

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
(Authority or CHFFA)**

**Distressed Hospital Loan Program  
Loan Modification Application**

**December 12, 2024**

**Background:**

On May 15, 2023, and subsequently on July 10, 2023, the Distressed Hospital Loan Program (DHLP) was signed into law, authorizing a total of \$300 million in one-time funding, in two tranches with a total of \$7.5 million reserved for administrative costs. DHLP offered zero-interest, 72-month term loans with an 18-month payment deferral to support the working capital needs of not-for-profit and public hospitals in significant financial distress or to governmental entities representing a closed hospital to prevent the closure of, or facilitate the reopening of, those closed hospitals in accordance with Health and Safety Code Sections 129380 – 129387.

CHFFA has 16 outstanding loan awards of all the available funding in the program, totaling \$292.5 million, with two hospitals remaining with partial disbursements as shown in Exhibit A.

Health and Safety Code Section 129384 states that the Department of Health Care Access and Information (Department or HCAI), in consultation with the Authority, and upon approval of the Department of Finance (DOF), shall develop an application and approval process for loan modification or loan forgiveness of the terms of the loan, including a delay of the beginning of the loan repayment period or an extension of the 72-month loan term, or both. The process shall include, but is not limited to, eligibility criteria for an applicant for loan modification or forgiveness, including which portion of a loan may be modified or forgiven. The Department shall provide modification or forgiveness of loan terms to an applicant based upon criteria determined by the Department and subject to the approval of the Department, Authority, and DOF.

**Proposed Loan Modification Process:**

The loan modification process, as outlined in statute, is designed to provide further support to hospitals that continue to face significant financial distress despite efforts to stabilize their operations through the Turnaround Plan initiatives. Authority staff worked with HCAI on developing loan modification eligibility, criteria, and application that will consist of a two-step process as shown in Exhibit B.

The proposed loan modification **two-step process** is detailed below.

**STEP 1 -- 12-Month Extension of the Loan Payment Deferral Period and of the Maturity Date**

The first step in the loan modification process that we are planning to offer to current DHLP borrowers requires an applicant to first apply for a 12-month extension of the payment deferral period and of the maturity date. However, in no event will the maturity date of any DHLP loan be extended beyond 7/1/2031, given that the sunset date of the program is 12/31/2031.

An applicant not meeting at least one of the Stable Financial Ratios (See Table 1), based on the most recent internally prepared year-to-date financial statements, may qualify for loan modification depending on the implementation progress of the Turnaround Plan in Exhibit E of the applicant's/borrower's Loan and Security Agreement with the Authority.

Table 1 -- Stable Financial Ratios

The Stable Financial Ratios are as follows:

- Greater than 60 Days Cash on Hand, inclusive of all investments and liquid assets that can be used for operations;
- Greater than 1.5x Debt Service Coverage Ratio; and
- Greater than 2.0x Current Ratio.

STEP 2 -- 12-Month Debt Service Forgiveness

After a loan modification extension has been granted in Step 1, applicants may then apply for forgiveness of a portion of the principal amount of the DHLP loan. Loan forgiveness, if approved, consists of the next succeeding 12- months of debt service.

Loan forgiveness will be considered if it is determined that all of the following has occurred:

- 1) a borrower's DHLP loan proceeds were utilized for Turnaround Plan initiatives;
- 2) financial performance has not improved even after implementing Turnaround Plan initiatives, or has worsened due to economic or healthcare marketplace factors outside of the borrower's control; and
- 3) 24-month financial projection and historical and projected financial ratios demonstrate that applicant will be unable to reach the threshold of Stable Financial Ratios, inclusive of the required debt service payments on the DHLP loan.

An applicant must reapply each year for additional loan forgiveness if experiencing continued financial distress.

Submission of Loan Modification Application

At least three-months before a loan modification is needed, a borrower must submit a Loan Modification Application. The Loan Modification Applications shall be reviewed as they are received, and a loan modification shall be granted upon the approval by the Department, the Authority and DOF. If the application is rejected, hospitals may reapply after 12 months. The entire process to review and approve an application is expected to take approximately 90 days.

**Next Steps:**

Next steps include the following:

- CHFFA and HCAI continue to finalize the DHLP Loan Modification Application.
- CHFFA Board approval of the DHLP Loan Modification Application at the January 2025 Authority meeting.
- HCAI and DOF approval of each Loan Modification Application received.
- CHFFA board approval of each Loan Modification Application at public Authority meeting.
- CHFFA staff will work with legal counsel to execute amendments to the Loan and Security Agreement and the Promissory Note for each approved loan modification.

**Attachments:**

Exhibit A: DHLP List of Loan Awards, Monthly Payment Amounts and Statuses

Exhibit B: **Draft** DHLP Loan Modification Application

**California Health Facilities Financing Authority  
Distressed Hospital Loan Program**

**List of Loan Awards and Statuses  
As of December 12, 2024**

	<b>Borrower Name</b>	<b>Final Loan Award Amount</b>	<b>Status</b>	<b>First Payment Due Date</b>	<b>Monthly Payment Amount</b>	<b>Maturity Date</b>
1	Chinese Hospital <i>San Francisco, CA (San Francisco County)</i>	\$10,350,000	Disbursed – Closed on 11/06/2023	06/01/2025	\$191,666.67	11/01/2029
2	Dameron Hospital <i>Stockton, CA (San Joaquin County)</i>	\$29,000,000	Disbursed – Closed on 01/02/2024	08/01/2025	\$537,037.04	01/01/2030
3	El Centro Regional Medical Center <i>El Centro, CA (Imperial County)</i>	\$28,000,000	Disbursed – Closed on 10/05/2023	05/01/2025	\$518,518.52	10/01/2029
4	Hayward Sisters/St. Rose Hospital <i>Hayward, CA (Alameda County)</i>	\$17,650,000	Disbursed – Closed on 12/06/2023	07/01/2025	\$326,851.85	12/01/2029
5	John C. Fremont Healthcare District <i>Mariposa, CA (Mariposa County)</i>	\$9,350,000	Disbursed – Closed on 01/17/2024	08/01/2025	\$173,148.15	01/01/2030
6	Kaweah Delta Health Care District <i>Visalia, CA (Tulare County)</i>	\$20,750,000	Disbursed – Closed on 02/20/2024	09/01/2025	\$384,259.26	02/01/2030
7	Madera Community Hospital* <i>Madera, CA (Madera County)</i>	\$57,000,000	1 <sup>st</sup> disbursement of \$15,169,918 – Closed on 6/13/2024	01/01/2026	\$280,924.41 (will change with subsequent disbursements)	06/01/2030
8	MLK Jr. Community Hospital <i>Los Angeles, CA (Los Angeles County)</i>	\$14,000,000	Disbursed – Closed on 11/29/2023	06/01/2025	\$259,259.26	11/01/2029
9	Palo Verde Hospital <i>Blythe, CA (Riverside County)</i>	\$8,500,000	Disbursed – Closed on 11/21/2023	06/01/2025	\$157,407.41	11/01/2029
10	Pioneers Memorial Healthcare District <i>Brawley, CA (Imperial County)</i>	\$28,000,000	Disbursed – Closed on 10/30/2023	05/01/2025	\$518,518.52	10/01/2029
11	Ridgecrest Regional Hospital <i>Ridgecrest, CA (Kern County)</i>	\$5,500,000	Disbursed – Closed on 11/29/2023	06/01/2025	\$101,851.85	11/01/2029
12	San Benito Healthcare District / Hazel Hawkins Memorial Hospital <i>Hollister, CA (San Benito County)</i>	\$10,000,000	1 <sup>st</sup> disbursement of \$2,700,000 – Closed on 07/01/2024	02/01/2026	\$50,000 (will change with subsequent disbursements)	07/01/2030
13	San Geronio Memorial Healthcare District <i>Banning, CA (Riverside County)</i>	\$9,800,000	Disbursed – Closed on 01/18/2024	08/01/2025	\$181,481.48	01/01/2030
14	Sonoma Valley Hospital <i>Sonoma, CA (Sonoma County)</i>	\$3,100,000	Disbursed – Closed on 07/11/2024	02/01/2026	\$57,407.41	07/01/2030
15	Tri-City Medical Center <i>Oceanside, CA (San Diego County)</i>	\$33,200,000	Disbursed – Closed on 11/29/2023	06/01/2025	\$614,814.81	11/01/2029
16	Watsonville Community Hospital <i>Watsonville, CA (Santa Cruz County)</i>	\$8,300,000	Disbursed – Closed on 10/30/2023	05/01/2025	\$153,703.70	10/01/2029
	<b>Total:</b>	<b>\$292,500,000</b>				

**CALIFORNIA HEALTH FACILITIES  
FINANCING AUTHORITY (CHFFA)  
&  
CALIFORNIA DEPARTMENT OF HEALTH  
CARE ACCESS AND INFORMATION (HCAI)**



**Distressed Hospital Loan Program  
Loan Modification Application**

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Sacramento, California 95814  
Phone: (916) 653-2799  
[chffa@treasurer.ca.gov](mailto:chffa@treasurer.ca.gov)  
<http://www.treasurer.ca.gov/chffa/>

HCAI or Department  
2020 W. El Camino Ave. #1231  
Sacramento, California 95833  
Phone: (916) 319-8800  
[dhlp@hcai.ca.gov](mailto:dhlp@hcai.ca.gov)  
<http://www.hcai.ca.gov/>

### Application and Evaluation Process:

In order to be considered, an applicant:

- must be a borrower with an outstanding loan under the Distressed Hospital Loan Program (DHLP) from the Authority;
- must submit a complete application; and
- must provide justification that despite best efforts through its Turnaround Plan initiatives outlined in Exhibit E of the Loan and Security Agreement with the Authority, the borrower remains in financial distress.

Step 1 of the Loan Modification process is to apply for a 12-month extension of the payment deferral period and of the maturity date of the DHLP loan.

- This is the only option available to applicants in 2025.

If a 12-month extension in Step 1 has been approved and the applicant continues to experience financial distress, then Step 2 of the Loan Modification process is to submit an application for loan forgiveness for the next succeeding 12 months of debt service.

The applicant must reapply each year for additional loan forgiveness if experiencing continued financial distress. This one application is for both steps of a Loan Modification. If Loan Modification is not granted, then a borrower may reapply after 12 months.

When evaluating an application, a set of financial metrics will be utilized as a minimum threshold, referred to as “Stable Financial Ratios.”

The Stable Financial Ratios are as follows:

- Greater than 60 Days Cash on Hand, inclusive of all investments and liquid assets that can be used for operations;
- Greater than 1.5x Debt Service Coverage Ratio; and
- Greater than 2.0x Current Ratio.

### Loan Modification Criteria:

Step 1 in the Loan Modification process requires an applicant to first apply for an extension of the payment deferral period and maturity date of the DHLP loan. This application, if approved, will provide a 12-month extension of the payment deferral period and of the maturity date. However, in no event will the maturity date of any DHLP loan be extended beyond 7/1/2031, given that the sunset date of the program is 12/31/2031.

An applicant not meeting at least one of the Stable Financial Ratios, based on the most recent internally prepared year-to-date financial statements, may qualify for Loan Modification depending on the implementation progress of the Turnaround Plan in Exhibit E of the borrower’s Loan and Security Agreement with the Authority.

Step 2 in the Loan Modification process is forgiveness of a portion of the principal amount of the DHLP loan and will only be considered after an extension applied for in Step 1 has been approved. Loan forgiveness, if approved, will be for the next succeeding 12 months of debt service.

Loan forgiveness in Step 2 will be considered if it is determined that all of the following has occurred:

- 1) a borrower's DHLP loan proceeds were utilized for Turnaround Plan initiatives;
- 2) financial performance has not improved even after implementing Turnaround Plan initiatives, or has worsened due to economic or healthcare marketplace factors outside of the borrower's control; and
- 3) 24-month financial projection and historical and projected financial ratios demonstrate that applicant will be unable to reach the threshold of Stable Financial Ratios, inclusive of the required debt service payments on the DHLP loan.

The applicant must reapply each year for additional loan forgiveness if experiencing continued financial distress.

**Submission Instructions:**

An applicant must submit an application at least 90 days, but no more than 120 days, before a Loan Modification is needed.

- The applications shall be reviewed as they are received, and
- A Loan Modification shall be granted upon the approval by the Department, the Authority, and the Department of Finance.
- The applicant may be required to attend a public Authority board meeting as part of the approval process.
- The entire process to review and approve an application is expected to take approximately 90 days.
- Any application that is approved will require the applicant to sign documents to effectuate the Loan Modification.

An applicant must submit a complete application to the Authority by email in a Portable Document Format (PDF) attachment to [chffa@treasurer.ca.gov](mailto:chffa@treasurer.ca.gov). If additional pages are needed to respond to the requirements of the application, the pages must be included with the application at submission.

**Please Note:**

- The Authority is not responsible for email transmittal delays or failures of any kind.
- All information and documentation submitted as part of the Application package is subject to the Public Records Act.

The Department and the Authority reserve the right to request additional information.

**DISTRESSED HOSPITAL LOAN PROGRAM**  
**LOAN MODIFICATION APPLICATION FORM**

**SECTION ONE: SUMMARY INFORMATION**

Legal Name (Include DBA Name)		
Street Address	Federal Tax I.D. Number	
City, State & Zip	Contact Person / Title	
County	Telephone Number	Email Address
<b>(Select One)</b> <input type="checkbox"/>	<b>Modification Step 1</b> (12-month extension of payment deferral period and maturity date)	<input type="checkbox"/> <b>Modification Step 2*</b> (forgiveness of next succeeding 12 months of debt service )
<p><b>*Please Note:</b> To apply for loan forgiveness, the DHLP loan is required to have first received an extension, please provide the Modification Step 1 <b>Approval Date:</b></p>		
<p>Turnaround Plan Initiative Updates          (Please respond to these questions in a separate document and attach to application)</p> <ol style="list-style-type: none"> <li>1. Provide a written explanation of the actions and initiatives implemented to date to turnaround the applicant's financial performance as explained in Exhibit E of borrower's Loan and Security Agreement.</li> <li>2. Provide a detailed list of how DHLP loan proceeds were utilized, and whether there are any unused DHLP loan proceeds that will be utilized in the future.</li> <li>3. Discuss any variances between the Turnaround Plan and financial projections submitted with the original DHLP application (base case) and the actual actions and initiatives implemented to date.</li> <li>4. Provide a written narrative describing any changes in ownership, management, bankruptcy filings or other extraordinary events.</li> <li>5. Explain applicant's justification for a Loan Modification.</li> </ol>		



**SECTION TWO: FINANCIAL STANDING**

1. Provide any current, past due, or updated routine reporting requirements per the applicant's Loan and Security Agreement.
2. Provide most recent internally prepared year-to-date financial statements (no more than 45 days old).
3. Calculate the following financial ratios for the most recent internally prepared year-to-date financial statements provided under item two above, per the formulas in the applicant's Loan and Security Agreement:
  - a) Days Cash on Hand;
  - b) Current Ratio;
  - c) Operating Margin;
  - d) Net Cash Runway; and
  - e) Debt Service Coverage Ratio.
4. Describe any changes in the applicant's short and long-term debt since obtaining the DHLP loan, such as additional working capital or other short-term loans or additional long-term debt.
5. Discuss any revenue timing issues that the applicant may be experiencing (e.g. Intergovernmental Transfer Payments or Quality Assurance Fee Program payments).
6. Disclose if the applicant is in technical or payment default with any debt covenants? Please include whether the lender is implementing remedies of default actions.

### **SECTION THREE: REVISED FINANCIAL FORECAST**

#### Step 1 Loan Modification Requirements:

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant's financial situation, including whether to cut or eliminate any services.
2. Provide a 24-month cash-flow projection of the applicant's future financial situation, inclusive of full debt service payments on the DHLP loan. Projections must include the following:
  - a) Detailed list of all revenue and expense assumptions used in the forecast.
  - b) DHLP loan debt service payments must be shown as a separate line item on the projection.
  - c) Calculate the following financial ratios throughout the projection period: days cash on hand, debt service coverage ratio, and current ratio.

#### Step 2 Loan Modification Requirements:

1. Provide an updated Turnaround Plan describing actions being taken or to be taken by leadership to improve the applicant's financial situation, including whether to cut or eliminate any services. If prior Turnaround Plan initiatives did not result in an improved financial situation, then new initiatives must be presented.
2. Provide a 24-month financial projection, including a balance sheet, income statement, and cash-flow projections of the applicant's future financial situation, inclusive of debt service payments on the DHLP loan in an amount that will allow the borrower to reach stable financial ratios. Projections must include the following:
  - a) Detailed list of all revenue and expense assumptions used in the forecast.
  - b) Detailed list of revenue growth and expense reduction initiatives and their financial impact.
  - c) DHLP loan debt service payments must be shown as a separate line item on the projection.
  - d) Calculate the following financial ratios throughout the projection period: days cash on hand, debt service coverage ratio, and current ratio.

**SECTION FOUR: APPLICATION CERTIFICATION**

An individual with the authority to bind the applicant to an agreement with the California Health Facilities Financing Authority, if a Loan Modification under the Distressed Hospital Loan Program is approved for the applicant, must complete the following certification:

I certify that, to the best of my knowledge, the information contained in this application and the accompanying supplemental materials submitted by the applicant for Loan Modification under the Distressed Hospital Loan Program are true and accurate. I understand that if the applicant is approved for a Loan Modification under the Distressed Hospital Loan Program, the applicant will be required to execute loan documents with the California Health Facilities Financing Authority as well as provide any additional information or documentation that may be required. I further understand that misrepresentations made by the applicant or inaccurate information or documentation provided by the applicant may result in the cancellation of the Loan Modification, if approved, and that the California Health Facilities Financing Authority is authorized to take any additional actions as may be provided under the laws of the State of California.

Applicant Legal Name: \_\_\_\_\_

\_\_\_\_\_  
By (Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date