

Fact Sheet: Disproportionate Share Hospital program reform

What is DSH?

The federal government provides special funding to hospitals that treat significant populations of indigent patients through the Disproportionate Share Hospital (DSH) programs. The DSH (Disproportionate Share Hospital) program is designed to assist hospitals that provide care to Medicaid and uninsured patients in order to allow better access to care among lower income populations. The Medicaid DSH program is a “capped program” that provides as much as \$25.7 million in federal matching funds annually to hospitals that treat significant Medicaid and uninsured populations.

How has DSH been reformed?

In order to determine DSH payments the amount of uncompensated care (as a percentage of total costs) is calculated for each hospital. This provides a clear picture of the actual burden of uncompensated care provided in each hospital relative to its size. Similar to the Medicare program, the new formula ensures that smaller rural hospitals receive their “fair share” by paying them “cost based reimbursement”.

What are the benefits of DSH reform?

Changes in the DSH formula allow Kansas to maximize federal contributions to the program. In addition, the changes allocate funds that are proportionate to the amount of uncompensated care delivered by each hospital. Kansas DSH funds now treat both in-patient and outpatient care equitably. Previously, uncompensated care delivered on an outpatient basis was not counted within the DSH formula. Finally, the new DSH formula will help to better stabilize DSH payments to hospitals over time so they are more predictable, while limiting the amount of payments awarded to out-of-state hospitals.

How were stakeholders involved in reforming the Kansas DSH program?

Over the past year, KHPA has worked closely with the Kansas Hospital Association, hospital stakeholders, and consultants to develop a DSH payment formula that corrects many of the underlying deficiencies of the current formula. Last October, the KHPA convened an all-hospital meeting to set the goals for DSH reform, and then formed an advisory workgroup of hospitals to discuss and review a number of alternative methodologies. This advisory workgroup provided needed feedback on a number of possible DSH reform formulas. On August 14, an all-hospitals meeting was held in Topeka to provide information about the proposed Medicaid DSH program changes. Stakeholders were presented information about proposed changes in the Kansas DSH program, an overview of the DSH modeling, and a chart comparing historic and projected DSH payments by hospital. On August 20, the KHPA Board discussed the proposed changes at length and approved them for implementation effective immediately, pending Federal approval.

Agency Website: www.khpa.ks.gov

Address: Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

Medicaid and HealthWave:
Phone: 785-296-3981
Fax: 785-296-4813

State Employee Health
Benefits and Plan Purchasing:
Phone: 785-296-6280
Fax: 785-368-7180

State Self Insurance Fund:
Phone: 785-296-2364
Fax: 785-296-6995