

TENNESSEE HOSPITAL ASSOCIATION ISSUE BRIEF

Tennessee Medicaid Disproportionate Share Hospital (DSH) Background

What are Medicaid Disproportionate Share Hospital (DSH) Payments?

The [Medicaid statute](#) requires states to make disproportionate share hospital (DSH) payments to hospitals treating large numbers of low-income patients. This helps to offset hospitals' uncompensated care costs and improve access for Medicaid and uninsured patients. These payments also help bolster the financial stability of hospitals that traditionally form our healthcare safety-net in rural and urban communities.

Unfortunately, Tennessee is at a unique disadvantage as the only state without permanent DSH funding, while every other state has permanent access to the program.

Comparison of Medicaid DSH, Medicaid Enrollment and Uninsured Population by State			
State	Total Medicaid DSH Payment (FY2021)	Total Medicaid Enrollment in thousands (2021)	Total Uninsured in thousands (2021)
Alabama	\$364.6 million	941.2	489.6
Georgia	\$318.7 million	1,886.8	1,333.1
Kentucky	\$171.9 million	1,261.8	244.4
Mississippi	\$180.8 million	685.0	339.3
Missouri	\$561.8 million	882.0	557.1
North Carolina	\$349.8 million	1,915.0	1,059.4
TENNESSEE	\$53.1 million	1,334.0	686.3
Virginia	\$103.9 million	1,286.4	566.3

Why is Tennessee the Only State Without a Federal DSH Allotment?

When TennCare, Tennessee's Medicaid program, was created in 1994, the state's federal Medicaid DSH payments (around \$494 million annually) were incorporated into the funding of the program because the state expected the majority of the uninsured and uninsurable would enter TennCare, eliminating the need for such a payment. While there was an initial decline in uncompensated care, TennCare was not structured to cover the full cost of providing care to Medicaid patients and the uninsured.

Costs began to escalate after the first year of the program and continued to grow. It became apparent that Tennessee could not maintain the program as designed and needed to restructure. Consequently, in 2005 TennCare determined it must disenroll newly covered individuals – making the need for Tennessee DSH payments an immediate priority.

How Has Tennessee Received Federal Medicaid DSH Funding Since?

With strong, bipartisan support from our congressional delegation, Tennessee has received several short-term extensions of partial DSH payments since 2003, which have been critical to the foundation of Tennessee's Medicaid program.

These partial Tennessee DSH payments have been included in a variety of bills, including omnibus spending packages. The last (and most significant) extension payment was in 2015. Our delegation worked to secure a 10-year extension of partial DSH for Tennessee of \$53.1 million for each fiscal year from FY2015 through FY2025, which was approved in the *Medicare Access and CHIP Reauthorization Act of 2015* (MACRA). **This will expire in September 2025.**

If Tennessee's Medicaid DSH Funding Doesn't Expire Until 2025, Why Start Now?

Given the unfortunately unique position of Tennessee as the only state in the nation without permanent access to these dollars, it is not an issue the rest of Congress is currently informed on or motivated to address. It is important we are aligned on the issue and begin to raise awareness with Congressional leadership, key committees, and the Administration.



2023 Expiring Medicaid DSH Delay: Nationwide, significant Medicaid DSH reductions were enacted in the Affordable Care Act which have been delayed several times. The most recent delay in 2021 is set to expire on September 30, 2023, and will result in \$8.0 billion Medicaid DSH reductions from 2024-2027 unless the provision is delayed or eliminated. **While this is a separate issue from the TN Medicaid DSH problem**, it is a significant issue for hospitals nationally and it is expected Medicaid DSH legislation will be under consideration this year.

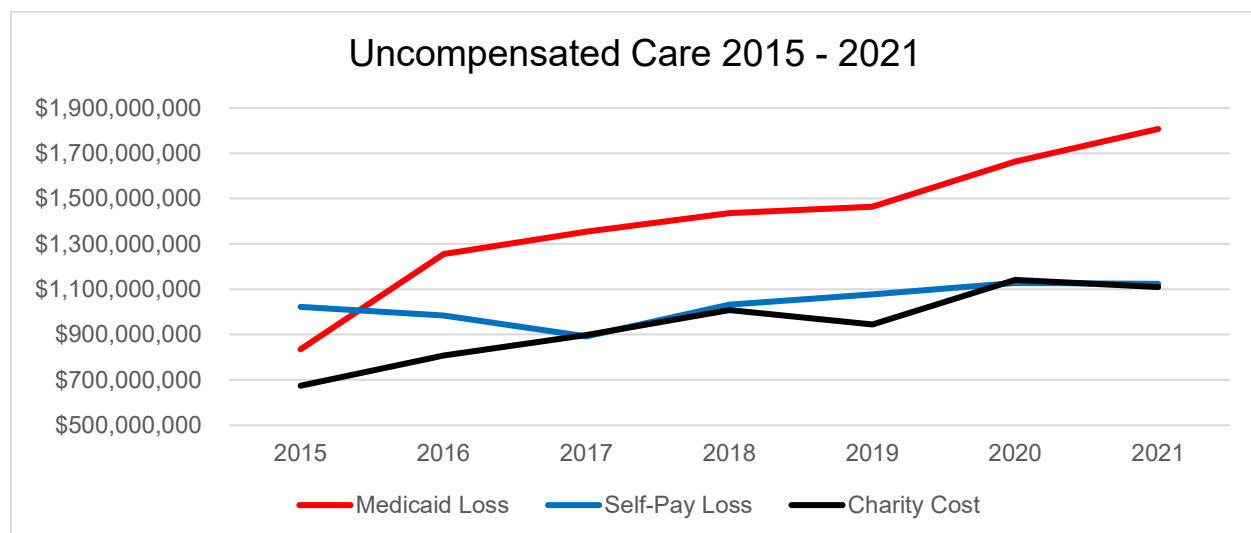
Moreover, historically it has not been addressed as a standalone bill and has required negotiating its inclusion within a larger legislative package. Given that Congress is expected to address the Medicaid DSH reductions set to go into effect this fall and will be an issue of concern for all states, this may provide a near-term opportunity to address a TN DSH extension.

What do the DSH Payments Support in Tennessee?

Tennessee's DSH allotment helps provide care to Medicaid enrollees and the uninsured, providing vital reimbursement to hospitals caring for vulnerable populations.

The payment methodology used to distribute payments from this fund ensures payments are proportional to a hospital's Medicaid volume, unreimbursed Medicaid costs, and charity care costs.

Overall uncompensated care in Tennessee hospitals has grown 37% since the last DSH extension, equating to over \$1.5 billion in growth, as shown below in the graph. Medicaid loss has grown 54% since 2015, adding to financial pressures hospitals face. Charity care has also grown, with hospitals providing over \$1.1 billion in charity care to their communities.



The Medicaid DSH program is vital to Tennesseans who rely on our state's hospitals for healthcare. Tennessee hospitals are an integral part of their communities, and we appreciate your support and efforts to ensure Tennessee's allotment is extended.