



October 2013

Our View: Stop Cuts to Patient Access – Support Evidence-Based DSH Alignment

Medicaid DSH Is Critical to Patients

Congress created Medicaid disproportionate share hospital (DSH) payments to sustain hospitals that serve a high proportion of low-income and vulnerable patients and incur otherwise uncompensated costs for their care. Among those hospitals are the more than 200 members of America's Essential Hospitals, which represent 2 percent of acute care hospitals nationally but provide 20 percent of all hospital uncompensated care. Our hospitals operate on very narrow margins—2 percent on average in 2010, compared with nearly 7 percent for all hospitals. Without DSH, our members would have suffered an unsustainable 6 percent loss.

These essential hospitals, which serve a safety net role in their communities, discharge nearly 2 million patients and provide 46 million outpatient visits annually. Medicaid DSH ensures our hospitals can serve all patients and provide vital services, such as top-level trauma care, burn care, and neonatal intensive care. Medicaid DSH enables our hospitals to lead the public health response to large-scale emergencies by providing the only level I trauma centers—or the only trauma centers at any level—in 29 major cities. Without DSH, many hospitals would have to cut back on such essential services, which limits access to care and forces hospitals to eliminate jobs.

Medicaid DSH Cuts Are Not Justified

The Affordable Care Act (ACA) expanded health care coverage for low-income people, in part by increasing Medicaid eligibility to those with an

income less than 138 percent of the federal poverty level. Based on the expectation of expanded coverage through Medicaid and health insurance marketplaces (exchanges), the ACA also includes substantial cuts to Medicaid DSH funding. But the Supreme Court's 2012 decision allowing states to voluntarily expand Medicaid dramatically upset this careful balance. America's Essential Hospitals projects that by 2019, hospitals will see \$53 billion more in uncompensated care than expected when Congress passed the ACA in 2010.

The amount of Medicaid DSH cuts is based on a number set in law and not directly tied to the actual reduction in the number of uninsured or amount of uncompensated care. At present, about half of the states and the District of Columbia have decided to expand Medicaid. That means up to 6.4 million people who would have been covered under the ACA will remain uninsured in non-expansion states, the Kaiser Family Foundation estimates.

Our Ask: Evidence-Based DSH Alignment

We must gather key data on the changing coverage landscape *before* cutting Medicaid DSH to better align funding with the actual levels of need and ensure the cuts do not harm access to care for vulnerable populations. **We ask Congress to postpone Medicaid DSH cuts for three years to collect this data and give Congress the information necessary to make sound DSH policy. Sen. Jay Rockefeller (D-WV) has indicated his desire to introduce legislation to delay DSH cuts, and we ask all lawmakers to support this effort.**