MEDICAID DSH

1997

New Hampshire's DSH Program

How New Hampshire Financed its DSH program

- New Hampshire has built one of the largest DSH programs in the nation through the combined use of DSH payments, provider taxes, and transfers to and from the state psychiatric hospitals.

- **Provider taxes**. New Hampshire originally taxed hospitals and repaid them with DSH payments, 50% of which were paid by the Federal government. After laws were passed that limited the use of provider taxes, New Hampshire changed its provider tax program into a room and meals tax. In 1993, New Hampshire raised $346 million from provider taxes, the largest amount second only to New York. The state is currently seeking a waiver from the law for part of this tax.

- **Mental hospital DSH payments.** New Hampshire has made DSH payments to its state psychiatric hospitals, essentially getting Federal matching payments for what would otherwise be state uncompensated care costs. This mental DSH has grown from 6% of DSH payments in 1993 to x percent in 1995. In the 1996 appropriations bill, the Secretary of HHS was required to pay up to $54 million in DSH payments to state-operated psychiatric hospitals. The Secretary had intended to defer and possibly disallow these payments.

What Was the Effect of New Hampshire's DSH program

- Using these financing mechanisms, New Hampshire's DSH spending was 50% of its total Medicaid spending in 1993. In 1995, due to changes in the law, it was down to 39% but still the highest percent of spending in the nation.

- In 1993, New Hampshire led the states in:

  - DSH per state resident ($339 relative to the national average of $69),

  - DSH per person under 150% of poverty ($1,643 relative to the national average of $269), and

  - DSH per uninsured person ($2,717 relative to the national average of $484).

- Through DSH, New Hampshire raised $163 million more than it paid hospitals in 1993; these funds are surplus and available for states use. One report suggested that New Hampshire used these funds to build highways.

- The total state gain was equivalent to 25 percent of the state general fund.

- New Hampshire hospitals profited as well. They gained a net $21 million over their provider taxes in 1993. Some hospitals put these surplus funds into interest-bearing trusts that could generate income or be used for special purposes.

		1990	1992	1994	1995
New Hampshire	Total DSH: % Medicaid	0 0	$392 m 51%	$380 m 39%	$329 m 39%
All States	Total DSH: % Medicaid	$1.4 b 2%	$17.5 b 15%	$16.9 b 12%	$19.0 b 13%

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DSH OPTIONS: OMB December 1996 Medicaid Baseline

		1995	1996	1997	1998	1999	2000	2001	2002	98-02
	Baseline Federal DSH Spending	10.7	8.6	10.0	10.0	10.8	11.5	12.1	12.8	**57.2**
	OPTIONS THAT TARGET $15 BILLION BETWEEN 1998 - 2002									
1a.	**Equal Reduction**									
	All States	10.7	8.6	10.0	10.2	9.6	8.6	7.0	5.4	40.7
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				10.6	9.9	8.8	7.1	5.4	**41.7**
	Savings				0.6	-0.9	-2.7	-5.0	-7.5	**-15.5**
1b.	**Differential Reduction**									
	High-DSH States	6.5	5.2	6.1	6.5	5.9	5.2	3.9	2.6	24.1
	Low-DSH States	4.2	3.4	3.9	4.2	3.8	3.4	2.9	2.5	16.8
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				11.1	9.9	8.8	6.9	5.1	**41.9**
	Savings				1.1	-0.9	-2.7	-5.2	-7.7	**-15.4**
1c.	**Combined Reallocation and Equal Reduction**									
	Reallocation Pool				0.0	1.0	2.0	3.0	4.0	10.0
	All States Equal Reduction	10.7	8.6	10.0	9.6	8.6	6.4	4.3	2.1	31.0
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				10.0	9.9	8.6	7.4	6.1	**42.0**
	Savings				0.0	-0.9	-2.9	-4.7	-6.7	**-15.2**
	OPTIONS THAT TARGET $20 BILLION BETWEEN 1998 - 2002									
2a.	**Equal Reduction**									
	All States	10.7	8.6	10.0	9.6	8.6	7.5	5.9	4.3	35.8
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				10.0	8.9	7.7	6.0	4.3	**36.8**
	Savings				0.0	-1.9	-3.8	-6.1	-8.5	**-20.4**
2b.	**Differential Reduction**									
	High-DSH States	6.5	5.2	6.1	5.9	5.2	4.6	3.3	2.0	20.8
	Low-DSH States	4.2	3.4	3.9	3.8	3.4	2.9	2.5	1.9	14.5
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				10.0	8.9	7.7	5.9	3.8	**36.3**
	Savings				0.0	-1.9	-3.8	-6.2	-9.0	**-20.9**
2c.	**Combined Reallocation and Equal Reduction**									
	Reallocation Pool					1.5	2.0	2.5	3.0	9.0
	All States Equal Reduction	10.7	8.6	10.0	9.6	7.5	5.4	3.2	1.1	26.8
	FQHC / RCH Pool				0.4	0.3	0.2	0.1		1.0
	Total				10.0	9.3	7.6	5.8	4.1	**36.8**
	Savings				0.0	-1.5	-4.0	-6.3	-8.7	**-20.5**

ASSUMPTIONS

1a. Reduce all states' 1995 spending beginning in 1998 by: 5%, 10%, 20%, 35%, and 50%

1b. Reduce high-DSH states' 1995 spending beginning in 1998 by: 0%, 10%, 20%, 40%, 60%
Reduce low-DSH states' 1995 spending beginning in 1998 by: 0%, 10%, 20%, 30%, 40%

1c. Reduce all states' 1995 spending beginning in 1998 by: 10%, 20%, 40%, 60%, 80%

2a. Reduce all states' 1995 spending beginning in 1998 by: 10%, 20%, 30%, 45%, 60%

2b. Reduce high-DSH states' 1995 spending beginning in 1998 by: 10%, 20%, 30%, 50%, 70%
Reduce low-DSH states' 1995 spending beginning [illegible] 10%, 20%, 30%, 40%, 55%

2c. Reduce all states' 1995 spending beginning in 1998 by: 10%, 30%, 50%, 70%, 90%