

Study examines financial losses for inpatient care of children with Medicaid

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Freestanding children's hospitals had the largest financial losses for pediatric inpatients covered by Medicaid, suggesting hospitals may be unlikely to offset decreased Disproportionate Share Hospital (DSH) payments from caring for fewer uninsured patients as a result of health insurance expansion, according to an article published online by *JAMA Pediatrics*.

Medicaid provides DSH [payments](#) to offset [financial losses](#) from caring for both Medicaid-insured and [uninsured patients](#). Caring for patients covered by Medicaid contributes to uncompensated care costs because Medicaid typically reimburses less than [hospital](#) costs. The Patient Protection and Affordable Care Act (ACA) reduces the number of uninsured patients and because of this decrease, the ACA and congressional action will, beginning in 2018, gradually reduce DSH payments to hospitals. DSH payments totaled \$13.5 billion in 2013; DSH payments are scheduled to be reduced annually by \$2 billion in 2018 with an increasing reduction up to \$8 billion by 2025. About one-third of children are insured by Medicaid and the percentage of children without insurance is small compared with adults.

Jeffrey D. Colvin, M.D., J.D., of Children's Mercy Hospitals and Clinics, University of Missouri, Kansas City, and coauthors identified types of hospitals with the highest Medicaid losses from pediatric inpatient care. Authors analyzed Medicaid-insured hospital discharges for patients 20 and younger from 23 states in a 2009 database. The study population included 1,485 hospitals and 843,725 Medicaid-insured

discharges.

The authors report:

- Freestanding children's hospitals had a higher median number of Medicaid-insured discharges with about 4,082 per hospital compared with non-children's hospital teaching hospitals with 674 and non-children's hospital nonteaching hospitals with 161.
- Freestanding children's hospitals had the largest median Medicaid losses from pediatric inpatient care at about \$9.7 million per hospital.
- Non-children's hospital teaching hospitals had smaller Medicaid losses of about \$204,000 and non-children's hospital nonteaching hospitals with losses of about \$28,000 per hospital.
- DSH payments to freestanding children's hospitals helped cut Medicaid losses about in half.

Authors note study limitations could underestimate financial losses because the study did not include outpatient or observation-stay discharges.

"Given the few uninsured children at children's hospitals, those hospitals are unlikely to offset DSH payment reductions through the increased enrollment of uninsured patients into either public or private insurance. Children's hospitals serve many of the most complex patients. In this era of health care system reform, we need to consider how these payment changes may affect the unique patient populations served by children's hospitals," the study concludes.

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