

Give Safety Net Hospitals their Fair Share of Funding!

Disproportionate Share Hospital (DSH) funds are under attack at the federal level and NYS must stop subsidizing profitable NY hospital systems that don't need the money. DSH is federal, state, and local funding that is intended to support hospitals providing a disproportionate share of health care services to low-income Medicaid and uninsured patients.

NYS distributes a total of \$3.6 billion in DSH funds: including a subset of \$1.1 billion called the Indigent Care Pool (ICP). The current ICP methodology only distributes 85% of the funds based on actual care provided to uninsured patients and Medicaid enrollees. The remaining 15% of funds (\$140 million) is spent under a "transition collar" which was intended to limit a hospital's losses. The old formula is based on bad debt (patients' bills sent to collections) and continues to reward some hospitals that fail to serve uninsured patients.

DSH funds are being cut by the Federal government beginning October 1, 2019. The Affordable Care Act (ACA) reduced DSH payments nationally based on the idea that the uninsured would be eligible for ACA insurance. But NYS has a large number of uninsured individuals (i.e. immigrants who don't qualify for insurance and people who cannot afford coverage). Without a change to the current state law, NYC Health + Hospitals (H+H) will bear the initial brunt of any federal DSH cuts – at least the first \$700 million and up to \$870 million in the first year. H+H is the largest safety net provider in the state serving nearly 400,000 uninsured individuals annually.

Solution: The Legislature needs to fix the inequities in hospital ICP and DSH funding by ending the ICP transition collar and adopting legislation to allocate DSH and ICP funds in NYS to true safety net hospitals and the patients they serve.

Much of this can be achieved by adopting the H +H Community proposal which would:

- eliminate the ICP transition collar;
- increase Medicaid reimbursement rates for safety net or at risk/needy hospitals;
- dedicate funding for critical access hospitals;
- expand existing programs for financially distressed hospitals to ensure no harm to safety net or at risk/needy hospitals;
- leverage public hospitals' access to federal DSH;
- protect the state from larger federal cuts;
- have no impact on state general fund or Medicaid global cap; and
- provide a more fair distribution of hospital funding based on need, both upstate and downstate.

The Governor and Legislature agreed in a side letter that accompanied the enacted State 2019 budget to form a NYS Indigent Care Workgroup.

"The Department will establish a temporary workgroup on hospital indigent care methodology which will make recommendations regarding Disproportionate Share Hospital (DSH) and Indigent Care Pool (ICP) funding. The workgroup shall convene no later than June 1, 2018 and create a report on its findings no later than December 1, 2018."

Unfortunately, the report from this Workgroup has yet to be released!



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