



Required Analyses of Disproportionate Share Hospital (DSH) Allotments

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Medicaid and CHIP Payment and Access Commission

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Overview

- Background
- Updates to statutorily required data elements
 - Number of uninsured individuals
 - Amounts and sources of hospital uncompensated care
 - Hospitals with high levels of uncompensated care that also provide essential community services
- DSH allotment reductions
- California Global Payment Program evaluation
- Next steps

Number of Uninsured Individuals

- 27.5 million individuals were uninsured in 2018
 - 8.5 percent of the U.S. population
 - Increase of 1.9 million from 2017
 - First statistically significant increase since 2009
- Change in insurance coverage
 - 2.0 million fewer individuals enrolled in Medicaid and CHIP
 - No statistically significant changes in other forms of public or private coverage

Uninsured Rates by Selected Characteristics, 2017 and 2018

Group	2017	2018	Percentage point change (2018 less 2017)	
All uninsured	7.9%	8.5%	0.5%	*
Age group				
Under age 19	5.0	5.5	0.6	*
Ages 19 to 64	11.0	11.7	0.8	*
Over age 64	1.0	0.9	0.0	
Race/ ethnicity				
White, non-Hispanic	5.2	5.4	0.2	
Black	9.3	9.7	0.4	
Asian	6.4	6.8	0.5	
Hispanic (any race)	16.2	17.8	1.6	*
Income-to-poverty ratio				
Below 100 percent	15.9	16.3	0.4	
100 to 199 percent	13.0	13.6	0.6	
200 to 299 percent	10.7	10.8	0.1	
300 to 399 percent	7.1	8.1	1.0	*
At or above 400 percent	2.7	3.4	0.8	*
Medicaid expansion status				
Non-expansion	12.0	12.2	0.2	
Expansion	6.5	6.5	0.1	

Notes: Totals may not add due to rounding. Uninsured rates by Medicaid expansion status are based on the American Community Survey. Uninsured rates for other groups are based on the Current Population Survey. Medicaid expansion status in 2017 and 2018 reflects state expansion decisions as of January 1, 2018.

* Indicates change is statistically different from zero at the 90 percent confidence level.

Sources: U.S. Census Bureau, Current Population Survey, 2018 and American Community Survey, 1-Year Estimates, 2017 and 2018

Unpaid Cost of Care for Uninsured Individuals

- In FY 2017, hospitals reported a total of \$39.9 billion in uncompensated care costs on Medicare cost reports
 - 4.3 percent of operating expenses, up from 4.2 percent in FY 2016
 - Hospital uncompensated care represented more than twice the share of operating expenses in non-expansion states (7.2 percent) compared to expansion states (2.8 percent)

Medicaid Shortfall

- In 2017, Medicaid shortfall was \$22.9 billion nationally, according to 2017 American Hospital Association (AHA) survey
 - \$2.9 billion increase from 2016
- Changes in 2015 DSH audit reporting
 - The most recent DSH audits are inconsistent across states due to legal uncertainty about the definition of Medicaid shortfall
 - MACPAC discussed this issue and recommended a statutory change in its June 2019 report
 - For the 21 states that reported third-party payments for Medicaid-eligible patients, not counting third-party payments more than doubled the uncompensated care reported for DSH hospitals

DSH Hospital Uncompensated Care Costs Under Different Calculation Methods, by Hospital Type, SPRY 2015

Hospital characteristics	Number of hospitals in analysis	Total uncompensated care costs (billions)		
		After counting third-party payments	Without counting third-party payments	Percent change
Total	1,467	\$15.0	\$33.6	124%
Hospital type				
Children's hospitals	30	0.3	0.9	232
Critical access hospitals	335	0.3	0.5	172
Short-term acute care hospitals	999	12.7	30.1	137
Deemed DSH status				
Deemed	447	8.1	16.0	99
Not deemed	1,020	6.9	17.6	155

Notes: DSH is disproportionate share hospital. SPRY is state plan rate year, which often coincides with state fiscal year and may not align with the federal fiscal year. Deemed DSH hospitals are statutorily required to receive DSH payments because they serve a high share of Medicaid-enrolled and low-income patients. Analysis is limited to DSH hospitals in the 21 states that reported uncompensated care costs with and without third-party payments on their SPRY 2015 DSH audits.

Uncompensated care costs reported on DSH audits include Medicaid shortfall and hospital unpaid costs of care for uninsured individuals.

Source: MACPAC, 2019, analysis of 2015 as-filed Medicaid DSH audits and Medicare cost reports.

Essential Community Services

- The number of providers meeting MACPAC's definition of essential community services is largely unchanged
 - 822 hospitals met deemed DSH criteria in state plan rate year (SPRY) 2015
 - 91 percent of these hospitals provided at least one service
 - 57 percent provided three or more services
- Obstetric services
 - Generally required as a condition for receiving DSH payment, but there are exceptions for rural hospitals
 - Rural DSH hospitals are less likely to have an obstetric care unit than urban DSH hospitals

DSH Allotment Reductions

- Reductions total \$4 billion in FY 2020, \$8 billion in each of FYs 2021–2025.
 - While the reductions have been delayed several times, prospects for congressional action are uncertain
- Under current law, the CMS reduction methodology must include greater reductions for:
 - States with lower uninsured rates
 - States that do not target their DSH payments to hospitals with high shares of Medicaid and uncompensated care
- CMS finalized its methodology in September 2019
 - Does not meaningfully improve the relationship between allotments and statutory factors

California's Global Payment Program (GPP)

- Section 1115 demonstration that combines DSH and other uncompensated care into a global payment for public health care systems tied to quality goals
 - Includes funding for non-hospital services that cannot otherwise be paid for with DSH funds
 - The final evaluation indicated positive outcomes related to health system improvements, access to services for the uninsured, and reductions in avoidable hospital use
- Uncertainty around DSH funding may limit interest from other states

Next Steps

- Draft chapter for the March report will be presented at the December meeting
- Staff will continue to monitor congressional action on DSH allotment reductions



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