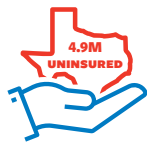


Medicaid DSH Cuts Will Harm Patient Care

District 36: Rep. Brian Babin



Absent Congressional action to address the imminent cuts to Medicaid DSH payments, Texas hospitals will receive an estimated **\$778 million less in state and federal funding in FY 2026**. These cuts will impact roughly 190 DSH hospitals across the state that serve a disproportionate share of low-income and uninsured individuals.



Texas has not seen reductions in the number of uninsured or hospital uncompensated care costs. **The number of uninsured Texans is increasing**, and Texas leads the nation with the largest number of residents without health insurance.



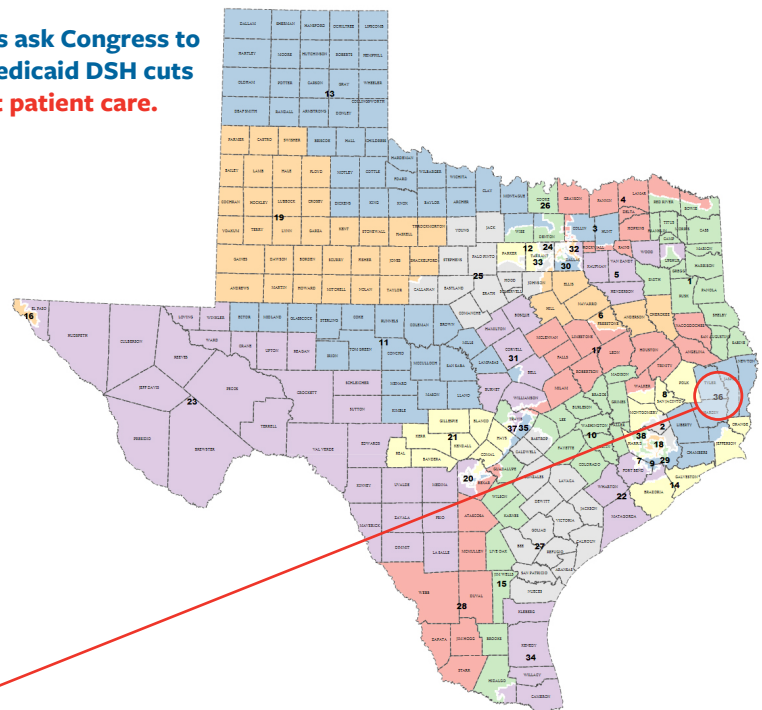
Congress should address the scheduled Medicaid DSH cuts to **protect patients and hospitals**.



Effective Oct. 1, 2025, payments to safety net hospitals in Texas will be cut by an estimated \$778 million for FY 2026 because of provisions in the Affordable Care Act that require annual cuts to Medicaid Disproportionate Share (DSH) hospital payments.* These cuts, which are scheduled to occur yearly from FY 2026 to FY 2028, were passed by Congress in anticipation of a reduction in the number of residents without health insurance and the amount of uncompensated care hospitals provide. The FY 2026 loss represents a 33% reduction in Texas hospitals' Medicaid DSH payments.

Over the next three years, Texas hospitals will incur over \$2.3 billion in cuts, cumulatively. These funding cuts are unsustainable, especially considering Texas leads the nation with more than 16% of its population (4.9 million Texans) lacking health insurance.

Texas hospitals ask Congress to address the Medicaid DSH cuts to help protect patient care.



District 36 Impact (FY 2026)

Number of DSH Hospitals: 4

Cuts to DSH Hospitals: **\$8,164,565**



Statewide Impact (FY 2026)

Number of DSH Hospitals: 188

Cuts to DSH Hospitals: **\$778 Million**



*Under current law, states' federal DSH allotments will be reduced by \$8 billion a year from FY 2026 to FY 2028. The Medicaid and CHIP Payment Access Commission previously estimated Texas' reduction will be \$778 million in the first year of these cuts. The exact amount will be determined when CMS publishes its final rule describing its methodology for distributing federal DSH allotment reductions.

