

ESSENTIAL FUNDING FOR TENNESSEE HOSPITALS

Tennessee Hospitals are Essential, and Current Conditions are Unsustainable

Hospitals provide essential care, and they are in crisis. Federal financial aid during the pandemic kept hospitals afloat as revenues plummeted and costs soared. That aid has now stopped and, in 2022, Tennessee hospitals experienced their worst financial year in decades, with substantial losses projected to continue into 2023 and beyond. This is not sustainable and state action is required to preserve access to critical services throughout Tennessee.



Open 24/7
Emergency & Safety Net Care
\$1.1 Billion in Charity Care

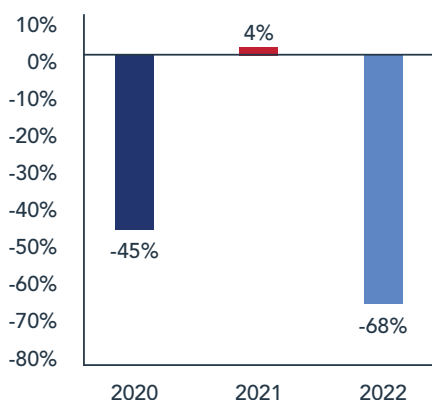


880,000 Admissions
Over 3 Million ED Visits
83,000 Births (annually)



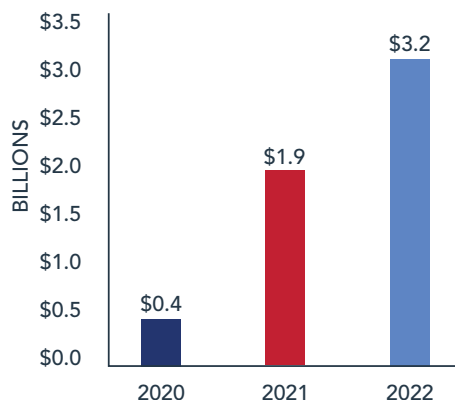
Directly Employ 104,000
Support an Additional 149,000 Jobs
\$51.4 Billion Total Economic Impact

MEDIAN CHANGE IN OPERATING MARGIN RELATIVE TO 2019



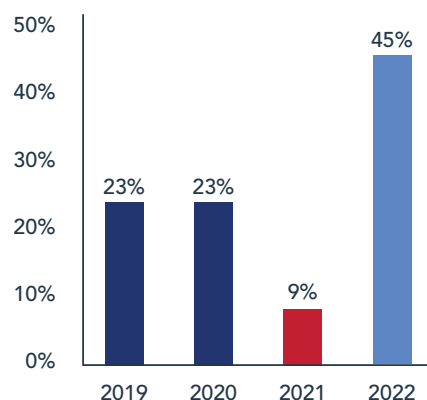
Operating margins were down 68% from pre-pandemic levels and nearly 60% of TN hospitals had negative margins in 2022.

TOTAL EXPENSES DRAMATICALLY HIGHER THAN PRE-PANDEMIC



Key factors include rising labor costs, including contract labor expenses, drug expenses and non-labor expenses.

RISK OF CLOSURE, HOSPITALS WITH UNSUSTAINABLE METRICS



Risk of closure does not mean imminent closure but highlights risk due to unsustainability. The majority of these are rural hospitals.

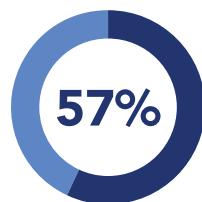
CURRENT FUNDING MECHANISMS DO NOT COVER THE COST OF CARE

Hospital revenue comes primarily from third-party payers, including commercial insurers and government programs (Medicare and Medicaid).

Unlike other industries where an increase in costs is simply passed on to consumers through increased prices, hospitals have little ability to negotiate government rates, which even prior to the pandemic, typically did not cover the cost of care.

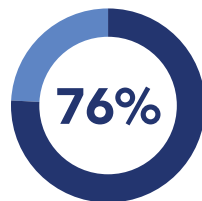
In addition, despite massive profits being reported in the insurance industry, commercial insurers have been largely unwilling to renegotiate rates to address the staggering increases in the cost of labor, medical supplies and drugs that hospitals are experiencing.

HOSPITALS ARE CUTTING SERVICES AND POSTPONING CAPITAL PROJECTS



Tennessee Hospitals Reducing Service Lines or Eliminating Services

According to a recent survey of Tennessee hospitals, 57 percent of hospitals reported they have already begun reducing or eliminating services.



Tennessee Hospitals Delaying Capital Projects

76 percent of respondents have delayed or cancelled planned capital projects as a result of current and projected financial circumstances.



TENNESSEE
HOSPITAL
ASSOCIATION

WHAT CAN BE DONE?

Action must be taken to address this financial crisis and ensure hospitals remain available to care for their communities. THA and hospitals across the state are working hard to address staffing challenges and other priority needs, but we are asking for support to help keep hospitals open, staffed and fully operational. In short, more funding is needed and there are reasonable actions that can be taken to help address this crisis.



IMMEDIATE FINANCIAL ASSISTANCE

With the federal CARES Act dollars dried up, additional financial assistance is needed. Hospitals have the ability to access immediate, one-time assistance using funds generated by the hospital assessment and that are currently available due to the enhanced federal match obtained during the pandemic. Early passage of the hospital assessment bill is necessary to authorize this charity care payment and maximize the federal match available to hospitals.



RE-INVEST IN TENNCARE

In the midst of the Great Recession in 2010, TennCare proposed significant benefit and rate reductions. At that time, Tennessee hospitals agreed to a voluntary assessment, which included funding to prevent those drastic cuts. This funding was meant to be temporary – a way to prop up the program until state finances improved. The annual amount of assessment funding used for these items has increased from \$155 million to \$294 over the last 12 years. State finances have significantly improved, and hospitals are now facing a financial crisis of their own. Now is the time for the state to take back responsibility for fully funding TennCare benefits and thereby allow provider assessment dollars to be used to better support the hospital industry.



IMPROVE OPERATING ENVIRONMENT

Regulatory burdens continue to make the healthcare operating environment more challenging and also can have a negative financial impact. The post-acute industry also has experienced many of the same issues as acute care providers. This has resulted in increased lengths of stay for hospitals, which only further increases their costs since they are not paid by insurers for care after patients are clinically ready for the next level of care. THA is asking the state to require a per diem payment to hospitals when patients cannot be discharged to the appropriate care setting. THA also asks for support on several bills this session that can ease some of these burdens and improve the hospital operating environment.

SB672/HB1051

Expands who is authorized as the signature for involuntary admission to mental health facilities to improve emergency department throughput and expedite getting patients to the most appropriate level of care

SB1191/HB1388

Removes burdensome regulations on radiologic imaging and radiation therapy professionals by passage of a bill to sunset the Board for Radiologic Imaging and Radiation Therapy

SB502/HB916

Addresses unfair payer practices that put patients at risk and shift reimbursement from contracted providers to insurer-owned companies



CONSIDER MEDICAID EXPANSION

Tennessee is one of only 10 states that has not expanded Medicaid, and a coverage gap still exists in our state that limits access to care for those earning less than 100 percent of the federal poverty level. In addition, each year without expansion, Tennessee leaves more than a billion dollars in Washington, D.C., that could be reinvested in the health and economy of our state. More insured Tennesseans also would benefit hospitals by reducing uncompensated care. While more than half of Tennessee hospitals operated with a financial loss in 2021, hospitals across the state provided more than \$1.1 billion in charity care for the uninsured and underinsured.