DISTRICT HOSPITAL
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Elizabeth Landsberg
Director
California Department of Health Care Access and Information (HCAI)
2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833

September 15, 2025

Re: Rural Health Transformation Program – Stakeholder Input from District Hospitals

Dear Director Landsberg:

On behalf of the District Hospital Leadership Forum (DHLF), which represents California's 33 district and municipal hospitals, we appreciate the opportunity to provide input as HCAI develops California's application for federal funding under the new Rural Health Transformation Program (RHTP) established by H.R. 1 and detailed in CMS-RHT-26-001 released September 15, 2025.

District hospitals are proud to be independent governmental entities and are often the sole source of inpatient and emergency care in rural communities, serving as safety-net providers for Medi-Cal beneficiaries and uninsured residents alike. More than two-thirds are in rural areas and 18 have critical access designations. As you know, many of these hospitals qualified for distressed hospital loans through the Distressed Hospital Loan Program (DHLP), and the outlook for most has not improved. Today, many operate on razor-thin margins, and several are currently at risk of closure.

The RHTP represents a critical opportunity to help stabilize and transform these essential hospitals so they can continue to provide access to care for their communities. Despite their smaller size and independent governmental status — and unlike larger hospital systems with reserves and economies of scale – these hospitals are often the largest employer in their communities and serve as the primary economic engine for their local economies.

We have compiled a list of priority investment areas after conducting surveys and multiple conversations with our members. We respectfully urge HCAI to incorporate the following into California's RHTP application:

1. **Sustainability and Access**
   - Direct funding on an emergency basis to stabilize rural hospitals facing immediate financial distress or closure risk. As we've seen recently, many of these hospitals are just one financially devastating event away from shutting down—such as an unexpected HVAC or boiler failure, a change in banking relationship or loss of a line of credit, a cyberattack, an evacuation due to wildfire or flood, or a sudden service disruption.

Without reserves or the backing of a large system, these district hospitals are faced with immediately closing services, layoffs, or other cost-cutting mechanisms to stay open.
- Grant funding to sustain essential service lines that have associated uncompensated costs of care or are otherwise unsustainable in low-volume settings, such as emergency departments, obstetrics, skilled nursing "swing beds," and inpatient behavioral health.
- Bridge financing or working capital grants to maintain cash flow during state or federal payment delays.

2. Workforce Recruitment and Retention
- Grants to support rural clinical workforce pipelines, allied health training, with five-year rural service commitments.
- Recruitment incentives such as housing stipends, relocation assistance, and childcare support to attract providers to rural areas.
- Loan repayment and tuition forgiveness programs targeted at rural placements for physicians, mid-levels, behavioral health professionals, and allied health staff.

3. Technology and Infrastructure Modernization
- Capital grants for major clinical equipment such as CT scanners, MRI machines, ultrasound systems and digital mammography units—critical diagnostic tools that are often unavailable locally.
- IT infrastructure investments including EHR interoperability, revenue cycle systems, cybersecurity upgrades, and hospital specific broadband improvement to support telehealth.
- Grant programs for consumer-facing, technology-driven solutions to improve chronic disease management and care coordination (e.g., telehealth equipment, remote patient monitoring devices, patient engagement applications, and training for both patients and providers).
- Funding for technology-enabled workforce solutions such as virtual nursing programs, remote patient monitoring hubs, clinical documentation AI/scribes, and e-learning platforms for continuing education.

4. Local Partnerships and Innovation
- Flexible funding to support regional collaborations between hospitals, clinics, behavioral health providers, public health departments, EMS, and social service organizations to address community health needs. This could be funding to support shared behavioral health crisis teams, joint workforce and staffing pools, and shared clinical services.
- Grants for shared mobile health infrastructure, such as mobile MRI units, mobile dental/primary care vans, or shared emergency transport systems that serve multiple rural hospitals.

We stand ready to partner with HCAI and other stakeholders as California develops its RHTP proposal and implementation framework due to CMS on November 5, 2025. DHLF and our member hospitals can provide data, share operational lessons, and help pilot innovative strategies to strengthen rural care delivery in our state. We would be happy to help coordinate direct

conversations with our district hospital leadership teams if HCAI would like some more insight from healthcare service providers in the field on any potential initiatives.

Thank you for your leadership on this important effort and for your ongoing commitment to preserving access to care in California's rural communities.

Sincerely,

Ryan Witz
Executive Director
District Hospital Leadership Forum

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