



H.R.1: DSH Payment Reductions



The Issue: DSH payments critical for behavioral healthcare

The Medicaid Disproportionate Share Hospital (DSH) program provides essential financial assistance to hospitals that care for our nation's most vulnerable populations, including those with behavioral health conditions. Unless Congress acts, DSH payment reductions are scheduled to be implemented on Oct. 1, 2025, when \$8 billion in reductions take effect. The program will be reduced by another \$8 billion over fiscal years (FY) 2027-2028.

Through previous bipartisan action, Congress delayed or eliminated Medicaid DSH cuts. Most recently in March 2025, lawmakers delayed the \$8 billion fiscal year FY2025 cut.

As states determine how to implement provisions related to H.R. 1 (the One Big Beautiful Bill Act), behavioral healthcare providers are concerned that thousands of eligible individuals will lose access to coverage in the coming years.



Background

Since its inception in the early 1980s, the Medicaid DSH program has provided vital financial support to hospitals that serve the nation's most vulnerable populations. Even with this critical supplemental funding, hospitals rarely cover their expenses to provide care for America's vulnerable patient population.

These cuts will disproportionately harm behavioral healthcare hospitals. For behavioral healthcare providers, DSH funding supports care for disabled adults with serious mental illness, children and adolescents in psychiatric crises, and uninsured patients. Unlike acute care hospitals, behavioral health hospitals lack access to comparable levels of supplemental payments to offset their unreimbursed costs of treating Medicaid and uninsured patients.



Legislative Request

If DSH cuts take effect, many behavioral healthcare providers may be forced to reduce services, limit availability of inpatient treatment, or close their doors entirely. DSH payments help to close the gap in Medicaid reimbursement, which is well below the actual cost of behavioral healthcare. Uninsured patients without access to needed behavioral healthcare treatment may be displaced, resulting in costly emergency room visits, incarceration, or living on the streets.

Congress should act before the Sept. 30, 2025, deadline to eliminate the remaining three years of Medicaid cuts and preserve DSH funding.