

## The Issue

**The Medicaid Disproportionate Share Hospital (DSH) program provides essential financial assistance to hospitals that care for our nation's most vulnerable populations – children, the poor, the disabled and the elderly.** These hospitals also provide critical community services, such as trauma and burn care, high-risk neonatal care and disaster preparedness resources. Congress cut Medicaid DSH payments in the Affordable Care Act (ACA), reasoning that hospitals would care for fewer uninsured patients as health coverage expanded. However, the projected increase in coverage has not been fully realized due to some states not expanding Medicaid, as well as lower-than-anticipated enrollment in coverage through the Health Insurance Marketplaces.

The Medicaid DSH payment reductions, which the AHA several times helped to delay, were scheduled to take effect in fiscal year (FY) 2020, but the first year of cuts were eliminated as part of the Coronavirus Aid, Relief, and Economic Security Act passed in March. The start of the \$4 billion in cuts scheduled to take effect in FY 2021 is currently delayed through Dec. 11.

## AHA Position

Congress should eliminate the Medicaid DSH cuts in FY 2021 given the vital need for the program.

## Why?

- **The Medicaid DSH program, since its inception in the early 1980s, has provided 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 (the "underinsured").
- **Even with this critical supplemental funding, hospital costs for providing care to vulnerable populations are not fully met.** Medicaid, on average, covers only 89 cents of every dollar spent treating Medicaid patients. And in 2018, hospitals provided \$41.3 billion of uncompensated care. Now is not the time for additional cuts to funding when hospitals are facing financial hardships due to the COVID-19 pandemic.
- **The need for DSH payments continues.** Tens of millions of Americans currently do not have health insurance coverage, and the impact of job losses related to the COVID-19 pandemic will likely affect insurance coverage for millions more.

## Key Facts

The ACA Medicaid DSH cut for FY 2021 is \$4 billion and increases to \$8 billion for FYs 2022-2025. The Congressional Budget Office estimates that the number of people without health insurance will increase to about 31 million in 2020 and Medicaid enrollment has increased since the start of the COVID-19 pandemic. The need for Medicaid DSH supplemental funding remains essential as hospitals continue their mission to treat all patients, regardless of ability to pay.