

Disproportionate Share Hospitals Facing Steep Payment Cuts

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While September 30, 2017 has been an important procedural deadline for purposes of the GOP's most recent legislative push to repeal the *Affordable Care Act* (ACA), it also serves a critical funding deadline for purposes of the Disproportionate Share Hospital (DSH) payment program. Absent legislative action, DSH payments are set to be reduced by \$2 billion starting October 1, 2017.

The DSH payment program was established in 1981, and provides over \$20 billion each year in special Medicare and Medicaid funding to hospitals that treat a disproportionate of indigent patients. Over 3,000 hospitals nationwide currently receive DSH payments.

The ACA originally called for aggregate reductions to DSH payments annually between 2014 and 2020, under the assumption that coverage expansions under the ACA would reduce the need for such funding for uncompensated care. Nevertheless, subsequent legislation delayed DSH payments cuts until fiscal year 2018, which begins October 1, after complaints from hospitals that increased patient traffic was not outpacing uncompensated-care costs. Under the current framework, the DSH program funding will be cut by a total of \$43 billion between fiscal years 2018 and 2025.

Not surprisingly, many in the hospital space have expressed deep concerns over the anticipated cut to DHS payments. Last week, several large hospital associations, including America's Essential Hospitals and the American Hospital Association, jointly sent a [letter](#) to Members of Congress asking them to delay the DHS payment cuts again. New York Governor Andrew Cuomo, whose state currently receives the largest aggregate DSH payment allotment, has also [called](#) on Congress to rescind the cuts before the September 30 deadline.

Whether or not Congress will act to delay or otherwise address the impending DSH payment cuts prior to their implementation on October 1 is anyone's guess. While a bipartisan [letter](#) was recently circulated among Members in the House of Representatives asking to delay the cuts, leaders in the House and Senate have yet to introduce legislation addressing the issue.

We will keep you updated as this situation unfolds.

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