



OBBBA Tuesdays Mitigating Regulatory Impacts: Medicare DSH & 340B

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Agenda

1. OBBBA Overview
2. Margin Impact – Medicare DSH
3. Margin Impact – 340B Program

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01

OBBBA Overview

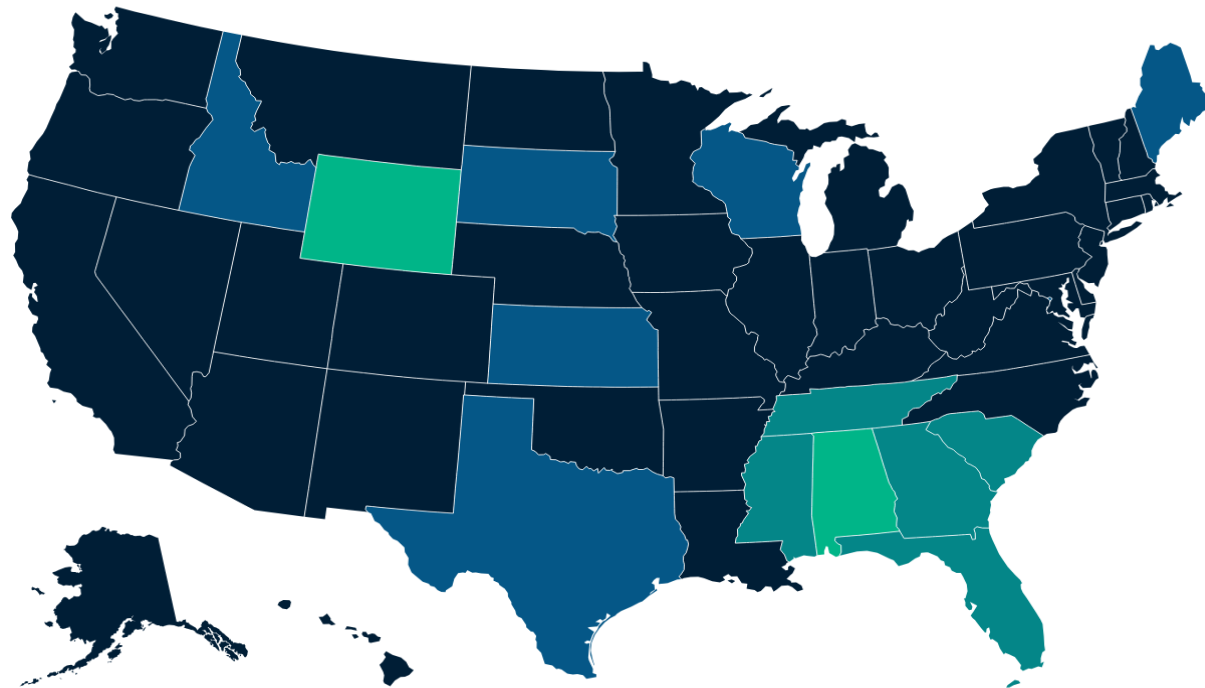


OBBBA: Medicaid Financing

Federal cuts to states of \$1T over 10 years represent 15% of federal spending on Medicaid.

As a % of 10-year baseline federal spending (2025-2034)

■ < 7% ■ 7%–10% ■ 10%–13% ■ ≥ 13%



Note: \$1 trillion in federal Medicaid spending cuts over the 10-year period is allocated across states. See Methods in "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Senate Reconciliation Bill" for more details.

Source: KFF analysis of CBO estimates of the Senate Reconciliation Bill

KFF

Key Financing Changes

- Provider tax freeze & reduction to 3.5% for expansion states (\$191B)
- State-directed payment freeze & reduction (\$149B)
- Uniform provider tax requirements (\$35B)
- Emergency Medicaid FMAP reduction for expansion population (\$28B)
- Repeal FMAP enhancement for states that haven't expanded (\$14B)

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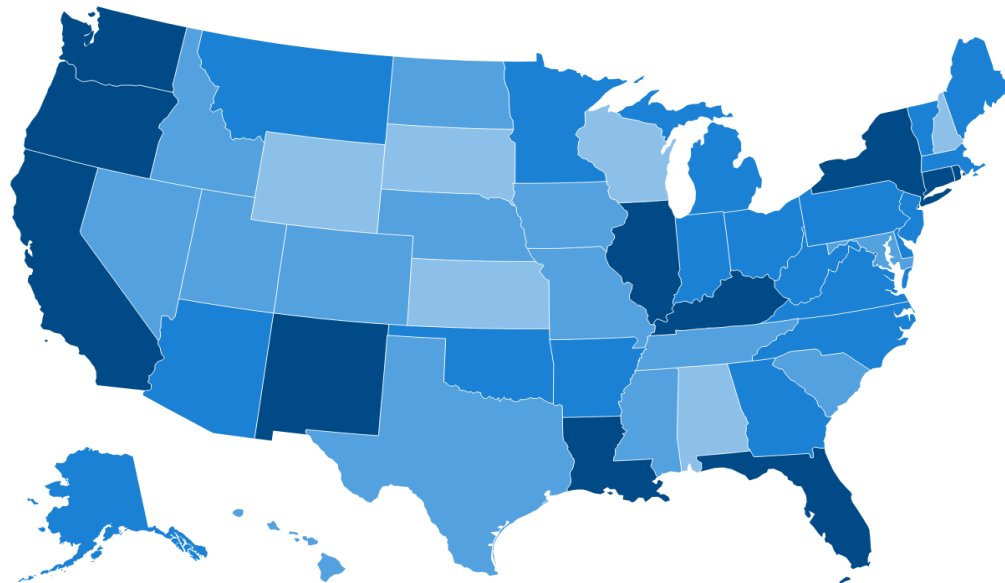
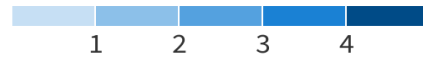
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OBBBA: Coverage Impact

Changes to Medicaid & Exchange eligibility are projected to increase the uninsured by 10 million.

2034 Projected Uninsured Increase *OBBBA Medicaid & Exchange Provisions*

Percentage Point Increase



Note: This map takes into account the effects on the uninsured population of passing the One Big Beautiful Bill Act. See methods for details.

Source: KFF analysis of population data from Weldon Cooper Center for Public Service; estimates of uninsured population growth by policy change from CBO, and KFF estimates of how the uninsured increase would be allocated across states (see Methods for additional sources and details).

KFF

Medicaid

- Work requirements for select individuals (\$326B)
- Increased redeterminations for expansion population (\$62B)
- Reduced retroactive eligibility (\$4.2B)

Exchange

- Increased income verification requirements (\$37B)
- Limits premium tax credit eligibility for certain SEPs (\$39B)
- Restricts premium tax credit eligibility for non-citizens (\$120B)

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OBBBA: Hospital Margin Impact

Changes will increase uninsured, reduce Medicaid payments, & reduce eligibility for safety net programs.

Legislative Changes

Eligibility
Requirements

Financing
Restrictions



Direct Margin Impact

- Increased Uninsured
- Reduced State Medicaid Pmts.
- Increased Rev. Cycle Issues



Secondary Margin Impact

- Medicare DSH Eligibility
- 340B Eligibility
- Decreased Medicare DSH Payments

02

Margin Impact Medicare DSH



Why DSH Matters Now More Than Ever

Hospitals that care for many low-income & uninsured patients depend on DSH funding to stay financially stable.

A hospital's DSH percentage is key to:

- Qualifying for DSH payment adjustments
- Maintaining access to the 340B Drug Pricing Program

What's at stake:

- Medicaid cuts, both proposed & ongoing, are shrinking the patient counts hospitals rely on
- Policy changes are making eligibility thresholds tougher to meet



Hospital Margin Impact

How Policy Pressures Translates Into Financial Risk

Coverage, Financing, & Policy Changes

Medicare DSH

340B Program Qualification

DSH Strategy

Hospital Margin Impact: Coverage, Financing & Policy Drivers

What's Driving the Pressure?

Coverage

- Expansion
- Medicaid Redeterminations
- Work Requirements
- Enrollment Declines



Financing

- Medicaid Budget Tightening
- Staffing & Labor Cost Pressures
- Reduced DSH Payments & Allotments
- FMAP Reform



Policy

- SSI Ratio Disputes & Timing Issues
- Dual Eligible Exclusion Litigation
- 1115 Waiver Day Inconsistencies
- Post-Chevron Implications

Hospital Margin Impact

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DSH Strategy

Hospital Margin Impact: Medicare DSH

The Math That Moves Millions



Medicaid, Non-Medicare Days

- Medicaid eligibility matching
- Multi-state eligibility verification
- MCO days capture
- Reconciling room & board days
- 1115 waiver days
- Monitor current-year discharges quarterly
- Building complete data extracts

Common Pitfalls

- Missing or incomplete demographics (no SSNs, no middle initials)
- Missing managed care days
- Unit/bed type slip-ups
- Counting dual eligible days
- Single state eligibility screening
- Room & board day reconciliations
- Not checking for retro eligibility

Medicare DPP



Medicare/Supplemental
Security Income Days



Total Medicare Days



Medicaid, Non-Medicare
Days



Total Patient Days

Hospital Margin Impact: Medicare DSH

The Math That Moves Millions



Total Patient Days

- One source of truth: Reconciling total patient days
- Inpatient day definition consistent with CMS rules
- Exclude non-acute or non-reimbursable days

Common Pitfalls

- Overcounting patient days
- Counting observation as inpatient days
- Double-count transfers
- Excluded units or swing beds days in acute totals
- Status-only fixes

Medicare DPP



Medicare/Supplemental
Security Income Days



Total Medicare Days



Medicaid, Non-Medicare
Days



Total Patient Days

Hospital Margin Impact: Medicare DSH

The Math That Moves Millions



Medicare/Supplemental Security Income(SSI) Days

- Track CMS posted SSI ratios & monitor for trends
- Start the SSI/Medicaid eligibility process early
- Focus on ED, Inpatient, & high-cost scheduled services for screening eligible patients
- Prioritize patient education on SSI/Medicaid eligibility criteria
- Utilize trained staff to assist patients throughout the application process
- Explore outsourcing options & strategic partnerships

Drivers of Inconsistent SSI Percentages

- Missed opportunities to screen Medicaid patients for SSI
- Administrative staffing shortages resulting in slow SSI processing
- Patient demographics & service lines
- Lack of outreach, literacy barriers, & documentation challenges

Medicare DPP



Medicare/Supplemental
Security Income Days



Total Medicare Days



Medicaid, Non-Medicare
Days



Total Patient Days

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Hospital Margin Impact: Medicare DSH

340B Eligibility

	PED	DSH	CAN	CAH	RRC	SCH
Subject to GPO Prohibition	X	X	X			
Subject to Orphan Drug Exclusion			X	X	X	X
Disproportionate Share Adjustment %	>11.75	>11.75	>11.75		≥8.0	≥8.0
Designated by CMS	X			X	X	X

Hospital Margin Impact

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DSH Strategy

Hospital Margin Impact: Buyer Beware

What helps, what hurts

DO (*acceptable with documentation*)

- Reconcile room/board days to revenue codes
- Document duals/crossovers & state eligibility sources
- Maintain an audit trail for matching logic & data-refresh timing

BE CAREFUL WITH (*heightened risk*)

- One-off, non-repeatable methodologies
- Manual SSI re-calculations/averaging
- Status-only “fixes”



Quick-Fix That Backfires



Strategy

- Converting observation stays to inpatient status to boost reimbursement

Implications

- More inpatient Medicare days dilute the ratio if Medicaid days don't rise
- Always model before workflow changes
- Monitor threshold exposure (11.75% / 8.0%)

Hospital Margin Impact: Horizon Strategy



Immediate Actions

- Know where you stand
- Flag currently admitted outliers; confirm payer/eligibility before discharge
- Validate room/board days; scrub discharge status; remove non-countable days
- Quick wins by high-yield departments



Filing Strategies

- Tighten period alignment (posting vs discharge date reconciliation)
- Ensure complete exhibits
- SSI watchlist: monitor trend; prepare protest support



Long-Term Levers

- Standardize eligibility workflows with quarterly DSH tracking
- Refresh payer crosswalks & state-specific matching policies
- Service placement & site strategy (system alignment to protect DSH anchor)



Hospitals nationwide are facing new pressures from federal & state policy shifts.

314 hospitals would lose 340B eligibility due to the OBBBA cuts.

Hospitals are bracing for rising bad debt & charity care as patients **lose Medicaid coverage**, pressuring cash flow & stretching their capacity to care for uninsured patients.

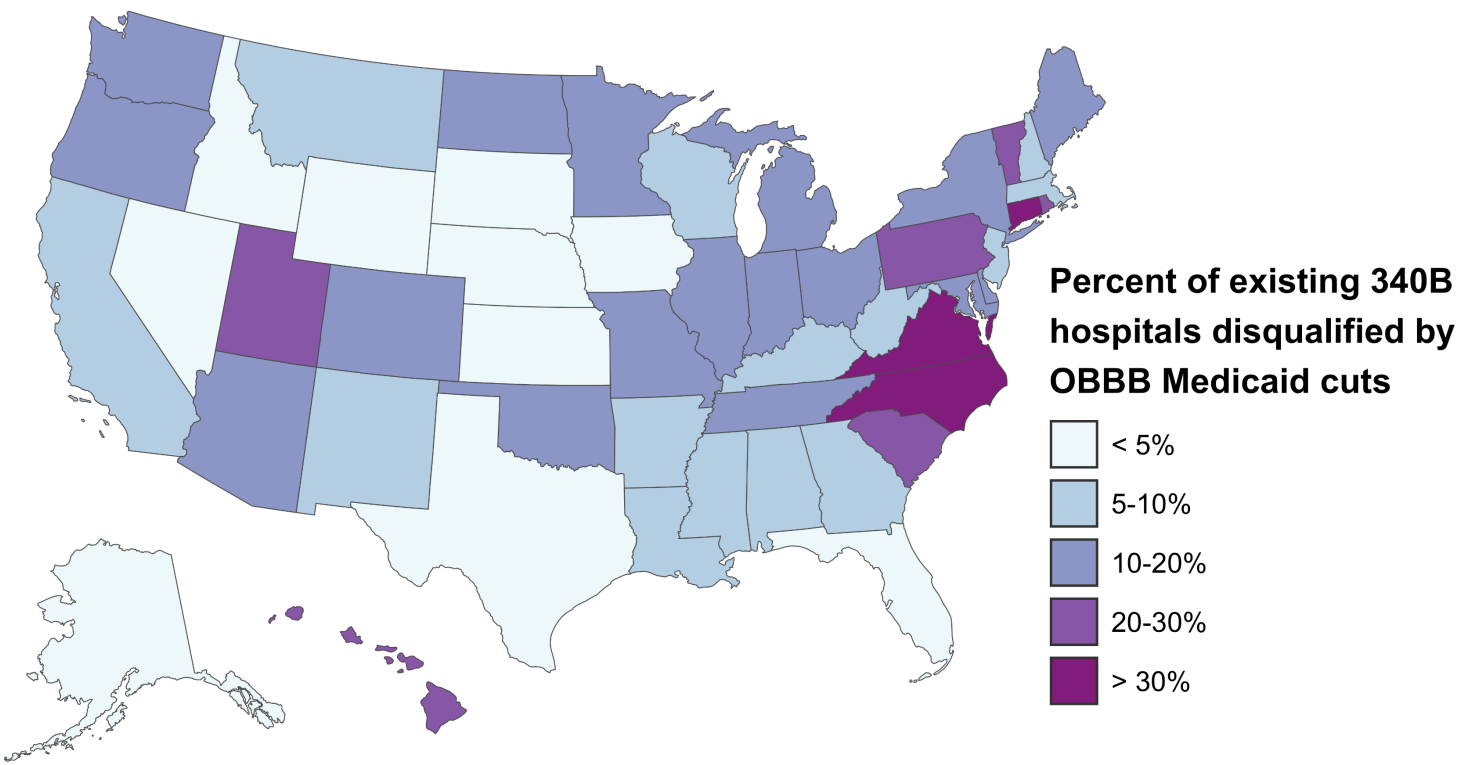
The OBBBA's Medicaid spending cuts will **lower** the number of Medicaid patient days in the DPP formula.

Safety-net hospitals are facing mounting **financial & operational** pressure.

On one hand, you could see a **decrease in 340B** from those DSH hospitals becoming **ineligible**. But, on the other hand, you could **drive growth** if those other types of covered entities are driven even further to using 340B.

Hospitals have **already begun to calculate** whether they are likely to lose 340B eligibility due to coming Medicaid cuts.

Hospital Margin Impact: OBBBA 340B Impact



Twelve percent of 340B hospitals could lose eligibility for the program due to Medicaid spending cuts in the recently enacted budget reconciliation law, according to a recent projection.

- HFMA

Post-OBBB DSH percentage is estimated using data from the 2023 CMS reports and state Medicaid cut estimates from the KFF Initial 340B status is from 2023 (to match CMS data). Sourced from the HRSA OPAIS database, as of 2025-06-13

03

Margin Impact 340B Program



OBBBA: Decreased Medicaid Enrollment

340B Impacts



Items to Consider

- Current DSH percentage in comparison to threshold
- Eligibility requirements for reclassification
 - Sole Community Hospital (SCH) vs. Rural Referral Center (RRC)
 - DSH % Requirement = 8%
 - Subject to Orphan Drug Exclusion
- Opportunities to expand inpatient services for high Medicaid population offerings
- Necessary actions to assist patients in meeting new work requirements

Legislative Update

340B Impacts

Proposed Legislation

- 340B ACCESS ACT
- SUSTAIN 340B ACT
- 340B PATIENTS ACT
- Part B Reimbursement Reduction for 340B



Current Concerns

The Rebate Model

5 manufacturers have attempted to implement a rebate model in which 340B savings are recognized on the back-end.

Current State

Entities purchase drugs at
340B pricing

- HRSA 340B Rebate Pilot Program
- FAQs
- 1,243 comments received
- 163 Bipartisan U.S. House Members Urge HHS to stop pilot
- AHA asks FTC, DOJ to investigate manufacturers' anticompetitive efforts
- No cost to covered entities

Proposed State

Entities purchase drugs at
GPO / WAC pricing

Administer drugs to eligible
patients

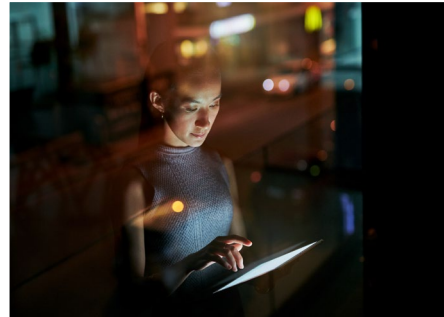
Submit usage data to
manufacturers

Receive back-end rebate

340B Rebate Model

Impacts

Items to Consider



Cash Flow Disturbances

Operational impacts to finance departments due to up-front responsibility/higher initial acquisition cost

Administrative Burden

Utilization of staff to track rebates, ensure timely data submissions, & reconcile payments

Patient Assistance

Tracking & Reporting Capabilities

Utilization of multiple vendors
340B pricing transparency decreased

Third-Party Administrator Collaboration

340B Rebate Model

Impacts

Eligible Drugs

Drug	Manufacturer	Indication
Eliquis	Bristol Myers Squibb	Anticoagulant
Enbrel	Amgen	Rheumatoid Arthritis
Entresto	Novartis	Heart Failure
Farxiga	AstraZeneca	Diabetes/Heart Failure/CKD
Fiasp	Novo Nordisk	Diabetes
Imbruvica	Pharmacyclics	Blood Cancers
Januvia	Merck	Diabetes
Jardiance	Boehringer Ingelheim	Diabetes/Heart Failure/CKD
Stelara	Janssen Biotech	Autoimmune Disease
Xarelto	Janssen Biotech	Anticoagulant

Polling Question

Would you like Forvis Mazars to follow up with you on this topic?

A | Yes

B | No

Questions?



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08.26

Overview & Implications



09.09

Understanding & Communicating Financial Impact



09.23

Improving Revenue Cycle & Managed Care



10.07

Identifying Aligned Growth Opportunities



10.21

Mitigating Regulatory Impacts – DSH & 340B



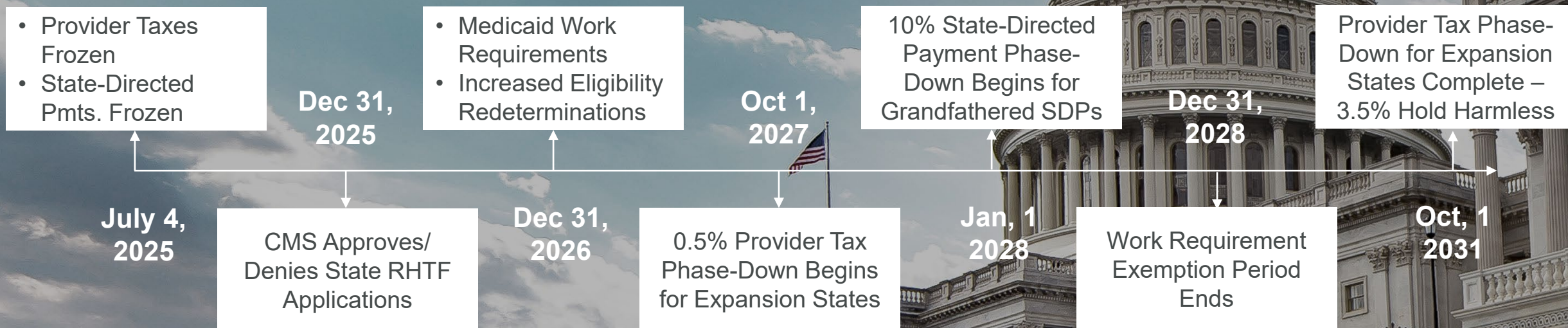
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Mitigating Regulatory Impacts State-Directed Payments



OBBBA Implementation Timeline

Provisions impacting provider finances have staggered implementation dates.



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