# Planning for Mandated Study of Medicaid Disproportionate Share Hospital Payments

**Medicaid and CHIP Payment and Access Commission**
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# Overview

- Update on Medicaid disproportionate share hospital (DSH) allotment reductions
- Review of statutory report requirements
- Proposed outline for first report
- Work completed to-date
- Preliminary findings
- Discussion

# Medicaid DSH Allotment Reduction Schedule

- The ACA initially scheduled Medicaid DSH allotment reductions beginning in FY 14
  - Subsequent legislation has delayed reductions

| Fiscal Year | Reduction (billions) |
|---|---|
| 2018 | $2.0 |
| 2019 | $3.0 |
| 2020 | $4.0 |
| 2021 | $5.0 |
| 2022 | $6.0 |
| 2023 | $7.0 |
| 2024 and 2025 | $8.0 |

# Required MACPAC DSH Report

- Beginning in February 2016, MACPAC must submit an annual report to the Congress that includes data and state-specific analyses of the relationship of DSH allotments to:
  - changes in the number of uninsured
  - the amount and sources of hospitals' uncompensated care costs (broadly defined)
  - hospitals with high levels of uncompensated care that also provide essential community services

# Proposed Outline for DSH Report

- Introduction
- Unreduced allotments for FY 2016 and 2017 and their relationship to statutory factors
  - Discussion of data limitations
  - Literature review of effects of coverage expansion on uncompensated care
  - Working definition of essential community services
- Estimated reduced allotments for FY 2018
  - Model of CMS initially proposed reduction methodology
  - Potential effects on hospital payments
- Conclusions
  - To be determined based on Commissioner feedback

# Work completed to-date

- Estimation of unreduced DSH allotments for FY 2016 and 2017
- Review of evidence to support selection of data sources for statutorily required elements
- Development of a preliminary DSH allocation reduction simulation model for FY 2018
- Convened a technical advisory panel to discuss work so far and future analyses

# Preliminary findings

- Projected FY 2016 and 2017 DSH allotments vary widely by state based on historic factors
  - Less than $15 million in five states
  - More than $1 billion in three states
- Preliminary analyses find little relation between unreduced DSH allotments and the factors required to be included in MACPAC's report

# Uninsured

- The American Community Survey (ACS) is the most reliable source of state-level uninsured estimates
- In FY 2013, state DSH allotments per uninsured individual ranged from $3 to more than $1,500
- ACS uninsured data for 2014 will be available in the fall of 2015

# Uncompensated care

- In 2009, DSH hospitals reported $30.8 billion in uncompensated care costs before DSH payments
  - 75 percent of these costs were attributed to care for the uninsured
  - 25 percent of these costs were attributed to Medicaid payment shortfall
  - DSH payments covered an average of 57 percent of DSH hospital uncompensated care costs
- We are exploring the use of Medicare cost reports to provide additional uncompensated care estimates
- Data lag will limit our ability to fully capture the effects of the ACA coverage expansions on uncompensated care in our first report

# Data limitations and other issues

- Medicaid DSH audits and Medicare cost report data do not align
- Some states do not spend the full amount of their DSH allotments
- Sources of non-federal share affect the net amount of DSH payments that providers receive
- The interaction of Medicaid DSH with other federal payments is not well understood
  - Medicaid supplemental payments (e.g., UPL payments, section 1115 demonstration payments)
  - Medicare DSH

# Hospitals that Provide Essential Community Services

- We have begun identifying deemed DSH hospitals as a starting point for this analysis
- Technical advisory panel members suggested multiple factors to consider when defining essential community services
  - Medicaid and uninsured utilization
  - Provision of primary and quaternary care services
  - Availability of similar services within a close geographic proximity

# DSH allotment reductions

- We have completed a preliminary model of FY 2018 DSH allotment reductions based on the initial CMS reduction methodology for FY 2014
- This methodology assigns state DSH allotment reductions based on the following factors
  – Uninsurance rate
  – State targeting of DSH payments to hospitals with high uncompensated care and Medicaid utilization
  – Historic DSH spending
- We have begun simulating the potential effects of reductions on DSH payments to providers

# Discussion

- What additional analyses are needed for the first DSH report to Congress?
- What areas should staff continue to examine for future DSH reports?

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