CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Resolution No. 2010-04

Resolution Approving Authority Policy to Provide Short-Term Loans to Participating Health Institutions

June 24, 2010

Background:

As in 2008, many California community clinics, rural hospitals and other healthcare providers may again potentially face unanticipated and staggering financial burdens associated with the anticipated State budget impasse for fiscal year 2010/2011 and the resultant delays in Medi-Cal reimbursements expected to endure for however long the budget remains outstanding.

In 2008, the Authority established a short-term loan program to help health facilities weather the temporary fiscal crisis. Some of the healthcare facilities who benefited from that program have already appealed to the Authority to assist them again by providing the same short-term working capital loan program for fiscal year 2010/2011.

The Authority's statute permits the Authority to make secured or unsecured loans to participating health institutions in connection with the financing of a project or working capital. In addition, the Authority's statute authorizes the Authority to provide funds for secured loans from the Authority's Financing Fund to participating health facilities in accordance with Authority guidelines.

Authority staff is currently working with Department of Health Care Services (DHCS) personnel to enter into an Interagency Agreement to help provide the same solid security measures (intercept process) that were used in 2008 for these bridge loans. Additionally, CHFFA staff will work with appropriate associations to help prioritize those health facilities most in need of funding.

Issue: Should the Authority offer the Medi-Cal Bridge Loan Program for fiscal year 2010/2011 to provide short-term loans from the Authority's Financing Fund to financially assist eligible California health facilities with expected budgetary shortfalls associated with delayed 2010-2011 Medi-Cal reimbursements?

Recommendation: Staff recommends the Authority approve use of the Authority's Financing Fund to provide short-term working capital secured loans to eligible California healthcare facilities to help them offset their expected significant budgetary shortfalls associated with delayed 2010-2011 Medi-Cal reimbursements, in accordance with the specific loan underwriting guidelines as set forth with more particularity in the attached Resolution No. 2010-04.