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ACA DSH Reduction Fact Sheet

Following the implementation of the Affordable Care Act (ACA), it was anticipated that uninsured rates and levels of hospital uncompensated care would drop as more patients gained access to insurance through the public exchanges. With this expected outcome in mind, the ACA reduced the amount of Disproportionate Share Hospital (DSH) funding available to states under the Medicaid program to address the situation of hospitals that serve a disproportionately high share of low income patients.

When is the annual ACA DSH Reduction set to take effect?

- The reduction in DSH funding by the ACA was designed to help fund the public insurance exchanges and was set to begin with the implementation of the ACA in FFY 2014. However, subsequent legislative actions have since shifted the effective reduction period to FFY 2020 through FFY 2025.
- H.R. 1892 passed on 2/9/2018, postponed the Medicaid DSH reduction scheduled for FFY 2018 until FFY 2020. The bill did not change the DSH reduction of \$4 billion in FFY 2020, but it did add a total of \$6 billion in additional DSH reductions to offset the cost of eliminating the FFY 2018 and FFY 2019 reductions.
- H.R. 1892 was followed by three more bills, all delaying the implementation of the DSH reduction. H.R. 4378, passed on 9/27/2019, postponed the DSH reduction until 11/22/2019. H.R. 3055, passed on 11/22/2019 postponed the reduction until 12/21/2019 and, most recently, [H.R. 1865](#), which passed on 12/20/2019, postpones the reduction until 5/23/2020. None of these three bills, postponing implementation of the DSH reduction, contained language that alters the total amount of the reduction.

How much is the ACA DSH reduction per fiscal year?

Updated ACA DSH Reduction Totals per CMS (10/10/2019)				
Federal Fiscal Year	ACA National Reduction	California ACA Reduction FFP	California share of National Reduction	% of California's Unreduced Allotment
2020	\$4,000,000,000	\$389,535,494	9.74%	30.39%
2021	\$8,000,000,000	\$779,070,988	9.74%	59.58%
2022	\$8,000,000,000	\$779,070,988	9.74%	58.41%
2023	\$8,000,000,000	\$779,070,988	9.74%	57.27%
2024	\$8,000,000,000	\$779,070,988	9.74%	56.14%
2025	\$8,000,000,000	\$779,070,988	9.74%	55.04%
Total	\$44,000,000,000	\$4,284,890,434		

What are the program-specific reduction amounts for FFY 2020?

- Beginning with FFY 2020, the ACA DSH reduction will have an impact on the following California DSH hospitals: Private inpatient hospitals, Non-Designated Public Hospitals, and Designated Public Hospitals (UCs and Global Payment Program) in the aggregate amount of \$389,535,494 in FFP or \$779,070,988 in TF (Total Fund).
- The ACA DSH reduction for Private hospitals in FFY 2020 is estimated to be \$181,107,156 TF.
- The ACA DSH reduction for NDPH hospitals in FFY 2020 is estimated to be \$15,193,061 TF.
- The ACA DSH reduction for the DPH hospitals in FFY 2020 is estimated to be \$680,248,571 TF with that total split between \$83,629,355 TF for the UC hospitals, and \$596,619,216 TF for the GPP hospitals.
- To yield the \$779,070,988 reduction in TF, it is necessary to sum the NDPH, GPP, and twice the UC reduction amount. The Private Hospital amount is excluded as the federal portion of Private DSH-R payments is not claimed against the federal DSH allotment. For UC hospitals, the entirety of their reduction is absorbed by CPE-funded payments, and as such, the UC DSH reduction amount is normally reported in FFP only.

How are the aggregate and hospital-specific reduction amounts determined?

For FY 19-20, California's reduction is currently 9.74% of the national reduction. We are assuming that this percentage will stay the same for the remaining duration of the reduction.

The Private DSH Replacement reduction (TF) will be the Private DSH Replacement percentage of Max DSH (TF) multiplied by the aggregate reduction (TF).

The NDPH DSH reduction (TF) will be the NDPH percentage of DSH allotment FFP multiplied by the aggregate reduction (TF). With respect to the NDPHs, we are currently assuming a \$25,000,000 FFP allocation. This figure will be updated once NDPH calculations are finalized.

The DPH DSH reduction (FFP) will be the DPH percentage of DSH allotment FFP multiplied by the aggregate reduction (FFP). The DPH reduction is further split between UC and GPP payments based on the UC% from the GPP STCs (Attachment N). For FY 20-21 and forward, we are currently assuming a UC% of 21.896% (UC% for FY 19-20) until the GPP STCs for the upcoming Medicaid waiver are finalized and approved by CMS.

After program-specific reduction amounts are calculated, for NDPH and Private DSH Replacement, the reduction amounts are applied pro-rata to unreduced hospital payments based on each hospital's share of the unreduced allocation.

For the UC hospitals, per CAPH's request, the reduced payments will be calculated by inputting the reduced UC DSH allotment directly into the UCC model.