

Institutions for Mental Disease (IMD) Disproportionate Share Hospital (DSH) funding

Opportunities to shift state costs to the unused federal allotment

Engrossed Substitute Senate Bill 5092, Section 215(45), Chapter 334, Laws of 2021

December 1, 2021

Legislative summary

The Washington State Health Care Authority (HCA) is submitting this report in order to fulfil the requirements of [Engrossed Substitute Senate Bill 5092](#), Section 215(45), Chapter 334, Laws of 2021, which states:

The authority must pursue opportunities for shifting state costs to the state's unused allocation of federal institutions for mental disease disproportionate share hospital funding.

The authority must submit a report to the office of financial management and the appropriate committees of the legislature by December 1, 2021, which identifies any activities the authority has implemented or identified to shift state costs to the unused federal funds and an analysis of the fiscal impacts for these activities and options.

Background

Medicaid Disproportionate Share Hospital (DSH) funding is available to assist in covering the cost of hospital uncompensated care. The DSH program is jointly funded by federal and state funds using the published Federal Medical Assistance Percentage (FMAP) for each state. Total federal DSH funding is limited each year to a published allotment amount, and a portion of the total allotment is further limited for hospitals designated as Institutions for Mental Diseases (IMDs).

Effective August 24, 2018, Western State Hospital (WSH) lost Medicare certification and Medicaid DSH funding to the hospital was eliminated, resulting in a significant unused IMD DSH allotment for the state of Washington. Under ESSB 5092, HCA is now exploring opportunities to use the unused IMD DSH allotment to replace other state costs with the IMD DSH funds.

Key findings

While exploring the various options, it became clear that the HCA is limited in its ability to shift current state costs to IMD DSH funds due to the lack of the available uncompensated care at qualifying IMDs in the community.

While there may be an ability to shift the IMD DSH funds to cover Uncompensated Care Costs (UCCs) at private non-IMD hospitals, it would require additional state funding which does not achieve the objective of shifting current state costs to DSH.

While various options were explored using the available DSH data, hospital data and cost report data, there are no current opportunities available that meet all of the HCA requirements, including shifting current state costs and no increase in state funds.

For a detailed look at the data mentioned above, please view the [report provided by Myers and Stauffer LC, Certified Public Accountants online](#).

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