# HCRR 111 Preparing for OBBBA Impacts: Medicare DSH and 340B Updates

Presented March 25, 2026 by PYA's Sarah Bowman, Ramzi Fadayel, and Katie Baker | Part of the Healthcare Regulatory Roundup Webinar Series

https://www.pyapc.com/insights/hcrr-111-webinar-preparing-for-obbba-impacts-medicare-dsh-and-340b-updates/

***Please note, this transcript was generated automatically. PYA cannot guarantee its accuracy or completeness.***

## WEBINAR SUMMARY

This episode of PYA's Healthcare Regulatory Roundup webinar series reviewed key policy and operational changes affecting hospitals under the One Big Beautiful Bill Act (OBBBA), with a focus on Medicaid community engagement requirements, Medicare Disproportionate Share Hospital (DSH) calculations, and recent developments in the 340B drug pricing program.

The presenters outlined how new Medicaid eligibility requirements may reduce Medicaid enrollment and increase uninsured volumes, potentially lowering DSH percentages and affecting 340B eligibility. They also provided detailed guidance on how hospitals can improve the accuracy of Medicaid eligible day reporting, which is a primary driver of DSH qualification and reimbursement. Finally, the session covered regulatory uncertainty and emerging policy activity within the 340B program, including legal rulings, survey requirements, rebate model developments, and increasing state-level legislation.

**Key topics include:**

- New Medicaid community engagement requirements may reduce Medicaid enrollment and increase uninsured patient volumes.
- Lower Medicaid volumes may reduce Medicare DSH percentages and impact qualification for DSH payments and 340B participation.
- The DSH percentage is driven by Medicaid eligible days and the Medicare SSI percentage, with only Medicaid days within hospital control.
- Accurate identification and reporting of Medicaid eligible days is critical to maintaining reimbursement and program eligibility.
- 340B program policy remains uncertain, with ongoing legal, regulatory, and legislative activity at federal and state levels.
- The 340B rebate model pilot is currently blocked but remains under evaluation and may re-emerge.
- CMS Outpatient Prospective Payment System drug acquisition cost survey (ODACS) may influence future reimbursement rates beginning as early as 2027.
- State-level legislation is increasingly shaping 340B program operations, particularly around contract pharmacies and data requirements.

## WEBINAR HIGHLIGHTS AND FREQUENTLY ASKED QUESTIONS

**What changes to Medicaid eligibility are introduced under OBBBA?**

- OBBBA introduces community engagement requirements that require certain Medicaid beneficiaries to complete qualifying activities to maintain coverage, which may reduce enrollment levels.


*© PYA, P.C. All rights reserved. This content was generated automatically. PYA cannot guarantee its accuracy or completeness.*

**What is the Medicare DSH percentage and why does it matter?**

- The Medicare DSH percentage determines whether a hospital qualifies for additional reimbursement and influences eligibility for the 340B drug pricing program.

**How can hospitals improve their DSH percentage?**

- Hospitals can improve their DSH percentage by ensuring complete and accurate identification and reporting of Medicaid eligible patient days.

**What role does the Medicare SSI percentage play in DSH calculations?**

- The SSI percentage is a component of the DSH calculation determined by CMS and is outside of hospital control.

**How could changes in Medicaid enrollment affect 340B eligibility?**

- Reduced Medicaid enrollment may lower a hospital's DSH percentage, potentially causing loss of eligibility for the 340B program.

**What is the current status of the 340B rebate model?**

- The rebate model has been temporarily blocked but is still under evaluation and may be implemented in a revised form.

**Is participation in the CMS drug acquisition cost survey required?**

- CMS is required to conduct the survey, but hospitals must evaluate with legal counsel whether they will respond.

**How is state legislation affecting the 340B program?**

- States are increasingly passing laws related to contract pharmacy protections, reimbursement parity, and limitations on data requirements.

## ACTION ITEMS

1. Assess potential impact of Medicaid eligibility changes on patient mix and DSH percentage.
2. Review current processes for identifying and reporting Medicaid eligible days for completeness and accuracy.
3. Evaluate timing of Medicaid eligibility data pulls to maximize accuracy before cost report submission.
4. Ensure demographic data used for eligibility matching is complete and accurate.
5. Review treatment of out-of-state Medicaid patients to ensure inclusion where eligible.
6. Analyze operational decisions involving OB and psychiatric units for impact on Medicaid utilization and DSH thresholds.
7. Evaluate internal processes for newborn eligibility matching to ensure inclusion in DSH calculations.
8. Consult legal counsel regarding participation in the CMS drug acquisition cost survey.
9. Monitor developments related to the 340B rebate model and prepare for potential operational impact.
10. Track state-level legislative changes that may affect 340B contract pharmacy arrangements and compliance requirements.


*© PYA, P.C. All rights reserved. This content was generated automatically. PYA cannot guarantee its accuracy or completeness.*

## WEBINAR OUTLINE

**Introduction and Overview of Medicare DSH and 340B Program Focus**

- PYA Moderator introduces the webinar, and the presenters: Sarah Bowman, Katie Baker, and Ramzi Fadayel.
- Sarah Bowman highlights the topics of Medicare DSH, Medicaid community engagement requirements, and 340B updates.

**Medicaid Community Engagement Requirements**

- Ramzi Fadayel discusses the new Medicaid community engagement requirements from the One Big Beautiful Bill Act (OBBBA).
- He states that effective January 1, adults aged 19 to 64 must complete at least 80 hours per month of paid employment, job training, education, or community service.
- Ramzi explains states must verify compliance at enrollment and every six months thereafter.
- He notes the time period for retroactive Medicaid coverage is reduced from three months to one month.

**Impact on Hospitals and Medicare DSH**

- Ramzi explains the potential impacts on hospitals, including procedural disenrollments, lower Medicaid patient volume, and lower Medicare DSH percentages.
- He details Medicare DSH, including the difference between empirically justified (traditional) DSH and uncompensated care (UCC) DSH.
- Ramzi details the calculation of the DSH percentage, focusing on the Medicaid ratio and Medicare SSI percentage.
- He provides an example to illustrate how a hospital's DSH percentage is calculated and its impact on add-on payments.

**Strategies for Accurately Identifying and Reporting Medicaid Eligible Days**

- Ramzi outlines strategies for accurately identifying and reporting Medicaid eligible days, including using up-to-date Medicaid eligibility data and quality demographic data.
- He highlights the importance of checking eligibility for out-of-state patients and evaluating obstetrics and psychiatric departments.
- Ramzi walks through strategies for ensuring accurate matching of newborns to mothers and marketing to the Medicaid population.
- He introduces the concept of SSI realignment, explaining how hospitals can adjust their SSI percentages to account for different fiscal year ends.

**340B Drug Program Updates**

- Sarah Bowman transitions to discussing recent updates to the 340B drug program.
- She mentions the ongoing scrutiny and legislative reform efforts related to the 340B program.
- Sarah details the impact of OBBBA on the 340B program, including changes to the registration process for child sites.
- She highlights the US District Court ruling in favor of providers regarding the timing of access to 340B drug pricing.


*© PYA, P.C. All rights reserved. This content was generated automatically. PYA cannot guarantee its accuracy or completeness.*

**Rebate Model Pilot Program**

- Sarah details the rebate model pilot program, which requires covered entities to purchase drugs at sticker price and submit information for rebates.
- She notes the program was blocked in February due to procedural requirements, and HHS is evaluating its implementation.
- Sarah emphasizes the importance of covered entities providing feedback through the RFI process.
- She discusses concerns about the financial impact and administrative challenges of the rebate model.

**Outpatient Prospective Payment System (OPPS) Drug Acquisition Cost Survey**

- Sarah introduces the OPPS drug acquisition cost survey (ODACS), which is mandated by the Social Security Act.
- She explains the survey aims to gather information on separately payable outpatient drugs acquired by hospitals.
- Sarah states the data collected from ODACS will be used for policy-making, beginning with the 2027 proposed rule.
- She notes that hospitals are encouraged to work with legal counsel to evaluate whether to respond to the survey.

**State Legislative Actions on 340B Program**

- Katie Baker discusses state legislative actions related to the 340B program, including establishing pharmacy protection and prohibiting claims data requirements.
- She walks through examples of state bills, such as those in Maine, Oklahoma, Arizona, and Rhode Island.
- Katie discusses the potential impact of state legislation on the 340B program.

**Conclusion and Resources**

- Katie Baker concludes by reiterating the importance of awareness and involvement in protecting 340B contracted pharmacies and ensuring compliance with the program.
- PYA Moderator provides contact information for further questions and mentions that slides and recordings of the webinar are available at pyapc.com.


*© PYA, P.C. All rights reserved. This content was generated automatically. PYA cannot guarantee its accuracy or completeness.*