Address Medicaid DSH Third-Party Payment Issue

- The House and Senate are expected to negotiate an additional package of Medicaid “extenders” prior to the May 22 expiration of the current delay to the effective date for Medicaid DSH cuts.

- In addition to further relief from pending DSH cuts, it is extremely important to children’s hospitals that any Medicaid legislation include language implementing a key Medicaid and CHIP Payment and Access Commission (MACPAC) recommendation on “Medicaid shortfall/third party payment.” This recommended language addresses the treatment, for purposes of calculating DSH, of Medicaid-eligible individuals who have another source of coverage, such as private insurance or Medicare.

  o In 2017, the Centers for Medicare and Medicaid Services (CMS) released a final rule on how the Medicaid DSH payment program determines uncompensated care costs for Medicaid-eligible patients who also have a third-party source of coverage. Given the number of children treated at children’s hospitals who are eligible for Medicaid and have private insurance, this policy has significantly and negatively impacted several children’s hospitals across the country. In many cases, this policy has eliminated or significantly reduced children’s hospitals’ DSH payments.

  o MACPAC has recommended that Congress change the definition of “Medicaid shortfall” in statute to exclude costs and payments for all Medicaid-eligible patients for whom Medicaid is not the primary payer. This policy, if enacted, would still have an impact on children’s hospitals, but it would lessen significant financial losses that would otherwise result from the implementation of the CMS rule.

- Last year, Senate Finance Committee leadership included MACPAC’s recommended language on the third party/shortfall issue in their revised bipartisan drug pricing proposal.

- It is important that the committees of jurisdiction— the House Energy and Commerce Committee and Senate Finance Committee—hear from children’s hospitals on this issue.

  o Urge your lawmakers to tell Energy and Commerce Committee and Senate Finance Committee leaders that MACPAC’s language on Medicaid shortfall and third-party payment should be included in any agreement on Medicaid this year.