

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

Nondesignated Public Hospital Bridge Loan Program

Resolution No. 2021-04

October 28, 2021

PURPOSE OF THE REQUEST:

Staff seeks Authority approval of the Nondesignated Public Hospital Bridge Loan Program (Program), which would include the following:

- Adopt the Program guidelines attached in Exhibit A of the resolution
- Delegate authority to the Executive Director, or the Deputy Executive Director, to issue loans pursuant to the Program guidelines

SUMMARY:

On September 23, 2021, the Governor signed the Program into law through Chapter 240, Statutes of 2021, Section 25 (SB 170, Skinner). The Authority is required to administer the Program and provide up to \$40,000,000 in General Fund working capital loans to eligible nondesignated public hospitals. These loans are required to be paid back in two years. California's nondesignated public hospitals provide significant levels of care to the uninsured and Medi-Cal populations. Until December 2020, nondesignated public hospitals participated in Public Hospital Redesign and Incentives in Medi-Cal (PRIME), 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 Improvement Program (QIP), which is a component of Medi-Cal managed care and also 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 prolongs 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 authorized the Authority to provide low-cost working capital loans to eligible nondesignated public hospitals to assist with their operations.

The Authority consulted with the District Hospital Leadership Forum (Forum), which was instrumental in working with the Legislature, in the development of the guidelines. The Program guidelines define a nondesignated public hospital and list the 33 eligible applicants that make up the nondesignated public hospitals in California (any hospital that is a district hospital, owned by a district, or a city [not including the city/county of SF]). The guidelines also highlight maximum loan amounts in the first funding round that were determined by the Forum, in consultation with the California Department of Health Care Services, as a percentage of the QIP program funds each hospital could earn in year one and includes a floor of \$296,000 for the smallest hospitals.

The application deadlines for the first and second funding rounds are December 1, 2021 and February 1, 2022, respectively. All monies for this program shall be encumbered/approved by June 30, 2022 and available for disbursement until June 30, 2024.

PROGRAM GUIDELINES' OVERVIEW:

Eligibility

- The applicant must be considered a nondesignated public hospital (as defined in the Program guidelines)

Use of Funds

- Funds may **ONLY** be used for working capital purposes

Loan Terms

- 0% interest rate
- Loans must be paid back within 24 months
- Loans to be repaid in one balloon payment at the end of 24 months
- No early payment/prepayment penalty
- Loans will be secured by borrower's Medi-Cal reimbursements (If the loan defaults, twenty percent of the borrower's Medi-Cal checkwrite payments will be intercepted until the Program loan amount has been satisfied)

Maximum Loan Amounts

- Maximum loan amounts for the first funding round varies by applicant (See Exhibit A).
- Any remaining funds after the first funding round shall be available in a second funding round and a notice of a second funding round will be posted on the Authority's website. Loan amounts for the second funding round will be determined as follows:
 1. Eligible Applicants that request any remaining loan amounts from the first funding round shall receive a loan up to the maximum specified in the first bullet.
 2. Any funds that remain will then be made available to eligible Applicants that already received loans totaling their first funding round maximum loan amounts.
 3. Subject to the restriction in the fourth bullet below, the amount available to eligible Applicants that have been approved loans totaling their first funding round maximum loan amounts and request additional funding will be calculated by dividing their maximum loan amount in the first funding round by the sum of their approved loans made in the first funding round and bullet 1 above multiplied by the amount calculated to be available in bullet 2 above.
 4. Maximum loan amounts calculated in bullet 3 above shall be further restricted to 150% of the maximum loan amounts available in the first funding round.

Fees

- No application fee
- Closing fee is equal to 1% of the loan amount, which is withheld from the loan proceeds at closing

Required Documentation

- Completed application package, loan and security agreement (including a Medi-Cal intercept agreement), and promissory note

STAFF RECOMMENDATION:

Staff recommends the approval of Resolution No. 2021-04 to establish the Nondesignated Public Hospital Bridge Loan Program.

EXHIBITS:

Exhibit A – Maximum Loan Amounts for the First Funding Round

Exhibit B – Authorizing Statute

EXHIBIT A
MAXIMUM LOAN AMOUNTS FOR
THE FIRST FUNDING ROUND

	Nondesignated Public Hospital	Max. Amount
(1)	Antelope Valley Hospital/Antelope Valley Healthcare District	\$2,813,000
(2)	Bear Valley Community Hospital/Bear Valley Community Healthcare District	296,000
(3)	Eastern Plumas Health Care/Eastern Plumas Health Care District	326,000
(4)	El Camino Hospital/El Camino Health Mountain View Campus	1,192,000
(5)	El Centro Regional Medical Center/City of El Centro	2,296,000
(6)	Hazel Hawkins Memorial Hospital/San Benito Healthcare District	1,253,000
(7)	Jerold Phelps Community Hospital/Southern Humboldt Community Healthcare District	511,000
(8)	John C. Fremont Healthcare District	551,000
(9)	Kaweah Delta Medical Center/Kaweah Health Medical Center	3,996,000
(10)	Kern Valley Healthcare District	601,000
(11)	Lompoc Valley Medical Center	2,062,000
(12)	Mammoth Hospital/Southern Mono Healthcare District	1,083,000
(13)	Marin General Hospital/MarinHealth Medical Center	1,384,000
(14)	Mayers Memorial Hospital/Mayers Memorial Hospital District	331,000
(15)	Modoc Medical Center/Last Frontier Healthcare District	314,000
(16)	Mountains Community Hospital/San Bernardino Mountains Community Hospital District	770,000
(17)	Northern Inyo Hospital/Northern Inyo Healthcare District	497,000
(18)	Oak Valley District Hospital/Oak Valley Hospital District	2,045,000
(19)	Palo Verde Hospital/Palo Verde Healthcare District	296,000
(20)	Palomar Pomerado Health/Palomar Health/Palomar Medical Center	3,481,000
(21)	Pioneers Memorial Hospital/Pioneers Memorial Healthcare District	1,527,000
(22)	Plumas District Hospital/Plumas Hospital District	296,000
(23)	Salinas Valley Memorial Hospital/Salinas Valley Memorial Healthcare System	2,430,000

EXHIBIT A
MAXIMUM LOAN AMOUNTS FOR
THE FIRST FUNDING ROUND
(Continued)

	Nondesignated Public Hospital	Max. Amount
(24)	San Geronio Memorial Hospital/San Geronio Memorial Healthcare District	1,141,000
(25)	Seneca Healthcare District	296,000
(26)	Sierra View District Hospital/Sierra View Local Health Care District	1,473,000
(27)	Sonoma Valley Hospital/Sonoma Valley Healthcare District	308,000
(28)	Southern Inyo Hospital/Southern Inyo Healthcare District	296,000
(29)	Surprise Valley Community Hospital/Surprise Valley Health Care District	296,000
(30)	Tahoe Forest Hospital/Tahoe Valley Hospital District	994,000
(31)	Tri-City Medical Center/Tri-City Hospital District	2,405,000
(32)	Trinity Hospital/Mountain Communities Healthcare District	296,000
(33)	Washington Hospital-Fremont/Washington Township Healthcare District	2,144,000
	Total	\$40,000,000

EXHIBIT B
AUTHORIZING STATUTE

0977-101-0001—For local assistance, California Health Facilities Financing Authority	40,000,000
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Schedule:

(2) 0885-Health Facilities Bonds, Loans, and Grants	40,000,000
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Provisions:

1. (a) The amount appropriated in this item is available for the California Health Facilities Financing Authority to provide cashflow loans not to exceed \$40,000,000 to nondesignated public hospitals as needed, due to the financial impacts of the COVID-19 public health emergency.
- (b) Of the funds appropriated in this item, the California Health Facilities Financing Authority may allocate an amount not to exceed one percent of each hospital's loan. The Department of Finance may transfer up to \$400,000 to Item 0977-001-0001 to administer the loans. Any funds transferred shall be available for encumbrance or expenditure until June 30, 2024.
- (c) The California Health Facilities Financing Authority shall determine, in consultation with nondesignated public hospitals, the application process, eligibility criteria, and methodology for distribution of the loans pursuant to this provision.
- (d) In administering the loan program in this item, the California Health Facilities Financing Authority shall not be subject to the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).
- (e) Notwithstanding Sections 15432 and 15451.5 of the Government Code, nondesignated public hospitals shall be required to repay and discharge the loan within 24 months of the date of the loan.
- (f) Security for the cashflow loans described in subdivisions (a) and (b) will be Medi-Cal reimbursements due to these nondesignated public hospitals from the State Department of Health Care Services. The California Health Facilities Financing Authority's recoupment of these cashflow loans may not exceed twenty percent of the nondesignated public hospital's respective Medi-Cal checkwrite payments until the loan amounts have been satisfied
- (g) For purposes of this provision, "Nondesignated public hospital" means a public hospital as that term is defined in subdivision (l) of Section 14165.55 of the Welfare and Institutions Code, excluding those affiliated with county health systems.

RESOLUTION NUMBER 2021-04

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE IMPLEMENTATION OF THE NONDESIGNATED PUBLIC HOSPITAL BRIDGE LOAN PROGRAM AND DELEGATING CERTAIN POWERS TO THE EXECUTIVE DIRECTOR OR DEPUTY EXECUTIVE DIRECTOR

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 (Chapter 240, Statutes of 2021, Section 25 (SB 170)) to provide working capital loans to eligible nondesignated public hospitals in a total amount of \$40,000,000; and

WHEREAS, due to delays in collecting Medi-Cal reimbursements from the State Department of Health Care Services associated with the transition from the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program to the Quality Improvement Program (QIP), affected nondesignated public hospitals need working capital loans to assist with their cashflows and support their operations in order to continue providing health care services to their communities; and

WHEREAS, approval of the guidelines for implementation of the new Nondesignated Public Hospital Bridge Loan Program and delegation of powers and duties to the Executive Director, or Deputy Executive Director is now sought;

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

Section 1. The Nondesignated Public Hospital Bridge Loan Program (the “Program”) guidelines in Exhibit A are hereby approved in substantially the form submitted to the Authority by staff.

Section 2. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to approve Program loans for eligible nondesignated public hospitals in varying amounts to finance working capital as defined in the guidelines, but solely to the extent there are available proceeds for the Program, as determined pursuant and subject to Section 3 hereof.

Section 3. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to determine the final amount, terms and conditions of the loan, and to approve any ministerial changes described in the application submitted to the Authority, as said officer shall deem appropriate and authorized under the Program. Nothing in this resolution shall be construed to require the Authority to obtain any additional funding, even if more loans are approved than there is available funding. Any notice to the borrower shall indicate that the Authority shall not be liable to the borrower should such funding not be provided for any reason.

Section 4. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to draw funds for the Program from the Nondesignated Public Hospital Bridge Loan Program Fund, not to exceed those amounts approved by the Executive Director, or the Deputy Executive Director, for a borrower. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to execute and deliver any and all documents necessary to complete the transfer of funds.

Section 5. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to develop, in consultation with legal counsel, loan and security agreements and promissory notes for loans approved under the Program. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to do any and all things and to execute and deliver any documents in connection with the issuance, disbursement and prepayment of loans, including loan and security agreements, disbursement memorandums, loan closing documents, and Medi-Cal intercept agreements as security for the loans. The Authority hereby delegates to the Executive Director, or the Deputy Executive Director, the power to carry out any ministerial actions.

Section 6. 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 7. This resolution shall take effect immediately upon its approval.

Date Approved: _____

EXHIBIT A

**NONDESIGNATED PUBLIC HOSPITAL BRIDGE LOAN PROGRAM
GUIDELINES**

California Health Facilities Financing Authority

Nondesignated Public Hospital Bridge Loan Program

(Authority and Reference: Chapter 240, Statutes of 2021 [SB 170, Skinner], Section 25)

Section 1. Definitions

The following definitions shall apply wherever the terms are used herein.

- (a) “Applicant” means a Nondesignated Public Hospital, as further specified in Section 3, that submits an Application.
- (b) “Application” means a written and online request for a loan under the Nondesignated Public Hospital Bridge Loan Program in the form and format of the Nondesignated Public Hospital Bridge Loan Program Application CHFFA Form No. CHFFA 11 NDPH-01 (10/2021), incorporated by reference, and all other supporting documents, as described in Section 4.
- (c) “Authority” means the California Health Facilities Financing Authority.
- (d) “Borrower” means a Nondesignated Public Hospital that has been approved to receive a Program loan from the Nondesignated Public Hospital Bridge Loan Program.
- (e) “Executive Director” means the Executive Director of the Authority or his/her designee.
- (f) “Funding Round” means the time period during which Applications may be submitted for consideration of a loan.
- (g) “Loan Recipient” means a Nondesignated Public Hospital that has been approved to receive a loan.
- (h) “Nondesignated Public Hospital” means a public hospital as defined in Welfare and Institutions Code 14105.98, subdivision (a)(25) (excluding designated public hospitals) listed in Section 3.
- (i) “Program” means the Nondesignated Public Hospital Bridge Loan Program.
- (j) “Working Capital” means working capital as defined in Government Code Section 15432, subdivision (h).

Section 2. Eligibility

An Applicant shall be eligible to apply for a Program loan if all of the following conditions are met:

- (a) The Applicant is a Nondesignated Public Hospital.

(b) The Applicant intends to use loan proceeds for the sole purpose of Working Capital to support its operations.

Section 3. Maximum Loan Amounts

(a) For the first funding round, the maximum Program loan amount for each Nondesignated Public Hospital is as follows:

	Nondesignated Public Hospital	Max. Amount
(1)	Antelope Valley Hospital/Antelope Valley Healthcare District	\$2,813,000
(2)	Bear Valley Community Hospital/Bear Valley Community Healthcare District	296,000
(3)	Eastern Plumas Health Care/Eastern Plumas Health Care District	326,000
(4)	El Camino Hospital/El Camino Health Mountain View Campus	1,192,000
(5)	El Centro Regional Medical Center/City of El Centro	2,296,000
(6)	Hazel Hawkins Memorial Hospital/San Benito Healthcare District	1,253,000
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(20)	Palomar Pomerado Health/Palomar Health/Palomar Medical Center	3,481,000
(21)	Pioneers Memorial Hospital/Pioneers Memorial Healthcare District	1,527,000
(22)	Plumas District Hospital/Plumas Hospital District	296,000

	Nondesignated Public Hospital	Max. Amount
(23)	Salinas Valley Memorial Hospital/Salinas Valley Memorial Healthcare System	2,430,000
(24)	San Geronio Memorial Hospital/San Geronio Memorial Healthcare District	1,141,000
(25)	Seneca Healthcare District	296,000
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(27)	Sonoma Valley Hospital/Sonoma Valley Healthcare District	308,000
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(32)	Trinity Hospital/Mountain Communities Healthcare District	296,000
(33)	Washington Hospital-Fremont/Washington Township Healthcare District	2,144,000
	Total	\$40,000,000

(b) Any remaining funds after the first Funding Round shall be available in a second Funding Round and a notice of a second Funding Round will be posted on the Authority's website. Loan amounts for the second Funding Round will be determined as follows:

(1) Eligible Applicants that request any remaining loan amounts from the first Funding Round shall receive a loan up to the maximum specified in section (a).

(2) Any funds that remain will then be made available to eligible Applicants that already received loans totaling their first Funding Round maximum loan amounts.

(3) Subject to the restriction in subdivision (4), the amount available to eligible Applicants that have been approved loans totaling their first Funding Round maximum loan amounts and request additional funding will be calculated by dividing their maximum loan amount in the first Funding Round one by the sum of their approved loans made in the first Funding Round and subdivision (1) multiplied by the amount calculated to be available in subdivision (2).

(4) Maximum loan amounts calculated in subdivision (3) shall be further restricted to 150% of the maximum loan amounts available in the first Funding Round.

Section 4. Loan Application

- (a) The Application CHFFA Form No. CHFFA 11 NDPH-01 (10/2021) shall be made available on the Authority's website at www.treasurer.ca.gov/chffa.
- (b) Each Application shall include the following:
- (1) Name and title of the person to be designated by the board to sign Program loan documents if financing is approved.
 - (2) Copy of the current applicable State of California operating license.
 - (3) Certification that the intended use of the Program loan proceeds is solely for Working Capital to support operations.
 - (4) Certification that the Applicant is a Nondesignated Public Hospital.
 - (5) In the event the Applicant does not pay off its loan within 24 months of the loan agreement, agreement to assign 20% of the Applicant's Medi-Cal checkwrite payments until the loan amount has been satisfied.
- (c) The Authority shall determine whether the Application is complete. If the Authority determines that additional information is needed, the Authority shall notify the Applicant and request such information. If the Applicant fails to provide the information as requested, the Applicant shall be deemed ineligible for a Program loan.

Section 5. Application Submission

- (a) Announcements of available funding will be shared with all eligible Applicants.
- (1) The deadline for the first Funding Round is December 1, 2021.
 - (2) If funds remain after the first Funding Round, Applications may be submitted in a second Funding Round with a deadline of February 1, 2022.
- (b) The Application, including supporting documentation, shall be received by the Authority no later than 5:00 p.m. (Pacific Time) on the deadline dates and may be emailed as a Portable Document Format (PDF) attachment to chffa@treasurer.ca.gov or submitted through the online Application on the Authority's website.
- (c) CHFFA is not responsible for transmittal delays or failures of any kind.

Section 6. Application Review

- (a) The Authority will evaluate and determine Program loans based on the following:
- (1) The Applicant meets all of the eligibility criteria in Section 2.

(2) The Applicant demonstrates that use of the funds will be strictly for supporting the operations of the Nondesignated Public Hospital.

Section 7. Loan Amount and Repayment Terms

(a) The Executive Director shall be delegated the power to approve Program loans pursuant the Program guidelines herein solely to the extent there are available funds for the Program.

(b) The Executive Director shall establish the repayment period for an approved Program loan, which shall be memorialized in a written loan agreement.

(1) The Program loan repayment period shall be a maximum of 24 months from the date of the loan agreement.

(2) The total Program loan amount must be repaid in total and discharged within 24 months of the date of the loan agreement.

(c) There shall be no interest charged for these Loans.

(d) Each Loan will incur a 1% administrative fee, which is due at closing and shall be withheld from the Program loan proceeds.

(e) There shall be no penalty for early repayment of Program loan.

Section 8. Loan and Security Agreement

(a) Prior to the issuance of each Program loan, the Authority shall require each Loan Recipient to agree to terms and conditions set forth in a written loan agreement, which shall specify the loan amount, repayment period, covenants, and requirements in the event of inability to make payments or default.

(b) The loan agreement shall require each Loan Recipient to agree to all of the following:

(1) Defending, indemnifying and holding harmless the Authority and the State, and all officers, trustees, agents, and employees of the same, from and against any and all claims, losses, costs, damages, or liabilities of any kind or nature, whether direct or indirect, arising from or relating to the Program.

(2) If payment of Program loan amount is not paid within 24 months of the date of the loan and security agreement, having 20% of its respective Medi-Cal checkwrite payments intercepted and offset at the state level from the Department of Health Care Services until the Program loan amount has been satisfied.

(3) Such other terms and conditions as agreed upon by the Authority and the Nondesignated Public Hospital.