



★ ★ COMMITTEE ON ★ ★
WAYS AND MEANS
CHAIRMAN PAUL RYAN

The Strengthening DSH and Medicare Through Subsidy Recapture and Payment Reform Act of 2015

Summary

The “disproportionate share hospital” program provides additional Medicare payments to hospitals that receive a comparatively high volume of uninsured or under-insured patients. The President's health care law made dramatic cuts to the DSH program because, as proponents argued, the law would significantly reduce the number of uninsured Americans. Four years after the law's passage, there are still millions of Americans without coverage and the DSH program is still very much a necessity.

However, a troubling new trend has emerged. Hospitals in states that expanded their Medicaid programs continue to receive large portions of Medicare DSH funds while those in non-expansion states are actually receiving less. This is contrary to the arguments that were made in support of the law's cut to the DSH program years ago. Moreover, both the Medicare Payment Advisory Commission (MedPAC) and the Congressional Budget Office have documented that when care migrates from the inpatient to outpatient setting, hospitals may wind up losing a significant amount of DSH funds.

H.R. 3288 would take several steps to mitigate this problem. First, it instructs the Secretary to reimburse DSH through lump sum payments, rather than as a per discharge add-on payments. This will provide greater certainty to hospitals and make the program more sensitive to volume changes as hospitals see their patient mix change. Second, the bill increases DSH funding to those hospitals that are located in states that have not expanded their Medicaid programs under the law. It puts all hospitals on a level playing field without affecting those hospitals in expansion states. The new spending called for under this bill is intended to be offset by recouping all overpayments made under the Obamacare subsidy recapture program.

This bill is meant to serve as a conversation starter with stakeholders. The Ways and Means Committee welcomes constructive feedback on how to best move this bill forward.