

## MEMORANDUM

TO: Reporters and Editors  
FR: Jill Kozeny, 202-224-1308  
for U.S. Senator Chuck Grassley of Iowa  
Ranking Member of the Committee on Finance  
RE: CMS final rule on DSH payments  
DA: Thursday, December 18, 2008

Senator Chuck Grassley issued the comment below about the final rule published today by the Centers for Medicare and Medicaid Services (CMS) to fully implement a provision passed by Congress in 2003. The rule will be effective on January 19, 2009.

Section 1001(d) of the Medicare Prescription Drug, Improvement, and Modernization Act required states to make annual reports to the Center for Medicare and Medicaid Services (CMS) regarding Medicaid disproportionate share payments. Under Section 1001(d) of the Medicare Prescription Drug, Improvement, and Modernization Act, states were required, beginning in fiscal year 2004, to submit a report to CMS identifying each disproportionate share payment and any payment adjustments made to hospitals during the preceding fiscal year. States were further required under the provision to conduct independent audits to certify the extent to which hospitals have reduced the net uncompensated care costs they are claiming to reflect the Medicaid disproportionate share payments received. CMS today published the final rule to implement the provision. It will go into effect January 19, 2009.

Senator Grassley was the Chairman of the Senate Committee on Finance in 2003, and he was the principal Senate author of the Medicare Modernization Act. Here is his comment today.

“Medicaid provides \$17 billion each year to hospitals in disproportionate share funds yet there is no transparency in where these funds go and how they are spent. These funds are the single largest direct federal expenditure for charity care. Medicaid has little idea whether these funds are well spent which suggests they aren't. That makes no sense and that ends today with the publication of this rule. I applaud CMS for publishing this rule. It has been a long time in coming, but the issuance today is still timely. Given the fiscal challenges faced by the federal and state governments and the role Medicaid plays during an economic downturn, now more than ever requiring states to provide this information is critical. We need to know dollars are being spent appropriately, especially those that are supposed to go to uncompensated care. This rule implements the statute passed by Congress, and it simply requires states to detail where Medicaid dollars are going.”