



Protect and Target Federal Funding for Safety Net Hospitals

Why is this important?

Despite the promise of historic national reforms that would provide coverage for over 30 million people, millions of immigrants and other people will remain uninsured. Many of those without coverage will continue to rely on the safety net for their care, especially hospital charity care. The federal government helps support this care by providing money to states for hospitals that serve a large number of low-income patients. In FY 2009, these Medicaid Disproportionate Share Hospital (DSH) funds totaled \$11.3 billion. Federal health care reform legislation is expected to cut this funding and use the money to pay for insurance subsidies. While hospitals would still be required to provide emergency care to all patients, the DSH funding cut may force some hospitals to cut back non-emergency services for the uninsured.

The federal government allots DSH funds to states based on their Medicaid spending. States have wide latitude in distributing that money to hospitals. Some states do not target funds to the hospitals serving the majority of the uninsured. With fewer Medicaid DSH dollars coming from the federal government, it will be even more critical to ensure that these dollars are actually serving the uninsured.

Keys to success

It is critical to preserve Medicaid DSH funds by demonstrating the continued need for hospital safety-net services. In addition, new rules are needed to ensure the program better serves the uninsured and supports the hospitals providing their care. Successful reform of the DSH program would:

Allocate funds to target hospitals that are providing the most care to the uninsured

To ensure that the right hospitals are receiving these supplemental payments, many states need to change the way they determine distribution of DSH funds.

Improve transparency

States or the federal government should require hospitals to disclose how they use DSH funds.

Impose accountability standards on hospitals

New federal requirements for hospitals receiving DSH funds should:

- Build a transparent reporting system that shows how DSH funds are being used to reimburse providers for uncompensated care and specialized services tailored to an identified community need
- Condition DSH funding on the adoption of consumer-friendly hospital billing and debt collection policies
- Maintain access for low-income individuals to all medically necessary services

What can advocates do?

At the federal level

- Press for increased DSH funds to serve vulnerable populations who will remain uninsured even with the passage of national health care reform.
- Advocate for federal rules that determine state allocations based on funding going to hospitals providing the most care to the uninsured.

At the state level

- Urge state officials to develop accountability standards for hospitals getting DSH money.

At the local level

- Track charity care use to demonstrate the continuing need for DSH funding after national reform passes. In addition, advocates can use this data to determine whether the right hospitals are receiving the DSH funds.
- Partner with safety-net providers to protect and appropriately target DSH funding for vulnerable populations.
- Press hospitals to disclose how federal dollars are being used to serve the uninsured.
- Advocate for safety-net hospitals to set aside some DSH funds for a particular community need or needs such as interpreter services.
- Collect consumer stories to share them with policymakers and engage consumers in advocacy. Medicaid DSH funding is complex and it is easy to get lost in the weeds of hospital financing and the plight of struggling hospitals. Advocates need to demonstrate how DSH funding affects people who lack access to health care. Collecting stories from real people demonstrates the scope and shape of the problem in a way that no balance sheet can.

Resources

Medicaid DSH Funds: Essential Support for the National's Health Safety Net. National Association of Public Hospitals and Health Systems. March 2009. <http://www.naph.org/Main-Menu-Category/Our-Work/Safety-Net-Financing/Medicaid-and-DSH/Medicaid-DSH-Funds.aspx>

The Basics: Medicaid DSH Payments. National Health Policy Forum. June 2009. http://www.nhpf.org/library/the-basics/Basics_DSH_06-15-09.pdf

The Medicaid DSH Program and Providing Health Care to the Uninsured: A Look at Five Programs. The Urban Institute. March 2001. http://www.urban.org/UploadedPDF/410976_ASPEIDSH.pdf

DSH allotments per state. Kaiser Family Foundation. 2009. <http://www.statehealthfacts.org/comparetable.jsp?ind=185&cat=4&sort=a&gsa=2>

Can States Stretch The Medicaid Dollar Without Passing The Buck? Lessons From Utah. 2006. <http://content.healthaffairs.org/cgi/content/full/25/2/532>.