




Required Annual Analysis of Disproportionate Share Hospital (DSH) Allotments

**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
- Interaction with other payments to hospitals during public health emergency

Background

- DSH payments are statutorily required payments to offset uncompensated care for Medicaid-enrolled and uninsured individuals
- State DSH payments are limited by federal allotments that vary widely by state
- DSH allotments are based on FY 1992 DSH spending
- DSH payments to individual hospitals cannot exceed the hospital's uncompensated care costs

Number of Uninsured Individuals

- 30 million individuals were uninsured in 2019
 - 9.2 percent of the U.S. population
 - Increase from 29 million in 2018
- Second year in a row of a statistically significant increase

Uninsured Rates by Selected Characteristics, 2018 and 2019

| Characteristic | 2018 | 2019 | Percentage point change | |
|--|------|------|-------------------------|---|
| National uninsured rate | 8.9% | 9.2% | 0.3% | * |
| Age group | | | | |
| Under age 19 | 5.2 | 5.7 | 0.5 | * |
| Ages 19 to 64 | 12.5 | 12.9 | 0.4 | * |
| Over age 64 | 0.8 | 0.8 | 0.0 | |
| Race/ ethnicity | | | | |
| White non-Hispanic | 6.0 | 6.3 | 0.3 | * |
| Black non-Hispanic | 10.1 | 10.1 | 0.0 | |
| Asian non-Hispanic | 6.3 | 6.6 | 0.3 | * |
| Hispanic (any race) | 17.9 | 18.7 | 0.8 | * |
| Income-to-poverty ratio | | | | |
| Below 100 percent | 15.5 | 16.0 | 0.5 | * |
| 100 to 199 percent | 14.6 | 15.2 | 0.6 | * |
| 200 to 299 percent | 11.3 | 12.2 | 0.9 | * |
| 300 to 399 percent | 7.9 | 8.6 | 0.7 | * |
| At or above 400 percent | 3.6 | 3.9 | 0.3 | * |
| Medicaid expansion status in state of residence | | | | |
| Non-expansion | 12.4 | 13.1 | 0.6 | |
| Expansion | 6.6 | 7.0 | 0.4 | |

Notes: Percentage point changes may not add due to rounding. Medicaid expansion status in 2018 and 2019 reflects state expansion decisions as of January 10, 2019. * Indicates change is statistically significant from zero at the 90 percent confidence level.

Source: American Community Survey

Unpaid Costs of Care for Uninsured Individuals

- In FY 2018, hospitals reported \$41 billion in charity care and bad debt
 - 4.2 percent of operating expenses, up from 4.1 percent in FY 2017
 - 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 2018, Medicaid shortfall was \$20 billion nationally on the American Hospital Association annual survey
 - A decline of \$3 billion from 2017
 - Overall payment-to-cost ratio increased 2 percentage points
- State-level data on shortfall are not available because of changes in DSH definitions

Essential Community Services

- The number of providers meeting MACPAC's definition of essential community services is largely unchanged
 - 744 deemed DSH hospitals met criteria in state plan rate year 2016
 - 92 percent of these hospitals provided at least one service
 - 59 percent provided three or more services
- Hospital bed capacity
 - Deemed DSH hospitals account for disproportionate share of ICU beds in many hospital referral regions

DSH Allotment Reductions

- Reductions total \$4 billion in FY 2021, \$8 billion in each of FYs 2022–2025
- Implementation of FY 2021 DSH allotment reductions is delayed until December 11
 - States can make payments as if allotments were not reduced
 - If reductions take effect, payments must be reconciled to the final allotment amount
- There is no meaningful relationship between DSH allotments and measures of need, before or after reductions

Implications of Public Health Emergency

- Some states have made accelerated DSH payments to offset financial disruptions for hospitals
- It is unclear how other state and federal relief funding will affect calculations of uncompensated care for DSH purposes
- Because total DSH payments are limited by the states' federal allotment, the enhanced FMAP under the Families First Coronavirus Response Act may reduce total DSH payments hospitals receive

Next Steps

- Chapter will be published in the MACPAC March report
- Staff will continue to monitor congressional action on DSH allotment reductions



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