

ESSENTIAL HOSPITALS RELY ON MEDICAID DSH

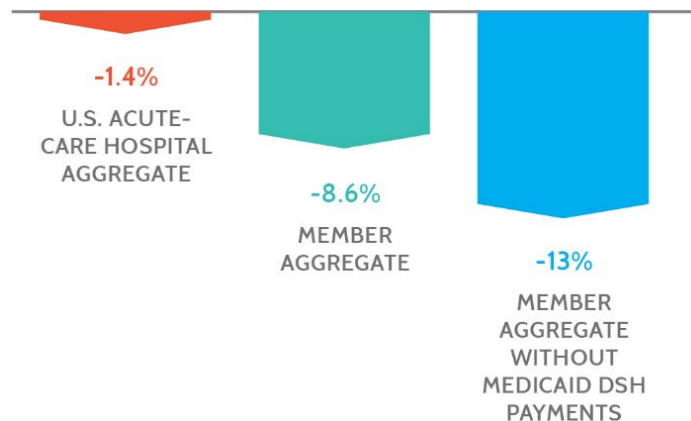
A commitment to mission drives essential hospitals, which work to ensure all people can access high-quality, equitable health care. They are the bedrock of our safety net.

These hospitals protect communities by providing lifesaving services, such as trauma and neonatal intensive care. They reach outside their walls to influence social and economic influences on health. Essential hospitals anchored the front lines of the pandemic and have suffered severe financial and workforce challenges in its wake.

Essential hospitals' mission means they provide a disproportionate share of unreimbursed care. They constitute about 5 percent of all U.S. hospitals but provide more than a quarter of charity care nationally.¹ This leaves them with an average operating margin of -8.6 percent compared with -1.4 for other U.S. hospitals.² Essential hospitals rely on patchwork public support, including Medicaid disproportionate share hospital (DSH) payments, which Congress created to stabilize these financially fragile hospitals.

National Operating Margins

Members of America's Essential Hospitals versus All Acute-Care Hospitals Nationwide, 2021



The Affordable Care Act reduced Medicaid DSH payments to hospitals under the faulty assumption their uncompensated care costs would decrease as health care coverage increased. But the expected coverage increases did not occur, and an estimated 25.6 million Americans remain uninsured.

Recognizing this disparity, Congress has acted in a strongly bipartisan fashion more than a dozen times to delay or eliminate Medicaid DSH cuts, including in March 2024, when lawmakers eliminated the \$8 billion cut scheduled for fiscal year (FY) 2024. Congress also delayed the \$8 billion FY 2025 cut until January 1, 2025, giving lawmakers time to address that cut between the election and the end of the year. Other recent actions to avert DSH cuts include:

- In January, Congress included a delay to the fiscal year (FY) 2024 DSH reductions in the Further Additional Continuing Appropriations and Other Extensions Act, 2024.
- In December 2023, the House of Representatives passed the Lower Costs, More Transparency Act, which included language to eliminate the DSH cuts scheduled for FYs 2024 and 2025.
- In August 2023, a bipartisan group of 51 U.S. senators sent Senate leaders a letter urging them to address the impending DSH reductions.
- In May 2023, a bipartisan group of more than 200 House members urged House leaders in a letter to delay the cuts by at least two years.
- In April 2023, Rep. Yvette D. Clarke (D-N.Y.), along with Reps. Dan Crenshaw, (R-Texas), Diana DeGette, (D-Colo.), and Michael Burgess (R-Texas), introduced the bipartisan Supporting Safety Net Hospitals Act

(H.R. 2665) to erase the DSH cuts for FYs 2024 and 2025. The bill currently has 124 cosigners.

America's Essential Hospitals appreciates these and earlier bipartisan efforts to stop Medicaid DSH cuts. **Now, we urge Congress to achieve a lasting solution to the threat of DSH cuts by acting before the January 1, 2025, deadline to eliminate the remaining three years of cuts and preserve this vital safety net support.**

QUESTIONS?

Contact Jason Pray, vice president of legislative affairs, at jpray@essentialhospitals.org or 202-585-0112. Visit essentialhospitals.org to learn more about essential hospitals and the people and communities they serve.

Endnotes

1. Taylor J, Ramiah K, Greig M, Schweich E. Essential Data: Our Hospitals, Our Patients; Results Of America's Essential Hospitals 2021 Annual Hospital Characteristics Survey. America's Essential Hospitals. October 2023. <http://essentialdata.info>. Accessed February 14, 2024.
2. Ibid.