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MACPAC Calls for Better Targeting of Safety-Net Hospital Payments

Panel says greater transparency in Medicaid hospital payments needed to effectively target funding

Washington, DC—The Medicaid and CHIP Payment and Access Commission (MACPAC) today released a [new report](#) calling for better targeting of Medicaid disproportionate share hospital (DSH) funding to hospitals with a high share of low-income patients and high levels of uncompensated care. The congressional advisory panel called for more complete and timely data on all Medicaid hospital payments to better evaluate current policy and possible new approaches to targeting DSH payments.

“Congress originally intended that DSH payments would support the hospitals that serve the greatest share of Medicaid and other low-income patients,” said MACPAC Chair Sara Rosenbaum. The *Report to Congress on Medicaid Disproportionate Share Hospital Payments* found that hospitals serving a particularly high share of Medicaid and other low-income patients—known as deemed DSH hospitals—receive a greater share of DSH funds, but more than one-third of DSH payments are made to hospitals that do not meet the deemed DSH standard. Medicaid made a total of \$18 billion in DSH payments (\$8 billion in state funds and \$10 billion in federal funds) in 2014.

Congress asked MACPAC to analyze how state DSH allotments relate to three factors: (1) changes in the number of uninsured individuals, (2) amounts and sources of hospitals’ uncompensated care costs, and (3) the number of hospitals with high levels of uncompensated care that also provide access to essential community services for low-income, uninsured, and vulnerable populations. MACPAC’s analysis found “little meaningful relationship” between state DSH allotments—which are largely based on state spending from the early 1990s—and any of these factors. While coverage expansions related to the Affordable Care Act are improving hospital finances generally, lack of complete and timely data on hospital uncompensated care makes it difficult to determine how hospitals that serve the highest share of low-income patients are being affected.

MACPAC recommended that the Secretary of the U.S. Department of Health and Human Services collect and report hospital-specific data on all types of Medicaid payments for all hospitals that receive them, as well as data necessary to determine net Medicaid payment at the provider level. These data are needed to better analyze current policy and new approaches to target DSH payments.

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The *Report to Congress on Medicaid Disproportionate Share Hospital Payments* is available on the [MACPAC website](#). It is MACPAC's first annual report to Congress on Medicaid DSH required by the Protecting Access to Medicare Act of 2014. Chapter 1 of the report discusses the role that Medicaid DSH payments have played since 1981 in supporting the viability of safety-net hospitals. Chapter 2 compares the relationship of current and projected DSH allotments to various factors and examines how the Affordable Care Act is affecting DSH hospitals. Chapter 3 discusses limitations of current data sources that affect our ability to analyze how to improve targeting of DSH payments. This chapter also explains the rationale behind the MACPAC recommendation.

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ABOUT MACPAC

The Medicaid and CHIP Payment and Access Commission is a non-partisan legislative branch agency that provides policy and data analysis and makes recommendations to Congress, the Secretary of the U.S. Department of Health and Human Services, and the states on a wide array of issues affecting Medicaid and the State Children's Health Insurance Program (CHIP). For more information, please visit: www.macpac.gov.

