

Protect Medicaid Patients, Eliminate DSH Cuts

Recommendation

Congress should eliminate the scheduled fiscal year (FY) 2021 Medicaid disproportionate share hospital (DSH) program cuts. Unless Congress intervenes, effective Dec. 11, safety net hospitals across the nation, many of which are teaching hospitals, will incur \$4 billion in Medicaid DSH cuts, impeding critical services to the most vulnerable patients. The cuts are scheduled to increase to \$8 billion per year in FYs 2022-2025. Cuts of this magnitude are untenable and will cripple the health care safety net. While Congress has acted in a bipartisan manner to address these cuts in the past, it is even more important to eliminate the FY 2021 cuts right now as these providers remain on the front lines combatting the COVID-19 pandemic.

Background

The Medicaid DSH program was created in 1985 to help hospitals that provide care to a disproportionate number of low-income and uninsured patients. AAMC-member teaching hospitals provided nearly \$11.1 billion in uncompensated care in FY 2018 – a number that is expected to increase as the number of uninsured patients recently increased for the first time since the implementation of the Affordable Care Act. These hospitals – which represent just 5% of the nation's hospitals – also provide 34% of all hospital charity care and 27% of all Medicaid hospitalizations. Medicaid DSH payments are a vital source of funding that helps offset a portion of that cost.

Cuts to the Medicaid DSH program would be particularly harmful to major teaching safety net hospitals, which rely on this funding to provide state-of-the-art care for all, including the most vulnerable patients with the most complex conditions. Medicaid DSH funding allows these hospitals to provide a wide range of critical community services, including trauma and burn care, high-risk neonatal care, and disaster preparedness resources. Teaching hospitals and their physician faculty – which rely on federal Medicaid DSH funding to care for Medicaid-enrolled and uninsured patients and their communities – would feel the impact of the cuts most of all.

Congress has worked together to eliminate and delay the scheduled Medicaid DSH cuts several times in the past and should do so once again. These cuts are not appropriate until greater coverage gains have been made. All states would benefit from a delay in the Medicaid DSH cuts, including those states that have not yet expanded Medicaid.

The AAMC greatly appreciates Congress' bipartisan efforts to delay these cuts in the past and urges legislators to work together to address these unsustainable cuts.

AAMC Contact

Jason Kleinman, 202-903-0806, jkleinman@aamc.org