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**To:**  
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**Subject:** Medicaid State Disproportionate Share Hospital Allotment Reductions Proposed Rule

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## **Medicaid State Disproportionate Share Hospital Allotment Reductions Proposed Rule**

The Centers for Medicare & Medicaid Services (CMS) issued a proposed rule with request for comment to implement the provision of the Affordable Care Act that reduces Medicaid Disproportionate Share Hospital (DSH) allotments. Once finalized, this rule will go into effect starting October 1, 2013 unless Congress enacts the President's Budget proposal to begin the Medicaid DSH allotment reductions in FY 2015 instead of FY 2014, while retaining the same total amount of reductions through 2020.

The Affordable Care Act authorizes states to expand Medicaid to adults under age 65 with income of up to 133 percent of the federal poverty level (approximately \$15,280 for a single adult in 2013) and provides unprecedented federal funding for these states. The Federal government will pay for 100% of the cost of coverage for newly eligible individuals through 2016, and pay no less than 90% of the cost subsequently. Expanded coverage thanks to the Affordable Care Act through the Medicaid program and through Health Insurance Marketplaces is expected to significantly reduce uncompensated care.

At the same time as the Affordable Care Act expands coverage that reduces levels of uncompensated care, it also reforms Medicaid DSH allotments to reflect anticipated changes in coverage. Currently, states make Medicaid DSH payments to hospitals in instances where hospitals serve a disproportionate share of low income patients and have high levels of uncompensated care costs. States have broad discretion to distribute Medicaid DSH payments to hospitals, subject to hospital-specific payment limits and state-wide DSH allotments. DSH allotments vary greatly among states. The Affordable Care Act directs that there be greater targeting of this funding.

CMS is seeking comment on provisions of this proposed rule until July 12, 2013.

The rule can be found at <http://www.ofr.gov/inspection.aspx>. The rule will be published in the Federal Register on May 15, 2013.

A fact sheet can be found [here](#).

Questions or Concerns? Contact [HHSIEA@hhs.gov](mailto:HHSIEA@hhs.gov).