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The Center for Health Affairs Calls for Relief From Pending Medicaid DSH Payment Cuts

The Center for Health Affairs calls on Congress to address impending cuts to Medicaid Disproportionate Share Hospital (DSH) payments, set to take effect on April 1, 2025. These cuts will reduce funding by \$8 billion in the first year, with additional reductions in the following two fiscal years—totaling \$24 billion over three years. Medicaid DSH supplemental funding remains essential as hospitals cope with the impacts of financial instability while supporting their mission to treat all patients, regardless of ability to pay.

Northeast Ohio hospitals that receive Medicaid DSH funding treat the most vulnerable patients in our communities, including children, the elderly and the disabled. They shoulder the burden of significant uncompensated care costs, while offering vital services to their patients. While Medicaid DSH does not always cover all of the uncompensated care that DSH hospitals provide, such payments help ensure these hospitals are able to continue serving large numbers of low-income and uninsured patients.

Since 2013, Congress has acknowledged the importance of maintaining Medicaid DSH payments by repeatedly passing legislation to delay statutory cuts from going into effect. Without Congressional action, Medicaid DSH hospitals are again subject to an \$8 billion annual cut—which amounts to nearly half of the federal DSH funding. These cuts will persist through fiscal year 2027 and will impact Ohio hospitals.

In Ohio, the DSH program is known as the Hospital Care Assurance Program (HCAP). Payments under HCAP are supplemental to standard Medicaid hospital payments. According to the Medicaid and CHIP Payment and Access Commission (MACPAC), some states will face cuts of 60% of their current DSH allotments if the reductions take effect. These cuts are not sustainable for any hospital.

Northeast Ohio hospitals, many of which are the backbone of rural and urban communities alike, simply cannot absorb losses of this magnitude. **We call on Congress to prevent these DSH cuts, to ensure our hospitals can continue their mission of providing care for the most vulnerable and supporting healthy communities.**