



Required Annual Analysis of Disproportionate Share Hospital (DSH) Allotments

Medicaid and CHIP Payment and Access Commission

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Overview

- Background
- Statutorily required analyses
 - Rates and levels of the uninsured
 - Amounts and sources of uncompensated care
 - Hospitals that provide essential community services
- DSH allotment changes during the public health emergency
- Key points and next steps

Background

- DSH payments are statutorily required payments to offset uncompensated care for Medicaid-enrolled and uninsured individuals
- State DSH payments are limited by federal allotments that vary widely by state
 - DSH allotments are based on FY 1992 DSH spending
- DSH payments to individual hospitals cannot exceed the hospital uncompensated care costs
- Federal DSH allotments to states are scheduled to be reduced in FY 2024-2027

Number of Uninsured Individuals

- 28 million individuals were uninsured in 2020 according to the Current Population Survey
 - 8.6 percent of the U.S. population
 - Not statistically different from 2018
- Similar to prior years, the uninsured rate in 2020 was highest for non-elderly adults, individuals of Hispanic origin, and individuals with incomes below the federal poverty level

Uninsured Rate During the COVID-19 Pandemic

- To better understand the trends in insurance coverage during the pandemic, we examined the Census Household Pulse Survey
- During the initial stages of the pandemic:
 - Uninsured rate increased
 - 70 percent of the uninsured reported a loss of employment income
- From August 2020 through July 2021, the uninsured rate decreased as Medicaid coverage increased

Unpaid Costs of Care for Uninsured Individuals

- In FY 2019, hospitals reported \$42 billion in charity care and bad debt
 - 4.2 percent of operating expenses
- Recent research has highlighted how Medicaid expansion lowered unpaid costs of care for the uninsured between 2011 and 2017
 - Hospitals in expansion states reported half of charity care and bad debt compared to non-expansion states (2.8 versus 7.1 percent) in FY 2019

Medicaid Shortfall

- In 2019, Medicaid shortfall was \$19 billion on the American Hospital Association annual survey
- Consolidated Appropriations Act, 2021 implemented a prior MACPAC recommendation on how to treat third-party payments in Medicaid shortfall
- New definition:
 - Increases the DSH payment limit for hospitals that serve a high share of Medicaid patients with private coverage
 - Decreases the DSH payment limit for hospitals that serve a high share of patients dually eligible for Medicare and Medicaid
 - Implemented for FY 2022 DSH payments

Essential Community Services

- The number of providers meeting MACPAC's definition of essential community services is largely unchanged
 - 733 hospitals met criteria for deemed DSH in 2017
 - 91 percent of these hospitals provided at least one service
 - 56 percent provided three or more services compared to 34 percent of non-deemed DSH

Allotment Modifications Under the Public Health Emergency

- Congress temporarily increased federal DSH allotments under the American Rescue Plan Act
- Total state and federal DSH funding will remain the same, with the federal government picking up a greater share
- Increased allotments will be in effect until the fiscal year after the public health emergency ends

Chapter Key Points

- MACPAC continues to find that DSH allotments share no relationship with:
 - The number of uninsured individuals in each state
 - The amount of state-level uncompensated care
 - The number of hospitals with high levels of uncompensated care that also provide essential community services
- Describes congressional changes to DSH including modifying the hospital payment limit and temporarily increasing federal allotments due to COVID-19

Next Steps

- Chapter will be published in the MACPAC March report
- Staff will continue to monitor congressional action on DSH



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