MACPAC

Disproportionate Share Hospital Profiles

Medicaid and CHIP Payment and Access Commission
Robert Nelb and Kacey Buderi

Overview

- Methodology
- Key themes
  - Disproportionate share hospitals (DSH) operate in a wide variety of state and market contexts
  - State and market contexts affect how DSH hospitals use DSH payments
  - State DSH payment policy is dynamic and subject to change based on a variety of local factors
- Implications for targeting DSH payments

Objectives and Methodology

- The objective of this project was to complement our quantitative analyses with a more nuanced picture of:
  - the role of DSH funding for different types of hospitals
  - the relationship between DSH and other sources of hospital funding
  - the role of DSH hospitals in their markets and communities
- MACPAC contracted with the Urban Institute to profile seven DSH hospitals
- We interviewed hospital executives and reviewed Medicare cost reports, DSH audits, and other publicly available data

Profiled Hospitals

Hospital	Location	Ownership	Hospital type	Deemed DSH status
Parkland Hospital	Dallas, TX	Public	Short-term acute	Deemed
MetroHealth Hospital	Cleveland, OH	Public	Short-term acute	Deemed
Santa Clara Valley Medical Center	San Jose, CA	Public	Short-term acute	Deemed
Vident Medical Center	Greenville, NC	Non-profit	Short-term acute	Deemed
Henry Ford Hospital	Detroit, MI	Non-profit	Short-term acute	Not deemed
Northeastern Vermont Regional Hospital	St. Johnsbury, VT	Non-profit	Critical access	Not deemed
Connecticut Children's Hospital	Hartford, CT	Non-profit	Children's	Deemed

Hospital Variation

- State characteristics
  - Medicaid expansion decisions affected levels of uncompensated care
  - Base Medicaid payment rates ranged from 63 to 98 percent of hospital Medicaid costs
  - Medicaid supplemental payments as a share of all Medicaid payments ranged from 10 to 54 percent
- Market characteristics
  - Some hospitals serve low-income populations in otherwise high-income markets
  - Others were the sole provider in their market
  - Many hospitals were part of larger health systems that provided extensive outpatient services

Uses of DSH Payments

- DSH funds are one of many revenue sources for hospitals and are not tied to particular services
- State expansion decisions affect hospital executives' views on whether DSH payments support Medicaid shortfall or uninsured costs
  - Medicaid payment rates and non-DSH supplemental payments also affect the level of Medicaid shortfall
- Market characteristics also affected hospital executives' views on the role of DSH funding

Changes in State DSH Policy

- Three hospitals we profiled reported recent changes in state DSH policies that lowered their DSH payments:
  - Texas changed its targeting policy to make more privately owned hospitals eligible for DSH
  - Vermont targets its DSH payments based on Medicaid patient volume, rather than the share of patients served
  - Ohio changed its methodology for determining DSH payments from utilization to uncompensated care costs
- In response to DSH cuts, hospitals sought other ways to make up lost revenue
  - Non-DSH supplemental payments
  - Strategies to change patient and service mix

California's Global Payment Program

- California recently received approval for a Section 1115 demonstration to distribute DSH funds as a global payment
  - Payments are delinked from hospital uncompensated care costs and are limited to California's 21 designated public hospitals
  - Hospitals are incentivized to invest in outpatient care that can reduce inpatient costs for the uninsured
- Santa Clara Valley Medical Center reported using global payment funds to support clinic services that were previously not paid for by DSH funds

Implications for DSH Targeting

- State hospital payment policy is dynamic
- Factors other than utilization affect hospital's need for DSH payments
  - Market characteristics
  - Medicaid payment policies
- Hospitals respond to DSH payment incentives

Next Steps

- We plan to include examples from these profiles in our March report
- We plan to publish the profiles as a separate web only report

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