Disproportionate Share Hospital (DSH) Payment Trends in Medicaid Expansion vs. Non-Expansion States

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Introduction and Overview of DSH

- Medicaid Disproportionate Share Hospital (DSH) payments help offset hospitals' uncompensated care costs for serving Medicaid and uninsured patients.
- Low-income patients also tend to be sicker and more costly to treat than other patients with the same diagnosis. Higher costs also result from the need for additional staffing and services, such as translators and social workers.
- The Patient Protection and Affordable Care Act (ACA) called for reduce Medicaid DSH in expansion states as one of the mechanisms to help pay for the added federal government costs of Medicaid expansion. The intent was to eventually eliminate Medicaid DSH altogether with the assumption that hospital uncompensated care costs would decline as insurance coverage increased.
- This edition of the 5 Slide Series explores the progression of Medicaid DSH spending in States that have adopted and not adopted Medicaid expansion, comparing expenditures between 2013 and 2017.

Medicaid DSH Spending Trends From FFY2013-FFY2017: Expansion States

State	Expansion	FY2013	FY2017	% Change 2013-2017
Alaska	Yes	$21,706,474	$19,537,769	-10.0%
Arizona	Yes	$173,082,813	$164,081,775	-5.2%
Arkansas	Yes	$61,000,000	$67,027,876	9.9%
California	Yes	$2,119,710,409	$2,294,489,152	8.2%
Colorado	Yes	$194,191,858	$207,925,056	7.1%
Connecticut	Yes	$272,860,246	$132,567,167	-51.4%
Delaware	Yes	$10,874,669	$13,943,250	28.2%
Dist. Of Col.	Yes	$56,387,767	$49,184,071	-12.8%
Hawaii	Yes	$24,971,280	$26,393,201	5.7%
Illinois	Yes	$447,072,185	$431,810,683	-3.4%
Indiana	Yes	$337,536,579	$496,410,518	47.1%
Iowa	Yes	$54,606,370	$54,578,184	-0.1%
Kentucky	Yes	$216,263,666	$217,299,749	0.5%
Louisiana	Yes	$766,801,655	$1,151,159,009	50.1%
Maryland	Yes	$134,340,816	$144,378,107	7.5%
Michigan	Yes	$387,951,247	$268,324,716	-30.8%
Minnesota	Yes	$46,287,099	$85,897,820	85.6%
Montana	Yes	$17,703,206	$18,950,608	7.0%
Nevada	Yes	$81,373,600	$58,894,271	-27.6%
New Hampshire	Yes	$40,923,914	$252,267,168	516.4%
New Jersey	Yes	$1,298,115,161	$801,494,014	-38.3%
New Mexico	Yes	$25,164,146	$55,163,626	119.2%
New York	Yes	$3,423,365,423	$2,953,053,712	-13.7%
North Dakota	Yes	$1,265,931	$477,380	-62.3%
Ohio	Yes	$649,120,744	$1,328,804,378	104.7%
Oregon	Yes	$76,536,235	$97,183,420	27.0%
Pennsylvania	Yes	$847,055,684	$873,072,746	3.1%
Rhode Island	Yes	$129,846,057	$139,686,367	7.6%
Vermont	Yes	$37,448,781	$37,448,780	0.0%
Washington	Yes	$366,733,930	$388,819,411	6.0%
West Virginia	Yes	$75,434,137	$72,482,635	-3.9%
Total		$12,395,732,082	$12,902,806,619	4.1%

Across the expansion states, DSH spending rose by 4.1% from 2013-2017. This increase is in stark contrast to the intent of the ACA.

We adjusted the data in a few states to address seeming anomalies in the reported information:

- **California:** Adjusted to set 2017 spending at the same level as 2016; reported 2017 figure was a negative number ($-886,530,175)
- **Delaware:** Distributed the 2017 amount evenly between 2016 and 2017 ($27,886,500/2); $0 was reported in 2016
- **Massachusetts:** did not report any DSH spending so we removed this state from our analysis

Medicaid DSH Spending Trends From FFY2013-FFY2017: Non-Expansion States

State	Expansion	FY2013	FY2017	% Change 2013-2017
Alabama	No	$470,923,104	$480,408,569	2.0%
Florida	No	$335,009,637	$356,602,255	6.4%
Georgia	No	$429,964,548	$434,087,521	1.0%
Idaho	No	$23,708,980	$26,501,457	11.8%
Kansas	No	$76,622,785	$66,201,160	-13.6%
Maine*	No	$37,489,437	$42,099,548	12.3%
Mississippi	No	$217,999,554	$224,073,780	2.8%
Missouri	No	$703,393,659	$667,708,187	-5.1%
Nebraska	No	$45,313,162	$38,354,568	-15.4%
North Carolina	No	$617,376,633	$512,847,227	-16.9%
Oklahoma	No	$41,759,650	$43,968,854	5.3%
South Carolina	No	$457,173,209	$495,775,952	8.4%
South Dakota	No	$1,441,151	$1,546,242	7.3%
Tennessee	No	$80,296,386	$81,742,611	1.8%
Texas	No	$1,526,236,093	$1,806,598,650	18.4%
Utah	No	$28,794,708	$30,737,366	6.7%
Virginia*	No	$186,468,433	$53,082,085	-71.5%
Wisconsin	No	$50,838,381	$45,572,881	-10.4%
Wyoming	No	$463,560	$532,945	15.0%
Total		$5,331,273,070	$5,408,441,858	1.4%

Across non-expansion states, Medicaid DSH spending increased by 1.4% between 2013 and 2017.

We adjusted a few states' spending numbers to address seeming anomalies in the reported information:

- **Texas:** Reported 2013 spending ($226,747,941) was far out of line with all other reported years. This was changed to equal the 2014 amount ($1,526,236,093).
- **Wisconsin:** Reported 2013 spending ($581,325) was far out of line with all other reported years. This was changed to equal the 2014 reported spending amount ($50,838,381).

*Virginia and Maine are included as non-expansion states herein although they are currently in the process of implementing Medicaid expansion.

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Conclusions

- Between 2013 and 2017, Medicaid DSH spending in the U.S. rose by 3.3% overall despite the intention of the ACA to wind down Medicaid DSH expenditures.
  - In expansion states, DSH spending increased by 4.1%, a larger increase than occurred in non-expansion states (1.4%).
- The additional revenues hospitals receive due to Medicaid expansion far exceed the Medicaid DSH funding in those states; thus removing DSH still yields a positive net outcome for hospitals in expansion states. However, funding both Medicaid expansion and preserving DSH payments in expansion states constitutes a “double hit” on the US taxpayer.
- The ACA’s health exchanges have reduced the number of uninsured persons, further lowering the need for Medicaid DSH spending.

5 Slide Series Overview

Our 5 Slide Series is a monthly publication whereby we briefly discuss/address a selected topic outside the confines of our client engagements.

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