
STATE-FEDERAL UPDATE: DSH PAYMENTS & RURAL HEALTH

HALEY NICHOLSON-SENIOR POLICY DIRECTOR, HEALTH
STATE-FEDERAL AFFAIRS, NCSL DC



TOPICS COVERED:

- **DSH Cuts Overview and History**
- **Recent DSH Data**
- **Congressional and Federal Movement**
- **Rural Health Demonstration Funding**



DSH CUTS OVERVIEW AND HISTORY:

- Disproportionate Share Hospital (DSH) Payments- states are required to make DSH payments to hospitals serving a high number of Medicaid and other low-income patients
- States are limited in their DSH spending by federal allotments varying by state.
- Allotments are the caps on the federal DSH funds that are available to each state
- Under ACA schedule to reduce federal DSH allotments accounting for decrease of hospitals administering uncompensated care
- The schedule to begin the reductions continued to be pushed back



RECENT DSH DATA:

- FY2017 hospitals reported \$39.9 billion in uncompensated care costs on Medicare care costs
- Uncompensated hospital care represented more than twice the share of operation expenses in non-expansion states at 7.2 percent, with expansion states at 2.8 percent
- For the 21 states that did report third-party payments for Medicaid eligible patients, not counting third-party payments more than doubled the uncompensated care reported for DSH hospitals

CONGRESSIONAL AND FEDERAL MOVEMENT :

- In the current 116th Congressional session a few bills have been introduced including:
 - **-S. 18/H.R. 3613- the SAFE Hospitals Act of 2019 and H.R. 3022- the Patient Access Protection Act**
- CMS finalized rule in September to start reductions totaling \$4 billion in FY2020 with \$8 billion for each year from FY2021-2025
- Cuts were just delayed again under Continuing Resolution to fund the government, will delay them again until December 20

CONGRESSIONAL AND FEDERAL MOVEMENT :

- CMS published proposed rule on November 18 with comments due by January 17, 2020
- Proposing annual DSH reporting would require auditors to provide the financial impacts on whether hospitals receiving DSH payments have done so within their specific limit
- Looking to limit the burden on states and CMS when performing follow-up reviews or audits and make sure funds are appropriately made and recovered

RURAL HEALTH DEMONSTRATION FUNDING:

- Would give rural areas seed money to help redesign their health care systems and encourage providers in those areas to participate in value-based care
- Money could be spent on telehealth development or hub and spoke models
- Details on model still pending

RESOURCES:

- <https://www.advisory.com/daily-briefing/2019/09/25/dsh>
- <https://www.macpac.gov/wp-content/uploads/2016/03/Overview-of-Medicaid-Policy-on-Disproportionate-Share-Hospital-Payments.pdf>
- <https://www.federalregister.gov/documents/2019/11/18/2019-24763/medicaid-program-medicaid-fiscal-accountability-regulation>
- <https://www.macpac.gov/wp-content/uploads/2019/11/Required-Analyses-of-Disproportionate-Share-Hospital-DSH-Allotments.pdf>
- <https://www.congress.gov/bill/116th-congress/senate-bill/18>

THANK YOU!

Contact Information:

Haley Nicholson

Senior Policy Director-Health

haley.nicholson@ncsl.org

202-624-8662

