
Joint Committee on Ways and Means

Disproportionate Share Hospital (DSH)

February 14, 2024



Oregon Health Authority
Fiscal Operations Division

Senate Bill 5525 (2023 Regular Session) Budget Report

OHA shall present to the Joint Committee on Ways and Means during the 2024 regular session on the status of funding for the Disproportionate Share Hospital 3 program and any recommendations needed to achieve full federal funding for the 2023-25 biennium.

Disproportionate Share Hospital (DSH)

- DSH provides funding to hospitals to offset financial losses from providing uncompensated care to uninsured and Medicaid patients to maintain access to care for low-income patients. The amount available is set by the Centers for Medicaid and Medicare (CMS) each year.
- DSH has three components: Mental Health Facility Services, DSH1, and DSH3, with most funds distributed through DSH3.
- OHA performs a financial analysis to determine which diagnosis-related group (DRG) and Type A and Type B hospitals have projected shortfalls. The total of all hospital shortfalls determines the total amount of DSH payments possible.
- Oregon currently uses hospital tax revenue to draw down its annual DSH3 federal allotment.
- Reductions to DSH in the Affordable Care Act have consistently been delayed.

2023-25 DSH3 Summary and Budget Need

2023-25 estimated federal maximum for DSH3:

	State Funds	Federal Funds	Total Funds
2024	30,000,000	44,100,000	74,400,000
2025	30,900,000	44,500,000	75,400,000
Total	61,200,000	88,600,000	149,800,000

Legislatively Approved Budget:

2023-25	23,000,000	34,000,000	57,000,000
----------------	------------	------------	------------

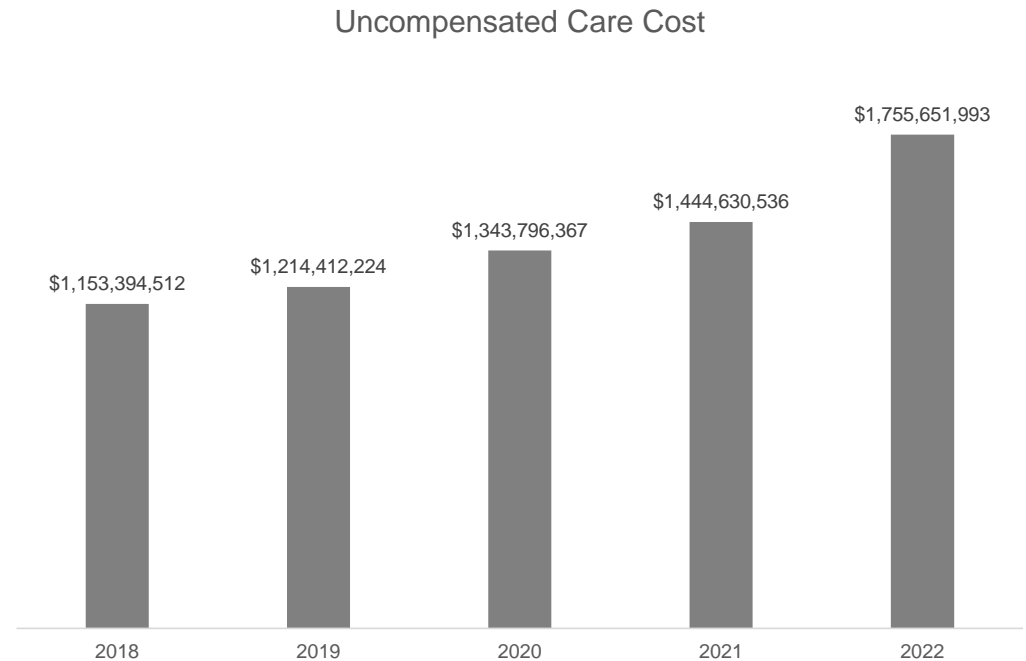
Revenue/authority need to spend to federal maximum:

Need	38,200,000	54,600,000	92,800,000
-------------	------------	------------	------------

Hospitals reported \$1.76 billion in uncompensated care in 2022

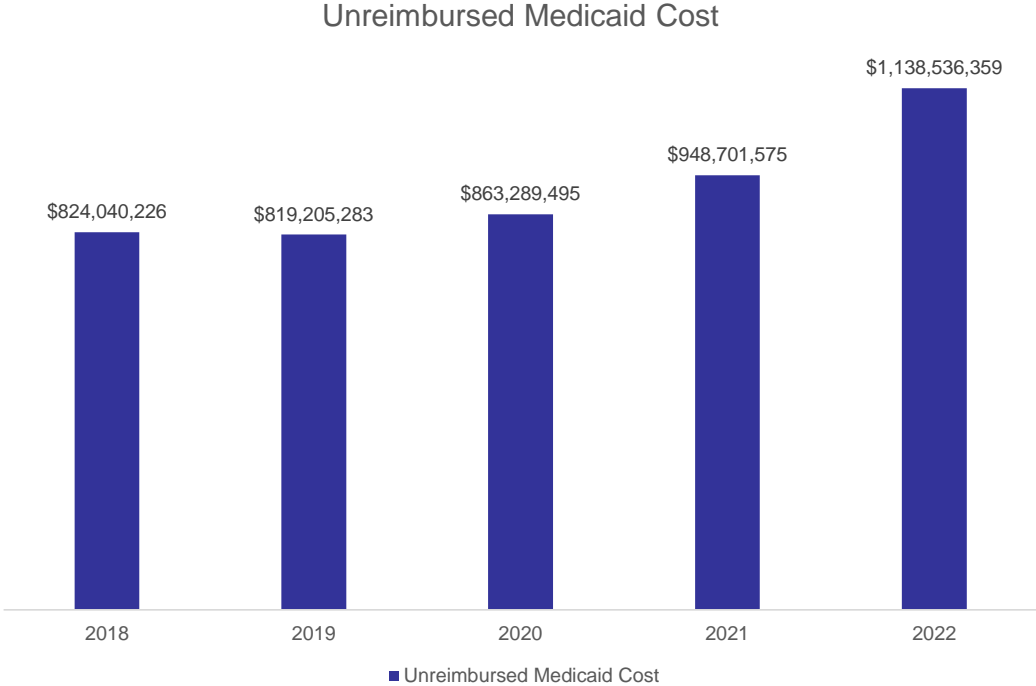
Uncompensated care consists of charity care, unreimbursed Medicaid, and subsidized health services

Total uncompensated care grew by more than \$300 million statewide in 2022, an increase of 21.5% from 2021



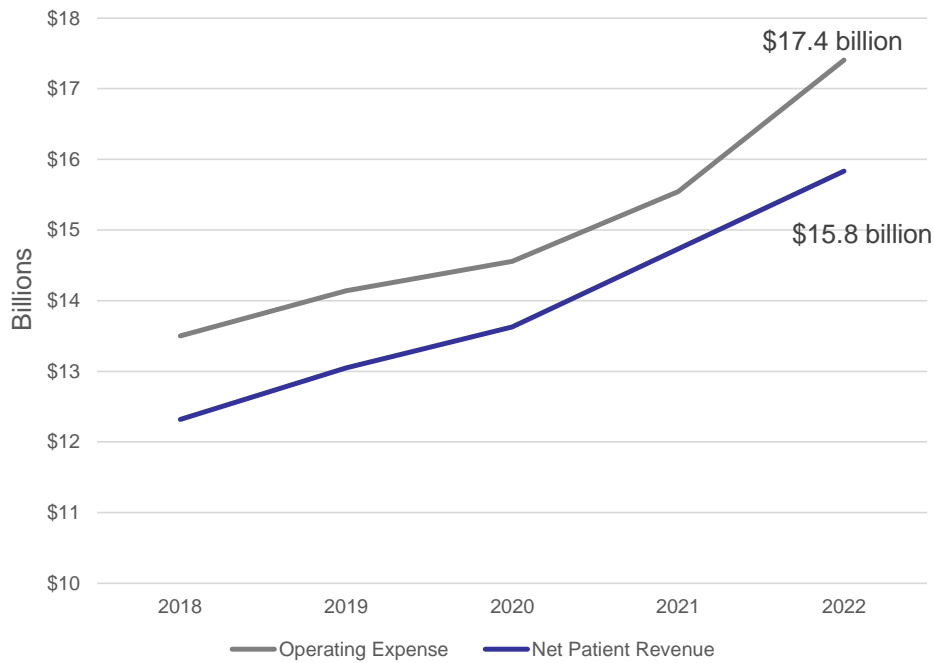
Unreimbursed Medicaid Grew 20% in 2022

Unreimbursed Medicaid was the top driver of overall uncompensated care growth. Increasing by \$190 million in 2022, an increase of 20%.



Hospitals receive less in reimbursement than the cost to provide services

Patient revenue is less than operating expenses on an annual basis



Statewide, hospital **Operating Expenses** are greater than **Net Patient Revenue** and the gap between expenses and revenue increased even more from 2021 to 2022.

- Total uncompensated care is a key factor in this trend.
- Hospitals must then rely on other sources of revenue such as grants, subsidies, cafeteria sales, gift shops and retail services to fully cover expenses.

Statewide, hospitals lost approximately \$320 million on operations in 2022.