MACPAC | Medicaid and CHIP Payment and Access Commission

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MACPAC Examines Safety-Net Hospital Payment, Affordability of Children's Coverage

Commission says greater transparency in hospital payment, attention to out-of-pocket costs of children's coverage are key issues for 2016

Washington, DC—The Medicaid and CHIP Payment and Access Commission (MACPAC) today released its March 2016 *Report to Congress on Medicaid and CHIP,* singling out increased transparency in hospital payment and affordability of health care for low- and moderate-income children as key issues for Congress's consideration. The report also reviews state efforts to integrate behavioral and physical health within Medicaid, which builds on MACPAC's previous work to catalog these initiatives across the country.

The March 2016 report features analyses of disproportionate share hospital (DSH) payments, which have provided substantial support to safety-net hospitals, and the affordability of children's coverage in health insurance exchanges. Noting the need for better targeting of DSH payments to hospitals serving the greatest number of low-income patients, the Commission recommends that the Secretary of Health and Human Services collect and report data on the full range of hospitals' Medicaid payments to facilitate this task. In a separate analysis of State Children's Health Insurance Programs (CHIP), the Commission found that no exchange in the 36 states studied offered protections from high out-of-pocket costs comparable to CHIP's.

"The DSH and children's coverage work will be invaluable in directing critical funds to safety-net providers and considering how to ensure adequate and affordable health coverage for low-and moderate-income children," said MACPAC Chair Sara Rosenbaum. She noted that CHIP—a bipartisan initiative—has helped reduce the number of uninsured children by more than 6 million since its enactment in 1997. She said that the Commission's recommendation for transparent hospital payment data should also be useful in understanding the impact of Medicaid DSH reductions on hospitals. Both reductions to federal DSH allotments, slated for fiscal year (FY) 2018, and the sunset of federal CHIP funding after FY 2017 will be important issues facing the next Congress.

Medicaid DSH payments totaled $18 billion in 2014, going to about half of all U.S. hospitals. The Commission found little meaningful relationship between the amount of a hospital's DSH allotment and aspects of health care delivery to low-income populations that Congress asked it to study. The Commission further found that while most DSH payments went to hospitals that serve a particularly high

share of Medicaid and other low-income patients, as much as one-third of DSH payments were made to hospitals that may not have had the greatest need.

The March report also addresses behavioral and physical health integration efforts within the Medicaid program, an increasingly popular strategy meant both to improve outcomes and reduce health care costs for Medicaid beneficiaries with mental health disorders. Medicaid is the single largest payer in the United States for behavioral health services, accounting for 26 percent of spending on behavioral health services in 2009. In 2011, the one in five Medicaid beneficiaries who had a behavioral health diagnosis accounted for almost half of Medicaid expenditures.

Building on MACPAC's previous work to catalog Medicaid behavioral health integration initiatives, the March report notes that while integrating physical and behavioral health can reduce fragmentation of services and promote patient-centered care, in practice, there is no one-size-fits-all solution. The report also describes policy barriers to integration that it will be exploring in greater depth in future work, including same-day billing, and the exclusion on Medicaid payment for services provided in institutions for mental diseases (IMDs). The Commission saw promise in a limited but growing number of case studies and evaluations that specifically examine Medicaid integration initiatives and their effects on costs.

The *March 2016 Report to Congress on Medicaid and CHIP*, and each of its chapters—Overview of Medicaid Policy on Disproportionate State Hospital Payments, Analysis of Current and Future Disproportionate Share Hospital Allotments, Improving Data as the First Step to a More Targeted Disproportionate Share Hospital Policy, Integration of Behavioral and Physical Health Services in Medicaid, and Design Considerations for the Future of Children's Coverage: Focus on Affordability—are available at macpac.gov. Chapters 1—3 of the March report are also available as the freestanding *Report to Congress on Medicaid Disproportionate Share Hospital Payments*, originally released online in February 2016.

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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.