

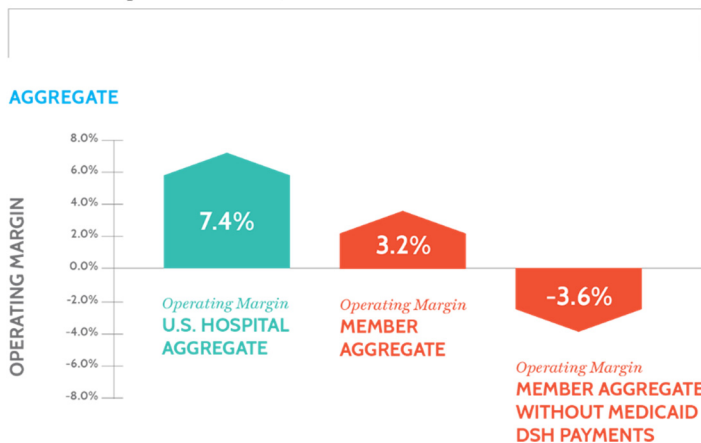
MEDICAID DSH IS CRITICAL TO PATIENT CARE

Congress created disproportionate share hospital (DSH) payments to partially offset uncompensated care costs at hospitals that serve many uninsured and underinsured patients. Those hospitals include the 325 members of America's Essential Hospitals, which provide nearly 17 percent of all uncompensated care nationally despite representing only about 5 percent of all U.S. hospitals.

On average, essential hospitals operate with a 3.2 percent margin compared with an average 7.4 percent operating margin for hospitals nationwide. Without DSH payments, our members would have suffered an unsustainable 3.6 percent loss in 2015:

National Operating Margins

Members of America's Essential Hospitals
Versus All Hospitals Nationwide, 2015



Source: 2015 Essential Data: Our Hospitals, Our Patients. America's Essential Hospitals.

Medicaid DSH ensures essential hospitals can serve all patients and provide vital services to entire communities, including trauma, burn, and neonatal intensive care, transplant services, and physician and nurse training.

MEDICAID DSH CUTS ARE NOT JUSTIFIED

The Affordable Care Act (ACA) substantially cut Medicaid DSH funding based on the expectation that expanded health care coverage would reduce uncompensated care.

But the U.S. Supreme Court's 2012 decision that gave states the choice to expand Medicaid upset this careful balance dramatically. More than a third of states have not expanded Medicaid. In those states, about 4.7 million people who would have qualified for coverage remain uninsured. America's Essential Hospitals projects that by 2026, hospitals will see \$81.5 billion more in uncompensated care than expected when Congress passed the ACA in 2010.

Congress, recognizing the crippling effect Medicaid DSH cuts would have on hospitals, has passed legislation three consecutive years to delay the cuts for a total of four years:

- The Bipartisan Budget Act of 2013 delayed the cuts for two years, until fiscal year (FY) 2016.
- The Protecting Access to Medicare Act of 2014 delayed the FY 2016 reduction.
- The Medicare Access and CHIP Reauthorization Act of 2015 delayed the scheduled FY 2017 cuts by one additional year.

DSH cuts started on October 1, 2017, cutting \$2 billion in funding to hospitals.

OUR ASK: STOP DSH CUTS FOR AT LEAST TWO YEARS

In a September 2017 letter, 221 members of the House of Representatives urged congressional leaders to delay Medicaid DSH cuts for two more years. The House Committee on Energy and Commerce passed a one-year delay of the cuts as part of the Healthy Kids Act. This delay was paired with a two-year extension of DSH cuts in 2026 and 2027. We appreciate this delay, but still stress the need to further reduce uncertainty for hospitals that depend on federal support to meet their mission of caring for people who face economic and social hardships. Medicaid DSH is a lifeline for these hospitals.

So, we ask Congress to postpone Medicaid DSH cuts until at least FY 2020, or until policymakers can reach a sustainable, permanent solution. We also urge Congress to minimize future DSH cuts.