MACPAC
Medicaid and CHIP Payment and Access Commission

Update on Medicaid DSH Reductions and Required MACPAC Report

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Overview

The purpose of this session is to provide:

1. A brief review of Medicaid DSH payment policy
2. An update on reductions originally scheduled to begin in FY14
3. An overview of a newly required MACPAC report on DSH

Background

- Disproportionate Share Hospital (DSH) payments are statutorily required payments to hospitals serving low-income patient populations
- They are intended to improve the financial stability of safety-net hospitals and to preserve access to necessary health services for low-income patients
- In FY 2013, DSH payments accounted for over $16 billion in total Medicaid spending

Federal DSH Requirements

- A hospital must receive DSH payments if:
  - Medicaid utilization is at least one standard deviation above statewide mean for hospitals receiving Medicaid
  - Low-income utilization exceeds 25%
- A hospital may receive DSH payments if:
  - Medicaid utilization is at least 1%
- Hospitals receiving DSH payments also must have at least two obstetricians that treat Medicaid enrollees
  - Does not apply to children's hospitals
- Statute provides states with broad flexibility in distributing DSH payments

Medicaid DSH Reductions

- ACA reduced DSH allotments based on expected decline in number of uninsured
  - Reductions were to begin in FY14 and end after FY20
- Subsequent legislation has delayed onset to FY17 and extended reduction to FY24
  - Under current law, FY25 reverts to pre-FY14 level

Fiscal Year	Annual reduction amount (billions)
2017	$1.8
2018-2020	$4.7
2021	$4.8
2022-2023	$5.0
2024	$4.4

DSH Health Reform Methodology

- Final rule implementing reductions published prior to delays
- Each statutory factor accounts for 1/3 of reductions:
  - State uninsured percentage
  - Extent to which state targets DSH payments to hospitals with high level of uncompensated care
  - Extent to which state targets DSH payments to hospitals with high volume of Medicaid inpatients
- Only applied to FY 2014-15
  - New methodology is required for reduction scheduled to begin in FY 2017

Required MACPAC DSH Report

- Beginning in 2016, MACPAC is required to submit an annual report to the Congress regarding Medicaid DSH that includes:
  - data relating to changes in number of uninsured,
  - data relating to amount and sources of hospitals' uncompensated care costs,
  - data identifying hospitals with high levels of uncompensated care that also provide essential community services, and
  - state-specific analyses of the relationship between current and projected DSH allotments and the data elements above.

Required MACPAC DSH Report: Policy Questions

- What are the estimated effects of the Medicaid DSH reductions on states and hospitals?
- Do the estimated DSH reductions align with increased numbers of uninsured and reductions in uncompensated care?
- To what extent can existing data sources be used to provide information required by statute?

Required MACPAC DSH Report: Approach

- Evaluate availability, completeness, and relevance of potential data sources
- Construct an operational model to estimate DSH allocations
  - Based on CMS' DSH Health Reform Methodology
- Estimate state and hospital-level DSH allocations based on various data sources and assumptions
- Consult with stakeholders throughout process:
  - Providers
  - Federal agencies
  - States
  - Researchers

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