

**SEC. 2551. DISPROPORTIONATE SHARE HOSPITAL PAYMENTS.**

(a) IN GENERAL.—Section 1923(f) of the Social Security Act (42 U.S.C. 1396r–4(f)) is amended—

(1) in paragraph (1), by striking “and (3)” and inserting “, (3), and (7)”;

(2) in paragraph (3)(A), by striking “paragraph (6)” and inserting “paragraphs (6) and (7)”;

**【Note: clause (v) added to paragraph (6)(A) of section 1923(f) by section 1203(b) of HCERA】**

**【Note: a clause (iii) is added to paragraph (6)(B) of section 1923(f) by section 10201(e)(1)(A)】**

(3) by redesignating paragraph (7) as paragraph (8); and

(4) by inserting after paragraph (6) the following new paragraph:

“(7) MEDICAID DSH REDUCTIONS.—**【Replaced by section 1203(2) of HCERA; previously revised by section 10201(e)(1)(B)】**

“(A) REDUCTIONS.—

“(i) IN GENERAL.—For each of fiscal years 2014 through 2020 the Secretary shall effect the following reductions:

“(I) REDUCTION IN DSH ALLOTMENTS.—The Secretary shall reduce DSH allotments to States in the amount specified under the DSH health reform methodology under subparagraph (B) for the State for the fiscal year.

“(II) REDUCTIONS IN PAYMENTS.—The Secretary shall reduce payments to States under section 1903(a) for each calendar quarter in the fiscal year, in the manner specified in clause (iii), in an amount equal to  $\frac{1}{4}$  of the DSH allotment reduction under subclause (I) for the State for the fiscal year.

“(ii) AGGREGATE REDUCTIONS.—The aggregate reductions in DSH allotments for all States under clause (i)(I) shall be equal to—

“(I) \$500,000,000 for fiscal year 2014;

“(II) \$600,000,000 for fiscal year 2015;

“(III) \$600,000,000 for fiscal year 2016;

“(IV) \$1,800,000,000 for fiscal year 2017;

“(V) \$5,000,000,000 for fiscal year 2018;

“(VI) \$5,600,000,000 for fiscal year 2019; and

“(VII) \$4,000,000,000 for fiscal year 2020.

The Secretary shall distribute such aggregate reductions among States in accordance with subparagraph (B).

“(iii) MANNER OF PAYMENT REDUCTION.—The amount of the payment reduction under clause (i)(II) for a State for a quarter shall be deemed an overpayment to the State under this title to be disallowed against the State’s regular quarterly draw for all

spending under section 1903(d)(2). Such a disallowance is not subject to a reconsideration under subsections (d) and (e) of section 1116.

“(iv) DEFINITION.—In this paragraph, the term ‘State’ means the 50 States and the District of Columbia.

“(B) DSH HEALTH REFORM METHODOLOGY.—The Secretary shall carry out subparagraph (A) through use of a DSH Health Reform methodology that meets the following requirements:

“(i) The methodology imposes the largest percentage reductions on the States that—

“(I) have the lowest percentages of uninsured individuals (determined on the basis of data from the Bureau of the Census, audited hospital cost reports, and other information likely to yield accurate data) during the most recent year for which such data are available; or

“(II) do not target their DSH payments on—

“(aa) hospitals with high volumes of Medicaid inpatients (as defined in subsection (b)(1)(A)); and

“(bb) hospitals that have high levels of uncompensated care (excluding bad debt).

“(ii) The methodology imposes a smaller percentage reduction on low DSH States described in paragraph (5)(B).

“(iii) The methodology takes into account the extent to which the DSH allotment for a State was included in the budget neutrality calculation for a coverage expansion approved under section 1115 as of July 31, 2009.”.

***【Subsection (b) stricken by section 10201(f)】***

## **Subtitle H—Improved Coordination for Dual Eligible Beneficiaries**