



Review of Draft Chapter on Disproportionate Share Hospital Allotments

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Medicaid and CHIP Payment and Access Commission

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Overview

- Background on current disproportionate share hospital (DSH) allotments and payments
- Statutorily required data elements
 - Number of uninsured
 - Levels of hospital uncompensated care
 - Number of hospitals with high levels of uncompensated care that also provide essential community services
- DSH allotment reductions
- Next steps

Background

- In state plan rate year 2013, 44 percent of hospitals received DSH payments
 - 14 percent of all hospitals met deemed DSH criteria and were required to receive DSH payments
 - Deemed DSH hospitals received more than two-thirds of all DSH payments
- In fiscal year (FY) 2015, \$1.6 billion in federal DSH allotments were unspent
- Wide variation across states in DSH allotments, DSH targeting policies, and effects of ACA coverage expansions

Statutorily Required Data Elements

- Between 2013 and 2016, the number of uninsured declined by 13.7 million (33 percent)
- Between 2013 and 2015:
 - Total hospital uncompensated care for uninsured individuals fell by \$8.6 billion (23 percent)
 - Medicaid shortfall increased by \$3.0 billion (23 percent)
- Most deemed DSH hospitals provided services included in MACPAC's working definition of essential community services
 - 95 percent provided at least one service
 - 65 percent provided three or more services

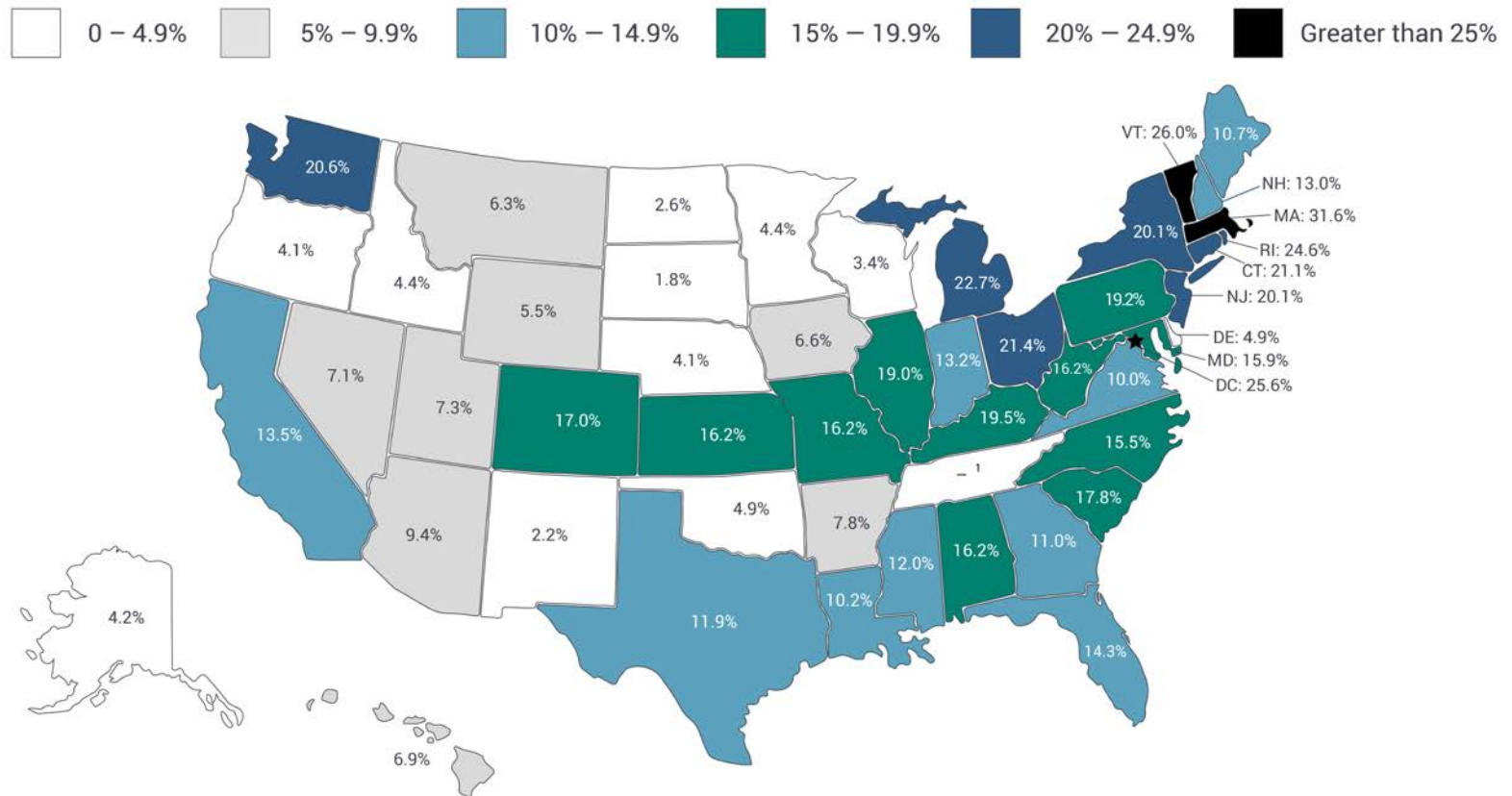
Hospital Margins

- Aggregate hospital operating margins increased by 1.8 percentage points between 2013 and 2014, but operating margins decreased by 0.4 percentage points between 2014 and 2015
- Compared to all hospitals, deemed DSH hospitals reported lower operating and total margins in 2015
- Many factors other than payer mix affect hospital margins

DSH Allotment Reductions

- Federal DSH allotments were reduced by \$2 billion at the start of FY 2018, which began October 1, 2017
- The amount of DSH allotment reductions is scheduled to increase to \$8 billion in FY 2025
- CMS has proposed a methodology for distributing DSH allotment reductions among states, but it has not yet been finalized

Decrease in DSH Allotments as a Percentage of Unreduced Allotments by State, FY 2018



Notes: DSH is disproportionate share hospital. FY is fiscal year.

¹ Tennessee is not subject to DSH allotment reductions because its DSH allotment is specified in statute (§1923(f)(6)(A) of the Social Security Act).

Source: MACPAC, 2017, analysis of the CMS Medicaid Budget Expenditure System (MBES).

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FY 2018 Allotments

- There continues to be little meaningful relationship between DSH allotments and the factors that Congress asked MACPAC to consider, even after DSH allotment reductions
- 18 states have FY 2018 DSH allotment reductions that are greater than the state's decline in uncompensated care between 2013 and 2015
- 11 states have FY 2018 DSH allotments that exceed the total amount of uncompensated care in the state in 2015

Next Steps

- We will continue to monitor the effects of DSH allotment reductions on states and providers
 - When CMS finalizes its DSH allotment reduction rule, we will examine how CMS responded to MACPAC's comments
 - We will continue to monitor congressional action to delay DSH allotment reductions
- Over the next year, we plan to conduct a more comprehensive analysis of Medicaid hospital payment more generally



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