

In 2021, Kentucky's DSH program will be decimated by a 75% reduction in funding!

KHA and Kentucky hospitals request the Kentucky congressional delegation to support restructuring state Medicaid DSH allotments by working to enact the MACPAC proposal or the SAFE Hospitals Act to increase Kentucky's DSH Allotment.

The Medicaid Disproportionate Share Hospital (DSH) program provides critical financial support to Kentucky's hospitals by helping to offset uncompensated care provided to Medicaid recipients and the uninsured. Today, Kentucky receives a federal DSH allotment of approximately \$160 million which, when matched with \$68 million in state funds supplied by hospitals from a provider tax, produces \$228 million in total funding. However, these funds cover only a fraction of hospital Medicaid losses and uninsured care.

Impact of Federal DSH Cuts on Kentucky		
	Federal Allotment	Total DSH (Federal + State Match)
Current DSH	\$160 Million	\$228 Million
FFY 2020	\$100 Million	\$143 Million
FFY 2021 and thereafter	\$40 Million	\$58 Million

Medicaid DSH Cuts

The Affordable Care Act (ACA) called for significant cuts to the Medicaid DSH program which were slated to begin in 2014. Through a series of congressional actions, these DSH cuts have been delayed, but are scheduled to begin later this year, in FFY 2020. Although the ACA originally provided a seven-year phase-in, that has been eliminated such that DSH allotments will be reduced by \$4 billion nationally in 2020 and then move immediately to \$8 billion in FFY 2021 and thereafter.

- **The uninsured rate has been reduced under the ACA, but only 20% (some 80,000 people) bought a commercial plan.**
- **The Medicaid expansion added more than 400,000 people to the Medicaid program, and it now covers one in three Kentuckians.**
- **Medicaid payments cover only, on average, 80% of the actual cost hospitals incur to treat Medicaid patients, adding more people to the Medicaid program has significantly increased hospital Medicaid losses.**
- Medicaid DSH funding is needed to help offset this shortfall. **The need for continued Medicaid DSH funding was underscored by the Medicaid and CHIP Payment and Access Commission (MACPAC) in its 2019 Report to Congress on Medicaid and CHIP.** Their analysis of 2014 DSH audit survey data showed a net increase in total uncompensated care costs because of an increase in Medicaid shortfalls, and the increase in Medicaid shortfall was more than twice as large as the decline in unpaid costs of care for uninsured patients.

MACPAC's 2019 Report to Congress on Medicaid and CHIP made the following recommendations on reducing the Medicaid DSH cuts:

- **Phase in the cuts (as originally intended) and reduce them** to \$2 billion instead of the \$4 billion in 2020, \$4 billion in 2021, \$6 billion in 2022, \$8 billion per year from 2023-2029 – this gives hospitals more time to adjust to reduced funding; and
- **Apply DSH reductions first to states with unspent DSH allotments before applying reductions to other states** - unspent DSH allotments occur when DSH allotments exceed hospital uncompensated care; and 50% of unspent allotments in 2016 were attributable to five states (Connecticut, New Hampshire, New Jersey, Pennsylvania and Washington).
- **KHA supports either approach but prefers a reduction in the magnitude of the cuts, and supports maintaining flexibility at the state level with regard to how the cuts are implemented.** Each state has its own unique DSH distribution methodology to meet specific needs in the state. Kentucky recognizes "essential hospitals" as those with a high volume of Medicaid and uninsured patients which receive a larger share of the finite DSH dollars available.
- **KHA urges that Congress not attach "strings" to legislation that would mandate how states must implement future cuts at the hospital level.**

For more information, contact:

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