National Alliance of Safety-Net Hospitals

April 5, 2019

The Honorable Charles E. Grassley
Chair, Senate Finance Committee
United States Senate
Washington D.C. 20510

Dear Chairman Grassley:

The National Alliance of Safety-Net Hospitals (NASH) read with great interest your April 4 commentary on the Stat web site about the Medicaid disproportionate share hospital program (Medicaid DSH). As an organization that consists entirely of private safety-net hospitals, most of which receive Medicaid DSH funds to help them serve the low-income communities in which they are located, we have a considerable stake in this issue and would like to offer our perspective on Medicaid DSH and its future.

As you wrote, Affordable Care Act-mandated cuts in Medicaid DSH allotments to states were to take effect in FY 2014 but on three occasions Congress has intervened to delay those cuts. These cuts are now scheduled to take effect this October, at the beginning of the 2020 fiscal year.

NASH agrees with you that Congress should not permit the Medicaid DSH cut to remain a problem year after year and that the way to address this is to eliminate this Medicaid DSH cut permanently – or, if that is not possible, at least to delay it once again. We base this view on two important considerations.

First, the underlying rationale for reducing Medicaid DSH payments was that the Affordable Care Act was expected to greatly reduce the number of uninsured Americans, thereby reducing the need for these funds. While the 2010 reform law has indeed reduced the number of uninsured, that reduction has been nowhere near as great as projected, for a number of reasons, and in fact the number of uninsured people has risen for the past two years. As a result, hospitals – especially safety-net hospitals – continue to provide significant amounts of uncompensated care to low-income and uninsured patients and therefore continue to find the resources provided by the Medicaid DSH program to be an irreplaceable tool in serving their communities.

Second, the unusual degree of uncertainty in the health care arena today suggests that implementing such a major change at a time when so many matters remain unresolved could cause significant harm not only to private safety-net hospitals but also to many of the residents of the low-income communities those hospitals serve. These uncertainties include the decision of many states not to expand their Medicaid programs; current efforts by some states to expand their Medicaid programs; efforts currently under way in some states to change the terms of eligibility for their Medicaid programs, change the benefits those programs offer, or require greater financial participation by Medicaid beneficiaries; instability in the federal health insurance marketplace and state markets and attempts by both the federal government and state governments to address those instabilities; and legislative and judicial challenges to the Affordable Care Act itself. The decision to include Medicaid DSH cuts in the Affordable Care Act was predicated on certain policies and specific outcomes of those policies, but the current uncertainty is undermining the assumptions upon which the decision to reduce future Medicaid DSH spending was based. NASH believes it would be harmful to the patients served by private safety-net hospitals to move forward with the Medicaid DSH cut in the face of these challenges.

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For these reasons, NASH respectfully requests that you and the Senate Finance Committee join us in encouraging your colleagues in Congress to eliminate permanently, or at least delay, the Affordable Care Act-mandated Medicaid DSH cut.

We appreciate your consideration of our perspective and invite any questions you may have about the views we have presented.

Sincerely,

Ellen Kugler, Esq.
Executive Director

About the National Alliance of Safety-Net Hospitals

The National Alliance of Safety-Net Hospitals advocates for adequate recognition and financing of private safety-net hospitals that serve America's neediest communities. These private safety-net hospitals differ from other hospitals in a number of key ways: they serve communities whose residents are much older and poorer; they are more dependent on Medicare and Medicaid for revenue; they provide more uncompensated care; and unlike public safety-net hospitals, they have no statutory entitlement to local or state funds to underwrite their costs. NASH's role is to ensure that when federal officials make policy decisions, they understand the implications of those decisions for these distinctive private safety-net hospitals. NASH pursues its mission through a combination of vigorous, informed advocacy, data-driven positions, and an energetic membership with a clear stake in the outcome of public policy debates. Until 2019 NASH was known as the National Association of Urban Hospitals, or NAUH, and its evolution into NASH reflects its members' recognition that private safety-net hospitals can be found serving communities not only urban but also rural and suburban across the country.