement. Additionally, she mentioned that Palomar and El Centro also missed their payment due date but that Authority staff was having conversations with legal counsel, Department of Finance, and legislators to explore avenues to assist both borrowers within the NDPH II statutory constraints that already exist; because if the Authority triggered the default

mechanisms and recouped Medi-Cal reimbursements, it would push the borrowers deeper into financial distress and trigger a default on the borrower’s other outstanding debt with other lenders.

PROGRAM STATUTORY CHANGES:

In February 2024, Assembly Bill 2098 (AB 2098) was introduced, which would extend the term of NDPH II by 48 months, allowing all the NDPH II hospitals to enter a repayment plan with the Authority to pay off the loan in monthly installments at 0% interest to begin 24 months after the loan closing date and to be paid in full within 72 months of the loan closing date similar to the Distressed Hospital Loan Program also administered by CHFFA. However, in September 2024, the Governor vetoed AB 2098.

Later, Assembly Bill 102 (AB 102), a trailer budget bill, chaptered in July 2025, modified the repayment terms of NDPH II only for Palomar by extending the repayment period and adjusting the repayment structure.

AB 102 Key Provisions:

- Repayment Term Extension: Extends the loan term from 24 months to 60 months
- Repayment Structure: Replaces the requirement for balloon payment at the end of 24 months with monthly, zero-interest amortized payments over 24 months
- Start of Repayment: Monthly payments begin 36 months after the original loan date
- Loan Discharge: The loan will be fully repaid (discharged) within 24 months after the start of monthly payments

El Centro and Palo Verde are currently working with their legislators on achieving the same relief as Palomar, currently in draft form through Assembly Bill 104 (AB 104), to amend and modify their NDPH II repayment terms as well. The proposed changes would provide El Centro and Palo Verde with the same loan terms approved for Palomar under AB 102.

See the chart below for all three hospitals that were unable to make the appropriate balloon repayments by the deadline and their expected modified/amended terms. El Centro and Palo Verde are not final; these are the potentially modified terms if AB 104 is passed.

Borrower Name	Original Due Date	Modified/ Amended Due Date	1st monthly payment due date	Monthly payment amount	Total Amount Outstanding
El Centro Regional Medical Center <i>El Centro, CA (Imperial County)</i>	12/16/2024	12/16/2027	12/16/2025	\$235,967.75	\$5,663,226.00
Palo Verde Hospital <i>Blythe, CA (Riverside County)</i>	12/16/2024	12/16/2027	12/16/2025	\$23,886.26	\$573,270.20
Palomar Health <i>Escondido, CA (San Diego County)</i>	12/20/2024	12/20/2027	12/20/2025	\$357,450.04	\$8,578,801.00
Total Outstanding:					\$14,815,297.20

The statutory changes to NDPH II provide all three hospitals with a more manageable repayment schedule by eliminating the need for a large lump-sum payment and allowing for gradual repayment over time. To effectuate the statutory changes, the Authority and the hospitals will need to execute an amended Loan and Security Agreement, Promissory Note and a Medi-Cal intercept form authorizing the redirection of Medi-Cal warrants to CHFFA in case of a default. In the interest of expediting the administrative process, staff is requesting the board to delegate authority to the Executive Director, or in the Executive Director's absence, the Deputy Executive Director, to modify and amend the NDPH II loan documents in accordance with statutory changes. Any executed amendments will be reported to the board at the next scheduled meeting.

STAFF RECOMMENDATION:

Staff recommends the approval of Resolution No. 2025-03 to delegate authority to the Executive Director, or in the Executive Director's absence, the Deputy Executive Director, to modify the Nondesignated Public Hospital Bridge Loan Program II bridge loans in accordance with statutory changes, provided any such modification are consistent with any statutes or regulations in effect.

RESOLUTION NUMBER 2025-03

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY DELEGATING AUTHORITY
TO THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE DIRECTOR
TO MODIFY BRIDGE LOANS TO NONDESIGNATED PUBLIC HOSPITALS**

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the Nondesignated Public Hospital Bridge Loan Program II (Section 2.00, Chapter 43, Statutes of 2022) to provide working capital loans to eligible nondesignated public hospitals; and

WHEREAS, the Board of Directors of the Authority (the “Board”) previously approved guidelines for the Nondesignated Public Hospital Bridge Loan Program II (the “Program”) via Resolution No. 2022-03 and authorized the Executive Director, or Deputy Executive Director to, among other things, make, document, and administer loans (“Program Loans”) to eligible nondesignated public hospitals (collectively, “Borrowers”); and

WHEREAS, pursuant to the Board’s authorization, the Executive Director and/or the Deputy Executive Director entered into several Program loans with various Borrowers; and

WHEREAS, certain Borrowers have requested that the Authority modify the terms of their Program Loans to extend repayment timing;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority as follows:

Section 1. The Board hereby delegates to the Executive Director and in the Executive Director’s absence, the Deputy Executive Director, the power to modify the repayment timing provisions of Program Loans; provided, however, any such modification must be consistent with any statutes or regulations in effect on the date any such modification becomes effective.

Section 2. The Executive Director or the Deputy Executive Director shall report to the Authority at the next scheduled meeting all actions taken pursuant to this resolution.

Section 3. This resolution shall take effect immediately upon its approval.

Date Approved: _____