# What is DSH?

Disproportionate Share Hospitals (DSH) serve a significant number of low-income patients and receive payments to help offset the costs of providing care to Medicaid and uninsured patients. In Minnesota, payments are matched at the state level by the federal government (Federal Financial Participation or “FFP”) at 50%. **In Minnesota, Children’s is the largest recipient of DSH funds.**

In order for states to receive DSH payments, federal law requires that states submit an independent certified audit to verify that a hospital’s DSH payments do not exceed their uncompensated cost of care for the Medicaid and uninsured patients treated during the year.

What is the problem?

The Center for Medicare and Medicaid Services (CMS), is implementing a new interpretation that requires states to include commercial insurance payments for Medicaid *eligible* patients in the uncompensated care calculation for Medicaid and Uninsured patients. This means that the calculation now includes payments from private insurance for patients who are eligible for Medicaid even though Medicaid was never billed and never paid for any of the patient’s care. This interpretation is not supported by the law or regulations. A number of children’s hospitals, including Children’s and Gillette, have challenged the action in federal court and successfully enjoined CMS from recouping any funds from the hospitals pending the court’s final decision.

Children’s received notice in June 2015 that the MN Department of Human Services is now required to implement this new interpretation and has required the inclusion of Medicaid eligible (but not Medicaid paid) patient accounts on the DSH survey beginning with the year 2011.

Why does adding Medicaid eligible matter?

Medicaid eligible patients are typically very sick patients who qualify for Medicaid based on their health status alone, regardless of their parents income. Often, these patients never use Medicaid and their hospital services are paid fully by their parent’s commercial insurance.

The majority of children’s hospitals impacted appear to be concentrated in hospitals with large NICU’s and other highly complex patients (cardiac care, etc.). We have one of the largest NICU’s in the country, and are therefore disproportionately affected by this “other Medicaid population” interpretation. This loss would be potentially devastating to Children’s and is directly contrary to the long standing policy behind DSH funding.

What is the impact to Children’s?

For the period 2011-2016, we are at risk of losing almost $88 million dollars. In 2016 alone Children’s, a safety net hospital, is at risk to lose approximately $20 million dollars. This new interpretation essentially eliminates Children’s DSH payments, contrary to the clear intent of the DSH program.

What do we do next?

Children’s will be advocating during the 2017 session for a revised payment methodology that will stabilize our Medicaid funding in the event CMS continues to pursue the new interpretation or it becomes law. This substitute payment methodology will continue to recognize the unique situation of children’s hospitals and, like DSH funding, is intended to offset the substantial losses associated with caring for a disproportionate share of Medicaid and uninsured patients.