

Study examines Affordable Care Act's impact on uncompensated care

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The decision by several states not to expand Medicaid health insurance for the poor may create unintended cuts for hospitals that provide uncompensated care, according to a study by John Graves, Ph.D., a Vanderbilt policy expert in the Department of Preventive Medicine.

Graves used financial data from U.S. hospitals and insurance data in each state to predict cuts in Medicare and [Medicaid](#) disproportionate share (DSH) funds paid to the nearly three-fourths of U.S. hospitals that serve low-income patients. The results, published in the Dec. 20 issue of the [New England Journal of Medicine](#), put numbers behind the impact of funding changes and predict what the difference would be if Medicaid is, or is not, expanded in each state.

"Expanded insurance through the exchanges alone will trigger lower DSH payments to hospitals," Graves said. "The problem comes in [states](#) where much of the uncompensated care provided will remain the same if Medicaid is not expanded, yet DSH cuts will still occur. Hospitals will need to recoup these DSH losses either by providing less uncompensated care, or by shifting the costs onto everyone else."

As planned under the [Affordable Care](#) Act (ACA), Medicare DSH cuts will begin with a 75 percent across-the-board reduction in 2014 as new insurance exchanges come on line across the country. To reduce the impact of the cuts, the government has devised a calculation to add some DSH funds back, based on the proportion of citizens who are uninsured in each state. But because of the Supreme Court determination that

states could not be compelled to expand Medicaid, who becomes covered in each state will vary widely.

Graves found that some states that do not expand Medicaid will be offering coverage to a greater number of people in their insurance exchanges, while continuing to leave most low-income, uninsured people without coverage. DSH cuts will still move forward in those states, placing a burden on hospitals that provide the most uncompensated care.

On the flip side, Graves found states that are planning to expand Medicaid coverage could end up covering as much as 60 percent of their uninsured citizens, significantly increasing the amount of [hospital](#) care covered by public and private insurers and offsetting the reduction in DSH funds.

Graves said of the top five states his calculations show will experience the most unintended DSH reductions, three—Texas, Louisiana and Florida—have already announced they will not expand Medicaid.

The federal government has set no time limit on states opting in or out of Medicaid expansions, but DSH cuts are currently set to begin in 2014.

Provided by Vanderbilt University Medical Center

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