

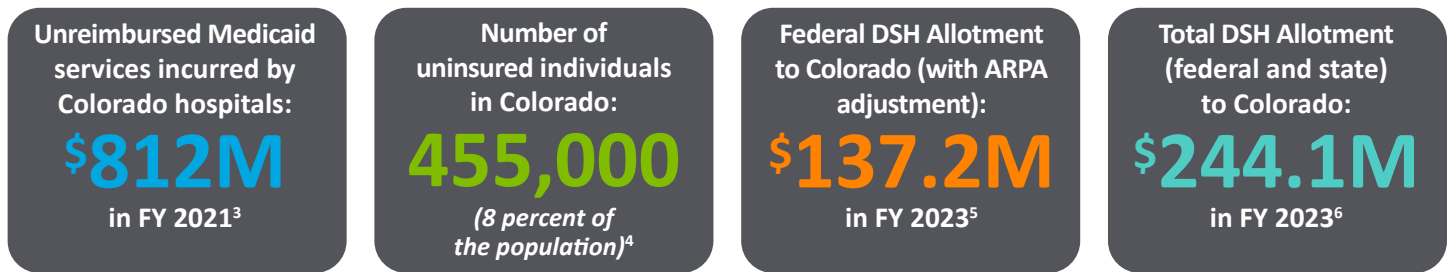


# Disproportionate Share Hospitals



**CHA'S ASK:** Avert Medicaid disproportionate share hospital (DSH) cuts that are scheduled to begin in fiscal year (FY) 2024. Without action, Colorado hospitals will face a \$120.8 million yearly payment cut (48.3 percent decrease in annual allotments) starting on October 1.<sup>1</sup>

Disproportionate share hospitals serve a significantly higher number of low-income patients than non-DSH hospitals and receive payments jointly funded by the federal and state governments to offset two types of uncompensated care – unreimbursed Medicaid services and the unpaid cost of providing care for uninsured individuals. In FY 2023, total DSH allotments to Colorado covered 54.8% of uncompensated care in the state.<sup>2</sup>



## DSH Cuts Would Be Devastating to Patient Access:

- **DSH hospitals, by nature of their patient mix, struggle with stretching their resources to offset losses from caring for underinsured and uninsured patients.**
- **The timing of these cuts is especially unfortunate as hospitals expect an influx of uninsured individuals when the continuous enrollment provision under the COVID-19 Public Health Emergency expires in May.** The Colorado Department of Health Care Policy and Financing anticipates 325,000 Coloradans may no longer qualify or be disenrolled from Health First Colorado (Medicaid) or Child Health Plan Plus (CHIP), shifting the payment burden of that care.<sup>7</sup>
- **Colorado hospitals are facing continued financial hardship emerging from the COVID-19 pandemic, workforce shortages and growing costs related to cybersecurity.** Compared to pre-pandemic levels, hospital margins are down significantly, expenses are significantly up, and patients are sicker. Fifty six percent of Colorado hospitals operated with unsustainable finances in 2021.<sup>8</sup>

## DSH Hospitals are Vital Sources of Care for Colorado Communities

**Nearly half** of hospitals in Colorado are categorized as DSH hospitals. Colorado DSH hospitals provided 63 percent of hospital beds and 83 percent of Medicaid days in the state.<sup>9</sup>

### Background

- Implemented by the Patient Protection and Affordable Care Act (ACA - PL 111-148), DSH cuts were originally scheduled under the assumption that uncompensated care costs would decrease as health care coverage increased under the new programs created by the law.
- Such coverage gains have not been realized (8 percent of Colorado’s population remained uninsured in 2021) and DSH cuts have been delayed by Congress **nine** times.

<sup>1</sup> Medicare Payment Advisory Commission, Annual Analysis of Disproportionate Share Hospital Allotments to States – <https://www.macpac.gov/wp-content/uploads/2023/03/Chapter-4-Annual-Analysis-of-Medicaid-DSH-Allotments-to-States.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> Analysis conducted by CHA using CHA DATABANK, a private data source updated monthly by Colorado hospitals – <https://cha.com/center-for-health-information-and-data-analytics/databank/>.

<sup>4</sup> Medicare Payment Advisory Commission, Annual Analysis of Disproportionate Share Hospital Allotments to States – <https://www.macpac.gov/wp-content/uploads/2023/03/Chapter-4-Annual-Analysis-of-Medicaid-DSH-Allotments-to-States.pdf>

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Colorado Department of Health Care Policy & Financing, COVID Unwinding FAQ – [https://hcpf.colorado.gov/sites/hcpf/files/End%20of%20PHE%20FAQ\\_MAIN.docx.pdf](https://hcpf.colorado.gov/sites/hcpf/files/End%20of%20PHE%20FAQ_MAIN.docx.pdf)

<sup>8</sup> Analysis conducted by CHA using CHA DATABANK, a private data source updated monthly by Colorado hospitals – <https://cha.com/center-for-health-information-and-data-analytics/databank/>.

<sup>9</sup> Ibid.

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