Medicaid Work Requirements: *The Impact on Payer Mix, Operating Margins, and Uncompensated Care Costs at Disproportionate Share Hospitals in North Carolina*

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Objective

My research attempts to answer how Medicaid work requirements could impact the payer mix, operating margins, and uncompensated care costs of Disproportionate Share Hospitals in North Carolina. Overall, this research seeks to contribute new insights to the Medicaid work requirements debate by exploring the business implications of the proposed policy changes.

Definitions

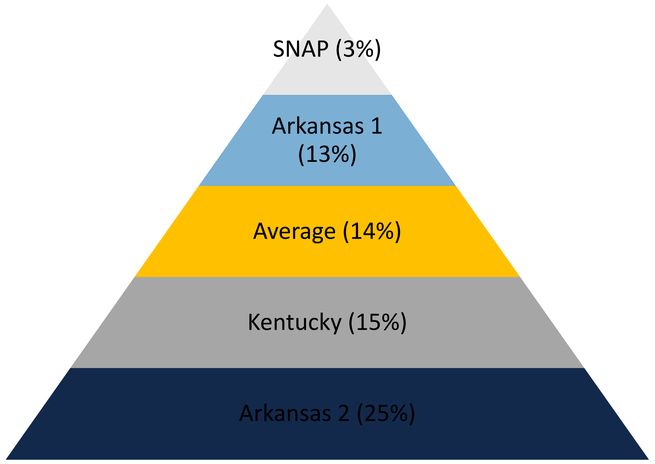
- **Medicaid Work Requirements-** require current Medicaid recipients to work or perform community service for a certain number of hours per week in order to retain their Medicaid benefits
- **Disproportionate Share Hospitals-** serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid and Medicare Services to cover the costs of providing care to uninsured patients
- **Payer Mix-** the percentage of payers at a hospital

Hypotheses

1. Medicaid work requirements will shift the payer mix by decreasing the percentage of Medicaid patients at hospitals and increasing the percentage of non-Medicaid patients.
2. Medicaid work requirements will reduce the Medicaid patient revenues and total net patient revenues as a result of the decrease in Medicaid patients.
3. Medicaid work requirements will reduce a hospital's costs.
4. Operating margins for hospitals will increase. I predict that the decrease in costs will be greater than the decrease in revenues, so operating margins for hospitals will improve
5. Uncompensated care costs will increase due to Medicaid work requirements

Methodology

The quantitative approach I used relied on available data from Medicare Hospital Cost Reports from the fiscal years 2014 – 2015 and 2015 – 2016 (Centers for Medicare & Medicaid Services, 2020). Next, I cross-referenced the data with a list of DSH locations released by the NC Department of Health and Human Services to identify only DSH providers (NC Medicaid Division of Health Benefits, 2019). I then used four case studies to evaluate the impact of work requirements in North Carolina. I took the average of the four studies and used that for my analysis. I showed the impacts of the other case studies in a situational analysis.



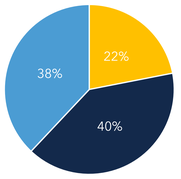
Findings

The results of my research suggest that work requirements could decrease the Medicaid payer mix by 2% at hospitals, increase operating margins between 1.8% and 2.0%, and increase uncompensated care costs between 3.3% and 3.4%.The results indicate that while hospital margins could improve with work requirements, the increases would be outweighed by the increases in uncompensated care costs.

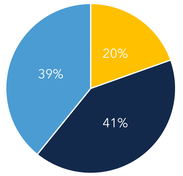
Findings cont.,

Finding #1: Work requirements shift the payer mix by 2% away from Medicaid

Payer mix before Medicaid work requirements



Payer mix before Medicaid after requirements

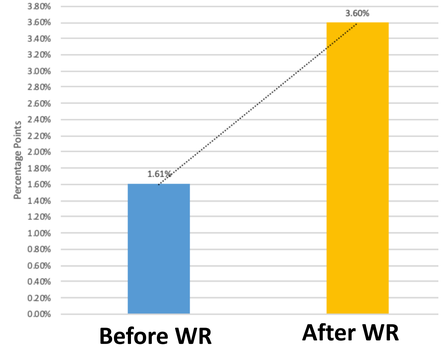


% of other discharges % of Discharges that are Medicare % of Discharges that are Medicaid

Finding #2: Work requirements increase operating margins between 1.8 and 2.0%

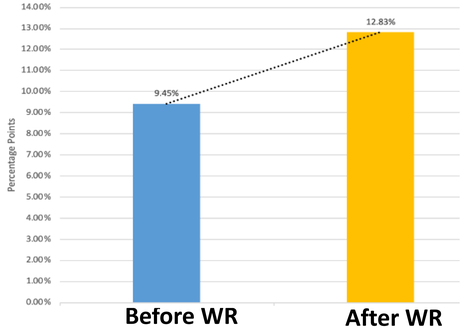
Fiscal Year 2014 – 2015

Fiscal Year 2015 – 2016



Finding #3: Work requirements increase increase uncompensated care costs between 3.3 and 3.4%

Fiscal Year 2014 – 2015



Fiscal Year 2015 – 2016