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CMS Proposed Rule May Offer Relief to Medicaid DSH Providers

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CMS issued a [proposed rule \[PDF\]](#) last week that would change the way the hospital-specific limitation for the Medicaid disproportionate share hospital (DSH) adjustment is calculated. The proposed rule would effectively increase the amount of uncompensated care included in the hospital-specific limit, which caps the Medicaid DSH adjustment at the total uncompensated costs of providing inpatient and outpatient hospital services to Medicaid eligible individuals and uninsured individuals.

The proposed rule would reverse a 2008 change to the definition of “uninsured,” which had restricted the types of uncompensated care included in the hospital-specific limit. Prior to the 2008 change, individuals were considered uninsured if they did not have insurance for the specific services provided by the hospital. In 2008, CMS changed the definition of “uninsured” to exclude individuals with any form of insurance coverage, even when the services provided by the hospital were not actually covered. The 2008 rule effectively reduced the hospital-specific limit by excluding the costs of many services provided to individuals with limited insurance coverage.

Ober|Kaler’s Comments

The proposed rule should be a welcome change for many providers that receive a Medicaid DSH adjustment. In particular, providers that serve a significant population of individuals with very restricted insurance coverage should benefit from the more liberal definition of “uninsured.” Comments to the proposed rule are due by 5 P.M. EST on February 17, 2012.

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