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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Reduction (billions)</th>
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<tbody>
<tr>
<td>2018</td>
<td>$2.0</td>
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<tr>
<td>2019</td>
<td>$3.0</td>
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<tr>
<td>2020</td>
<td>$4.0</td>
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<td>2021</td>
<td>$5.0</td>
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<td>2022</td>
<td>$6.0</td>
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<td>2023</td>
<td>$7.0</td>
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<td>2024 and 2025</td>
<td>$8.0</td>
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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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