

### What's the issue

- The Medicare Disproportionate Share Hospital (DSH) program provides vital financial support to hospitals that serve the nation's most vulnerable populations, including low-income Medicare beneficiaries, the uninsured and underinsured.
- These payments are designed to compensate hospitals for the higher operating costs they incur in treating a large share of low-income patients, as these patients tend to require more care and are costlier to treat than other Medicare patients. Other factors increasing costs for hospitals serving these patients include the need for additional staffing and services, such as translators and social workers.
- The Affordable Care Act (ACA) was estimated to expand public and private health care coverage to 32 million more Americans by 2019. In response to these projections, Congress cut Medicare DSH payments to hospitals, reasoning that hospitals would care for fewer uninsured patients as health coverage is expanded.
- The ACA reduces Medicare DSH payments by \$22.1 billion from fiscal year 2014 through fiscal year 2019.
- Hospitals initially receive 25 percent of the Medicare DSH funds they would have received under the traditional formula, with the remaining 75 percent flowing into a separate funding pool for Medicare DSH hospitals. This pool will be reduced as the percentage of uninsured declines and will be distributed based on the proportion of total uncompensated care each Medicare DSH hospital provides (using a formula based on inpatient care days for Medicaid and Medicare patients).
- The 75 percent pool was reduced by about \$546 million in 2014, \$1.25 billion in 2015 and \$1.2 billion in 2016.

### Why does it matter?

- Even before the DSH funding cuts, hospital costs for providing care to Medicaid beneficiaries, low-income Medicare beneficiaries, the uninsured and the underinsured are not fully met. Medicare on average covers only 88 cents of every dollar treating Medicare patients.
- In 2016, Presence Health provided over \$45 million in unreimbursed Medicare services to our communities. In the same year, Presence Health provided over \$40 million in financial assistance, helping thousands of people in our communities. Any funding cuts make it more difficult for Presence Health to provide the same amount and level of quality services to all patients regardless of their ability to pay.

### What is the Presence Health perspective?

- **DSH funding helps serve vulnerable populations.** Presence Health supports legislation to mitigate the DSH cuts, to ensure that we can continue to serve vulnerable populations in our communities. This program is vital as community health programs continue to suffer cuts and hospitals become the site of care when social workers, mental health and other services are not available in the community.
- **Changes to DSH payments must be thoughtful.** DSH payments should reflect the real economic burden of hospitals that treat a disproportionate share of low-income patients. Any legislation to repeal the Affordable Care Act that does not replace coverage should reverse hospital payment reductions, particularly those for the Medicare and Medicaid DSH programs. It is critical that any changes to DSH funding formulas give states and hospitals sufficient time to make needed adjustments to ensure compliance.

# Issue Brief

