



TENNESSEE HOSPITAL ASSOCIATION

HOSPITAL ECONOMIC REPORT

INTRODUCTION

Tennessee is home to 172 hospitals, including five federal facilities. These facilities can be found in 79 of the 95 counties, ranging in size from the state's smallest hospital with two beds to the largest with more than 1,000 beds. Regardless of size or location, all hospitals share a common mission to provide quality healthcare to the communities they serve.

Hospitals today also face challenging times. In some cases, negative operating margins threaten access to care for entire communities, while other facilities struggle to balance growing costs with flat reimbursement. This is a worrisome reality for an industry that represents one-eighth of the state's economy and serves as the backbone of the healthcare system.

This report examines the basic financial structure and challenges for hospitals, the vital role hospitals play in communities and their impact on Tennessee's economy, and key priorities for the industry.



MEETING THE NEEDS OF OUR COMMUNITIES

THE COST OF DOING BUSINESS

Tennessee's hospitals constantly are evolving to meet the needs of the communities they serve. To accomplish this monumental task, hospitals rely on well-trained employees, modern facilities, medical equipment and supplies, and safe and secure information systems to manage clinical, financial and operational data.

Ensuring medical services are available 24 hours a day, seven days a week results in huge overhead. Unlike physician offices or ambulatory facilities that provide and maintain a finite number of services, a hospital emergency department has to be prepared to at least stabilize any medical emergency. This requires hospitals to have numerous physician specialties and a wide array of services and equipment available all day, every day. The cost of ensuring these services are always available continues to grow at an unsustainable rate.

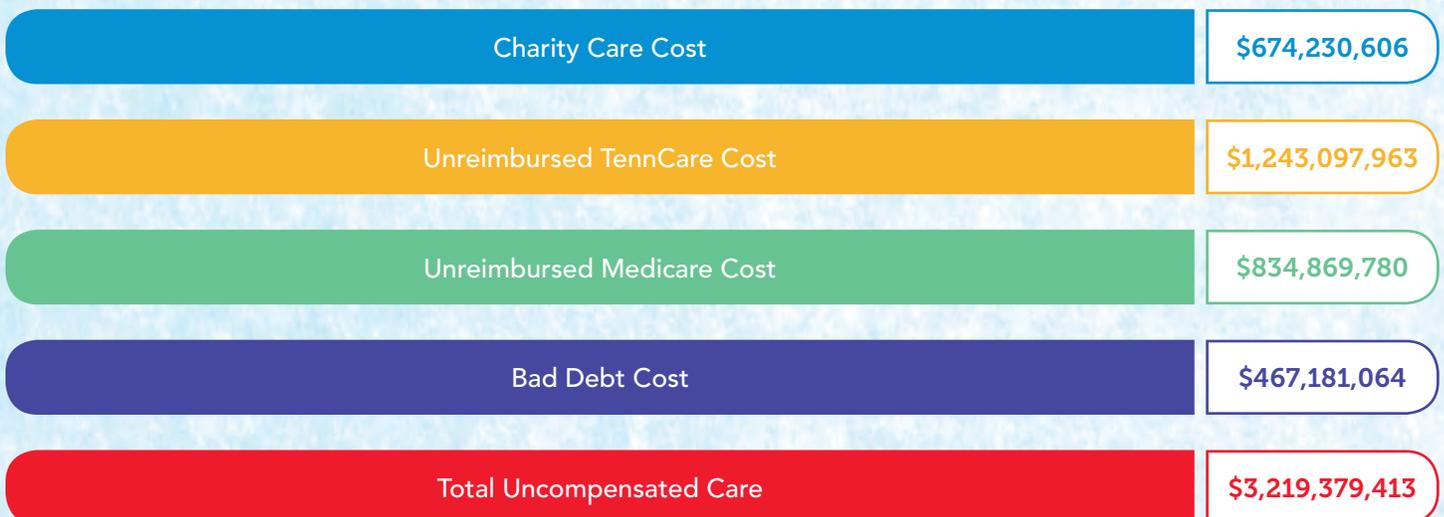
The policies and rules for receiving payment for services and maintaining standards for high-quality patient care often change. Compliance with those rules and standards is frequently very expensive and hospitals carry the burden. With many facilities facing razor-thin operating margins, hospital leaders perform a delicate balancing act between serving patients and operating in the black.

Many people today have access to a number of different healthcare service options. However, hospitals are unique in that they are the only healthcare providers required by law to deliver care regardless of the patient's ability to pay. To be clear, the hospital industry universally embraces its role in American communities – to be a reliable, accessible and trusted source of healthcare for all people. However, this makes the financial situation of hospitals unique.

Couple basic healthcare services with emergency care, and the picture grows even bleaker. The federal Emergency Medical Treatment and Labor Act (EMTALA) states a patient with a health emergency must be stabilized before any hospital personnel can discuss insurance coverage or payment. Emergency care has a much higher overhead cost than basic preventive care. There were nearly four million visits to Tennessee's emergency departments in 2015.

In addition to emergency visits, there were more than 8 million outpatient visits and almost 852,000 inpatient admissions to Tennessee's hospitals. Consider the costs of uncompensated care in the context of patient volume, and the shortfall dilemma crops back up.

UNCOMPENSATED CARE AT ALL FACILITIES



PAYER MIX

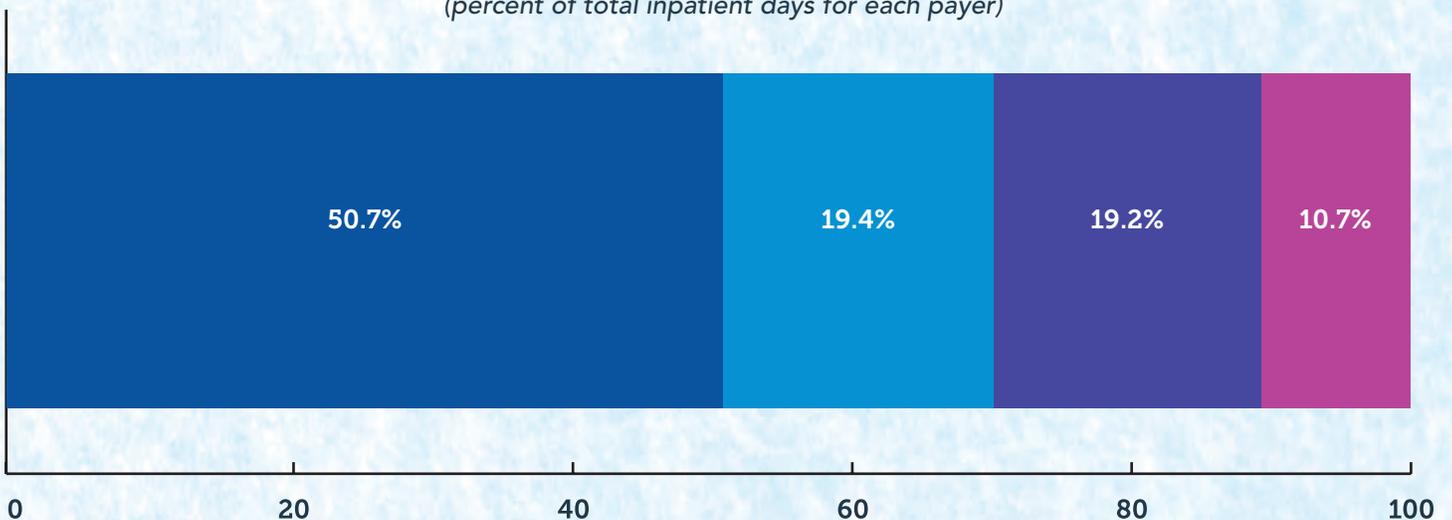
In 2015 in Tennessee, the average cost of care for one in-house patient per day was \$1,944.59, while a hospital's average revenue for inpatients was \$1,964 per day. This resulted in a slim \$20 profit. In that same year, 50 of the state's facilities reported a negative bottom line. When the average public or government-funded payments – which count as the largest source of reimbursement to hospitals – are below cost, revenue shortfalls occur. The graphs below highlight this problem in more detail.

In 2015, Medicare and TennCare covered 70.1 percent of hospital patient days, while the uninsured accounted for another 10.7 percent. Medicare and TennCare covered more than half of outpatient visits at 54.5 percent and the uninsured percentage was 13.2 percent.



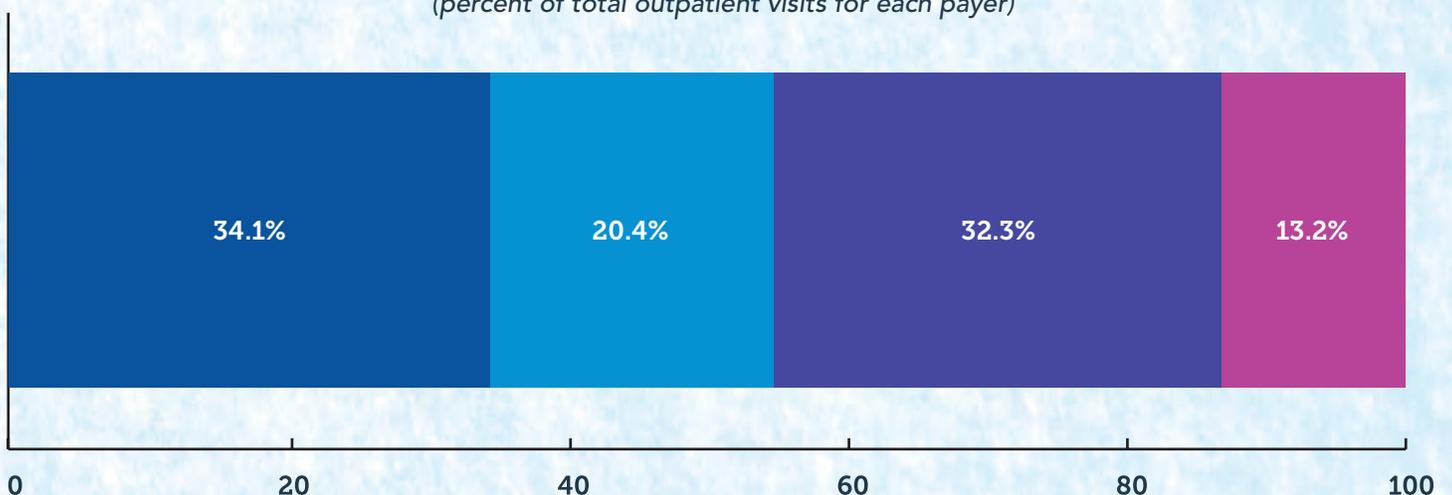
INPATIENT

(percent of total inpatient days for each payer)



OUTPATIENT

(percent of total outpatient visits for each payer)



ESSENTIAL PART OF A HEALTHY COMMUNITY

A CORNERSTONE OF COMMUNITIES

Without question, hospitals are an essential part of healthy communities. In addition to being the most recognized healthcare provider, hospitals often are among the largest employers and serve as economic engines in their communities and counties. The impact of healthcare – including not only hospitals, but also physicians’ offices, dentists, home health services, local pharmacies, etc. – on both local and state economies is tremendous.

According to a 2015 IMPLAN analysis, the financial impact of healthcare employment in Tennessee was \$18.3 billion, of which hospital employment counted for \$6 billion. Healthcare employees also have household members who are employed in the community that create a ripple effect, which resulted in \$28 billion in total salaries and pay that year. This is the impact of the more than 586,000 healthcare jobs, of which 180,532 are hospital-based.

Consider that in 2015, Davidson County’s hospitals alone employed 20,745 workers with a \$1.3 billion payroll and an overall income impact of \$2.1 billion. The total impact of healthcare employment on the economy of Davidson County was \$5.5 billion.

In nearby Maury County, where there is only one hospital, the economic activity still represents a great asset for the area and its residents. The county’s hospital employed 1,636 people with a payroll of \$91 million and an overall income impact of \$122 million. The total healthcare impact on the economy of Maury County was nearly \$324 million.

The table below shows the economic impact of hospitals across Tennessee in each grand division. Pages 6 and 7 of this report outlines the impact for each county.

REGION	HOSPITAL EMPLOYEES	PAYROLL	TOTAL IMPACT
East	36,331	\$2,014,375,824	\$2,948,067,731
Middle	34,572	\$2,031,058,099	\$3,112,293,630
West	28,995	\$1,715,735,988	\$2,617,603,072



COMMUNITY BENEFITS

Moreover, hospitals arrange for healthcare services for the under- and uninsured. Hospital staff regularly travel to schools, senior centers and other locations in their communities to provide health screenings and services. The table below shows the efforts of 157 facilities that provided community services in 2016.

The benefits of hospitals to communities, counties and the state are unmistakable. Providing high-quality healthcare services, boosting local and state economies and supporting communities far beyond the walls of the hospital are just a few examples of the ways hospitals help improve the economic well-being and health status of Tennessee.

BENEFITS and HOSPITALS PROVIDING



Source: 2016 Joint Annual Report of Hospitals

IMPACT BY COUNTY

The economic benefit of hospitals to the state is unmistakable. Moreover, the local impact of hospitals in communities is just as significant. The following chart shows the direct impact in each of Tennessee's 95 counties that have a hospital. There are 16 counties without a hospital.

COUNTY	HOSPITAL EMPLOYEES	PAYROLL	TOTAL IMPACT
Anderson	1,013	\$63,219,032	\$82,688,949
Bedford	233	\$10,223,730	\$12,721,662
Benton	60	\$2,754,338	\$3,206,155
Bledsoe	90	\$4,842,174	\$5,267,468
Blount	2,218	\$119,758,003	\$157,459,723
Bradley	784	\$42,578,861	\$57,823,885
Campbell	513	\$22,691,380	\$27,381,638
Cannon	91	\$5,283,936	\$6,073,100
Carroll	238	\$12,809,740	\$15,576,183
Carter	348	\$17,116,280	\$20,491,229
Cheatham	41	\$3,525,571	\$4,159,444
Chester			
Claiborne	318	\$11,136,290	\$13,280,869
Clay	108	\$5,262,746	\$6,046,218
Cocke	223	\$11,040,730	\$12,902,415
Coffee	587	\$31,019,581	\$41,425,455
Crockett			
Cumberland	723	\$29,665,770	\$37,564,847
Davidson	20,745	\$1,268,593,994	\$2,094,152,784
Decatur	98	\$3,812,436	\$4,437,117
DeKalb	111	\$6,243,341	\$7,883,823
Dickson	458	\$27,129,511	\$34,595,651
Dyer	412	\$18,464,291	\$24,045,112
Fayette	32	\$790,646	\$963,650
Fentress	111	\$6,513,874	\$8,000,353
Franklin	547	\$21,648,729	\$26,537,746
Gibson	74	\$3,679,810	\$4,613,361
Giles	192	\$10,283,840	\$12,566,008
Grainger			
Greene	1,060	\$53,559,231	\$66,707,015
Grundy			
Hamblen	666	\$38,473,381	\$48,937,289
Hamilton	9,115	\$522,977,234	\$782,477,635
Hancock	34	\$1,718,801	\$1,841,106
Hardeman	502	\$21,069,880	\$24,120,764
Hardin	287	\$11,818,700	\$14,595,236
Hawkins	157	\$6,391,773	\$7,742,176
Haywood			
Henderson	111	\$5,593,998	\$6,830,184
Henry	546	\$25,144,779	\$31,582,203
Hickman	47	\$6,195,931	\$7,051,751
Houston	70	\$2,572,597	\$2,886,410
Humphreys	93	\$3,895,843	\$4,534,779
Jackson			

Source: 2016 Joint Annual Report of Hospitals

COUNTY	HOSPITAL EMPLOYEES	PAYROLL	TOTAL IMPACT
Jefferson	225	\$10,648,360	\$12,773,287
Johnson	73	\$3,897,740	\$4,427,928
Knox	9,459	\$621,359,802	\$1,024,520,582
Lake			
Lauderdale	94	\$6,288,039	\$7,261,796
Lawrence	227	\$11,676,600	\$14,316,984
Lewis			
Lincoln	264	\$11,135,750	\$13,400,707
Loudon	176	\$11,117,890	\$13,589,162
Macon	118	5,185,951	\$6,240,852
Madison	4,741	\$239,440,002	\$321,180,863
Marion	99	\$5,172,971	6,151,282
Marshall	123	\$6,554,548	\$7,864,139
Maury	1,636	\$90,854,080	\$122,195,774
McMinn	376	\$18,714,729	\$24,041,552
McNairy	126	\$6,025,464	\$7,151,289
Meigs			
Monroe	470	\$17,217,501	\$20,859,114
Montgomery	901	\$48,760,460	\$63,727,854
Moore			
Morgan			
Obion	275	\$14,966,240	\$19,491,866
Overton	190	\$12,034,850	\$14,148,146
Perry	115	\$3,065,754	\$3,410,614
Pickett			
Polk	131	\$4,020,248	\$4,433,308
Putnam	1,596	\$86,818,489	\$116,622,568
Rhea	172	\$7,821,935	\$9,077,660
Roane	200	\$12,377,850	\$14,386,225
Robertson	499	\$23,239,100	\$28,204,219
Rutherford	1,412	\$96,013,321	\$134,218,148
Scott	183	\$5,378,461	\$6,159,451
Sequatchie			
Sevier	434	\$23,609,510	\$29,838,144
Shelby	20,863	\$1,309,033,936	\$2,091,796,002
Smith	139	\$9,255,283	\$10,810,912
Stewart			
Sullivan	4,097	\$177,259,293	\$241,827,242
Sumner	1,097	\$72,029,137	\$96,381,524
Tipton	217	\$17,196,100	\$19,652,404
Trousdale	56	\$3,726,447	\$4,664,014
Unicoi	119	\$5,838,832	\$6,711,260
Union			
Van Buren			
Warren	312	\$15,876,220	\$19,790,079
Washington	3,031	\$152,788,803	\$217,732,387
Wayne	115	\$5,295,152	\$6,077,136
Weakley	319	\$16,847,589	\$21,098,886
White	153	\$8,586,296	\$10,279,930
Williamson	1,424	\$75,730,705	\$122,235,068
Wilson	585	\$28,809,690	\$38,042,677

■ Counties without a hospital

MEETING TODAY'S CHALLENGES

OPPORTUNITIES AND SOLUTIONS

Tennessee's hospitals play a key role in addressing healthcare challenges across the state:

- Higher than average uninsured rate
- Opioid crisis
- Eight rural hospital closures (second highest rate in the U.S.)
- Caring for an older, sicker population
- Low and constantly changing provider reimbursement

To ensure the state's hospitals remain viable, THA proposes several solutions to these challenges, including:

- Meaningful reforms to TennCare's and other payers' structures
- Better coverage for the uninsured
- Stronger data and increased transparency
- Creation of a new viable model for healthcare in rural communities

THA also supports continuing to ensure the orderly development of healthcare services through an effective and reliable certificate of need (CON) program, while exploring new ways to deliver quality services and care for our communities.

Much of this work is ongoing through close partnerships with TennCare, the Tennessee Department of Health, Tennessee Department of Mental Health and Substance Abuse Services, and other state agencies and stakeholders. The healthcare payment and delivery system is rapidly changing – an undeniable reality. However, hospitals remain committed to their mission and communities. Industry leaders are actively exploring new, innovative reforms that will bring stakeholders together to ensure quality healthcare for Tennesseans in a fiscally responsible and equitable system.

Hospitals look to state leaders to join us in ensuring the doors remain open, and affordable, quality healthcare services are available for all Tennesseans.





THA.com