



Centers for Medicare & Medicaid Services: Temporary Increase in Medicaid DSH Allotments

A. Funding Table

(Dollars in Millions)

Project/Activity	Program Level	FY 2009	FY 2010 – FY 2019
DSH Allotment Increase	\$770.0	\$250.0	\$520.0

* These amounts represent HHS Office of the Actuary cost estimates of the temporary increase in Medicaid DSH allotments.

B. Objectives

The purpose of the temporary increase in Medicaid Disproportionate Share Hospital (DSH) payment allotments is to provide additional State fiscal relief through easing the strain on hospitals that provide uncompensated care to vulnerable populations. Eligible hospitals that serve a disproportionate share of low-income or uninsured individuals are entitled to receive DSH payments. States receive an annual allotment to make payments to DSH hospitals to account for higher costs associated with treating uninsured and low-income patients. This annual allotment is calculated by law and includes requirements to ensure that the DSH payments to hospitals are not higher than the actual costs incurred by the hospitals to provide the uncompensated care. These payments are in addition to the regular payments such facilities receive for providing care to Medicaid beneficiaries.

C. Activities

Prior to the Recovery Act, the FY 2009 Federal Medicaid DSH allotments for all States totaled approximately \$11.1 billion. After the 2.5% increase authorized by the Recovery Act, the total DSH allotments increased by \$268.8 million to a total of \$11.3 billion. We estimate that the total Federal Medicaid DSH spending will increase by about \$250 million, as State do not typically spend all of their DSH allotments. Notice of State allotments for FY 2009 and FY 2010 will be provided to States through the Federal Register Notice process.

D. Characteristics

Section 5002 provides additional fiscal relief to States by increasing most States Federal fiscal year (FFY) 2009 and 2010 Medicaid DSH allotments by 2.5 percent. The Medicaid DSH allotment calculation is based upon a statutory formula in section 1923 of the Social Security Act. Increased DSH allotments are provided to States through a grant process on an annual basis. States will continue to report to CMS on the use of such funds as usual through submission of the quarterly expenditure reports.

E. Delivery Schedule

HHS announced the revised preliminary calculations for the FY 2009 Medicaid DSH allotments in March 2009, but it did not immediately release funds to States. As part



of the budget request process from States, CMS asked States to estimate how much of the additional portion of the Federal Medicaid DSH allotment they may need. Any additional funds requested by States for Medicaid DSH payments will be handled through separate Medicaid grant awards.

States will have to first exhaust their original FY 2009 Federal Medicaid DSH allotments (un-adjusted by the Recovery Act) before they can access the increased portion of their Federal Medicaid DSH allotments as authorized under the Recovery Act.

Historically, not every State expends its full allotment on a yearly basis. So it is unclear at this time, how many States will be able to utilize this additional funding.

F. Environmental Review Compliance

This provision does not require 1609(c) certification.

G. Measures

States' expenditures will be reported on a quarterly basis to CMS. States will report to CMS through the quarterly expenditure process how much of the increased Medicaid DSH allotment they expended. States will have to first demonstrate that they expended the full amount available under the regular Medicaid DSH allotments.

Measure: Number of States drawing temporary increase in Medicaid DSH funds. Reported quarterly.

H. Monitoring and Evaluation

All Recovery Act programs will be assessed for risk and to ensure that appropriate internal controls are in place throughout the entire funding cycle. These assessments will be done consistent with the statutory requirements of the Federal Manager's Financial Integrity Act and the Improper Payments Information Act, as well as OMB's circular A-123 "Management's Responsibility for Internal Control."

States' expenditures will be monitored on a quarterly basis by both the States' and CMS. In accordance with the guidelines established by OMB any funding to States related to the increased DSH allotment will be issued in a separate account specifically designated by the Treasury for the Recovery Act funds and the States will have to draw these funds from that separate account. The handling of these grant awards will follow the processes CMS has established for issuance of regular Medicaid grant awards as well as reconciliation at the end of the quarter to actual allowable Medicaid DSH expenditures. These processes are well documented in the Medicaid Cycle memo which documents the processes as well as details internal controls in place to mitigate risk.

As part of the regular quarterly expenditure reporting process, CMS will evaluate which portion of Medicaid DSH expenditures are a result of the increased Medicaid



DSH allotments. Further, in order to access the additional increased DSH allotment, States will have to demonstrate through their quarterly budget and expenditure reporting mechanism that they have fully expended their regular DSH allotment.

CMS will continue to use its existing internal control infrastructure to implement these provisions, i.e., CMS will examine actual expenditures claimed for appropriateness within the Medicaid DSH program requirements. To the extent CMS finds Medicaid DSH expenditures that are not allowable under the Medicaid statute; CMS will initiate recovery of any unallowable funds.

I. Transparency

CMS will be open and transparent in all of its grant making activities that involve spending of Recovery Act funding consistent with statutory and OMB guidance. The actual increased DSH allotments will be published through a Federal Register. The actual amounts of funding made available to States as a result of the increased DSH allotments is also available on www.hhs.gov/recovery/.

Finally, States must report to CMS on a quarterly basis their Medicaid expenditures, including expenditures related to Medicaid DSH payments. In accordance with the guidelines established by OMB, any funding to States related to the increased DSH allotment will be issued in a separate account specifically designated by the Treasury for the Recovery Act funds and the States will have to draw these funds from that separate account.

J. Accountability

To ensure that managers are held to high standards of accountability in achieving program goals under the Recovery Act, CMS will build on and strengthen existing processes. Senior CMS Center for Medicaid and State Operations officials will meet regularly with senior Department officials to ensure that projects are meeting their program goals, assessing and mitigating risks, ensuring transparency, and incorporating corrective actions. The personnel performance appraisal system will also incorporate Recovery Act program stewardship responsibilities for program and business function managers. Although the specific factors for managers' plans have not been developed, they will include responsibility for statutorily- required Recovery Act activities.

In addition, CMS will utilize its existing financial management oversight mechanisms to require the return of any Federal funds to which a State was not entitled. Such mechanisms include the disallowance of Medicaid DSH expenditures funded under the increased DSH allotment. This disallowance action would involve formal notice to the State as well as provide the State an opportunity for a hearing to the Departmental Appeals Board.

K. Barriers to Effective Implementation

Changes must be made to the Federal Medicaid Expenditure reporting system (Medicaid Budget and Expenditure System MBES) to allow for separate expenditure reporting of the increased DSH funds. In addition, States will be required to separately document and justify the need for the funding available under the



Department of Health and Human Services
American Recovery and Reinvestment Act
Improving and Preserving Health Care



increased Medicaid DSH allotment in their routine budget request. Any additional reporting for States is a resource issue for them.

L. Federal Infrastructure

Not applicable.