



March 2015

## Our View: Protect Access to Care – Stop Damaging Medicaid DSH Cuts

### Medicaid DSH Is Critical to Patients

Congress created Medicaid disproportionate share hospital (DSH) payments to help cover the cost of otherwise uncompensated care—including Medicaid payment shortfalls—at hospitals that treat large numbers of vulnerable patients.

America's Essential Hospitals represents more than 250 such hospitals, which provide nearly 17 percent of all uncompensated care nationally. Our hospitals have a *negative* 0.4 percent operating margin, compared with a positive 6.5 percent margin for all hospitals nationwide. Without DSH, our members would suffer an unsustainable 8 percent loss (Figure 1).

Medicaid DSH ensures our hospitals can serve all patients and provide entire communities with vital services, including trauma, burn, and neonatal intensive care. Medicaid DSH enables our hospitals to lead disaster response by providing the only level I trauma centers—or the only trauma centers of any kind—in 29 major cities.

### Medicaid DSH Cuts Are Not Justified

The Affordable Care Act (ACA) expanded health care coverage for the vulnerable, in part by extending Medicaid to more low-income people. Because the law assumed less uncompensated care due to coverage expansion, it also substantially cut Medicaid DSH. But the Supreme Court's 2012 decision upset

## FIGURE 1: NATIONAL OPERATING MARGINS

Members of America's Essential Hospitals Versus All Hospitals Nationwide, FY 2012



Source: Reid K, Roberson B, Laycox S, Linson M. *Essential Hospitals Vital Data: Results of America's Essential Hospitals Annual Characteristics Survey, FY 2012*. America's Essential Hospitals. July 2014. <http://essentialhospitals.org/wp-content/uploads/2014/08/VitalData-FullReport-20140804.pdf>. Accessed March 2015.

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that careful balance by giving states the option to expand Medicaid. Only about half have done so, leaving up to 6.4 more million people uninsured as a result. America's Essential Hospitals projects that by 2019, hospitals will see \$53 billion more uncompensated care than expected when Congress passed the ACA in 2010.

Congress has twice recognized the problem of unsustainable Medicaid DSH cuts by delaying scheduled reductions as part of sustainable growth rate legislation. Congress also has required the Medicaid and CHIP Payment and Access Commission to annually report national levels of coverage and uncompensated care. While we welcome these reports, the first, due in February 2016, will lack critical data on uncompensated care at hospitals. It also will leave the Centers for Medicare & Medicaid Services little time to review the findings and incorporate them in regulations to implement the Medicaid DSH cuts.

### Our Ask: Stop Damaging DSH Cuts

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We do not have sufficient information to move forward with Medicaid DSH cuts. Given that many states are still deciding whether to expand their Medicaid Program and regulators will have insufficient data on the need for Medicaid DSH, **we ask Congress to postpone Medicaid DSH cuts until at least fiscal year (FY) 2018.**