

The Issue

The Medicaid Disproportionate Share Hospital (DSH) program provides essential financial assistance to hospitals that care for our nation's most vulnerable populations, including children and those who are disabled and elderly. These hospitals also provide critical community services, such as trauma and burn care, maternal and child health, high-risk neonatal care and disaster preparedness resources. Congress reduced Medicaid DSH payments in the Affordable Care Act (ACA), reasoning that hospitals would care for fewer uninsured patients as health coverage expanded. However, those coverage increases have not yet been fully realized. In addition, the Medicaid program continues to face challenges, as states continue the coverage determination process due to the expiration of maintenance of effort provisions related to the public health emergency. While the majority of beneficiaries have had their coverage renewed (57%), many Medicaid stakeholders are concerned that millions of eligible individuals may have lost coverage over the last year.

The Medicaid DSH payment reductions are scheduled to be implemented on April 1, 2025, when \$8 billion in reductions take effect.

AHA Position

Congress should provide relief from the Medicaid DSH cuts given the vital need for the program.

Why?

- The Medicaid DSH program, since its inception in the early 1980s, provides vital financial support to hospitals that serve the nation's most vulnerable populations. This includes low-income patients, the uninsured and those with health care coverage that is insufficient to meet their health care needs.
- Even with this critical supplemental funding, hospital costs for providing care to vulnerable populations are not fully met. [Medicaid, on average, covers only 87 cents of every dollar spent treating Medicaid patients.](#) Now is not the time for additional cuts to funding when many hospitals are facing financial hardship.
- The need for DSH payments continues. Tens of millions of Americans currently do not have health insurance, and [Congressional Budget Office](#) that the uninsured rate will continue to rise over the next decade. The Medicaid redetermination process has also led to a loss of coverage for individuals who no longer qualify for the program and may not be able to afford health plans offered by their employers or on the health care exchanges.

Key Facts

The Medicaid DSH cut for fiscal year (FY) 2025 is \$8 billion and remains \$8 billion for each of the next two FYs 2026-2027 (\$24 billion total). The Medicaid and CHIP Payment and Access Commission in its [Annual Analysis of Medicaid Disproportionate Share Hospital Allotments to States](#) provides information on the DSH allotment reductions by state (Table 3A-2). The need for Medicaid DSH supplemental funding remains essential as hospitals cope with the impacts of financial instability while supporting their mission to treat all patients, regardless of ability to pay.