

STRONG HOSPITALS. STRONG COMMUNITIES.

TENNESSEE COMMUNITIES NEED HOSPITALS

Tennessee hospitals are an essential part of the fabric of the communities they serve, providing a full continuum of services from the delivery of babies to caring for those with life-threatening emergencies or serious illness. Hospitals play a central role in training the next generation of doctors and nurses and in the community response to natural disasters, mass casualty events, and public health threats.

Hospitals are unique among healthcare providers, delivering care 24 hours a day, 7 days a week, and providing urgent care for all patients regardless of their ability to pay, serving as a vital safety net for vulnerable populations.



Open 24/7
Emergency & Safety Net Care
\$1.2 Billion in Charity Care

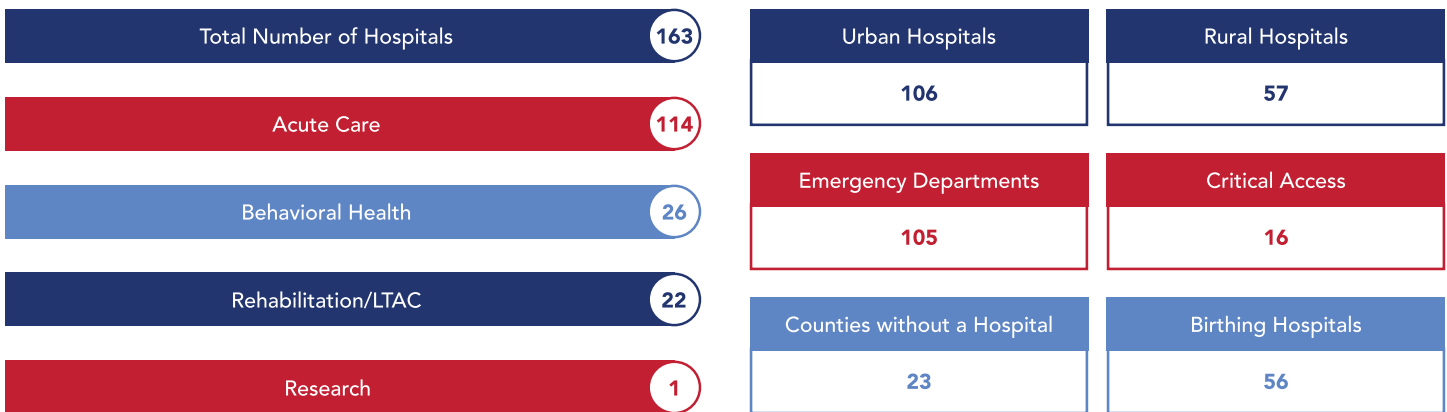


828,000 Admissions
Over 3 Million ED Visits



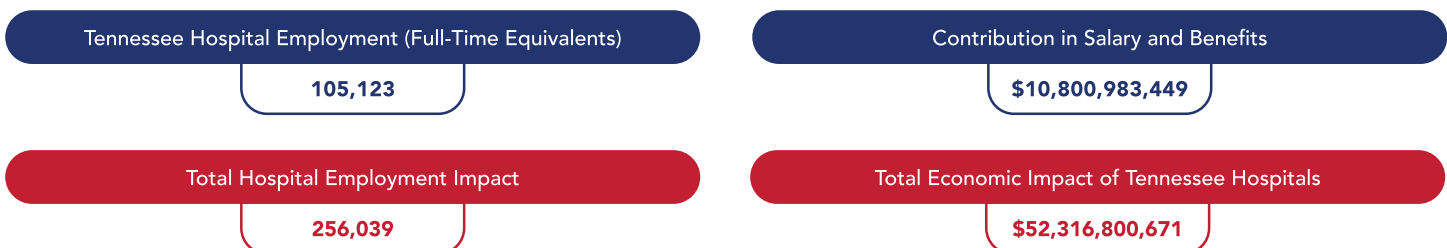
84,000 Births Annually

TENNESSEE HOSPITALS BY THE NUMBERS



ECONOMIC IMPACT

Hospitals are economic engines for their communities, contributing more than \$50 billion in total economic impact. They employ more than 100,000 people and are the largest employer in many communities. Hospitals are integral to the Tennessee economy by providing employment, supporting related industries, and fostering economic growth and investment in healthcare infrastructure.



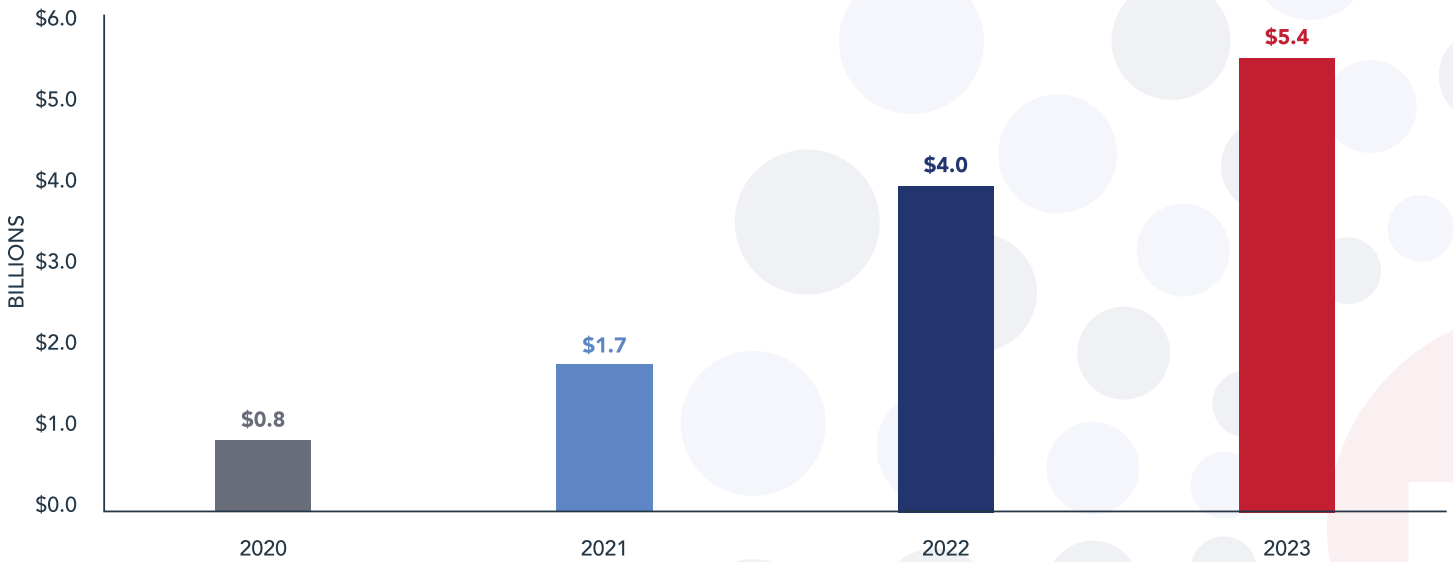
TENNESSEE HOSPITALS ARE FACING A FINANCIAL CRISIS

CURRENT FUNDING MECHANISMS DO NOT COVER THE COST OF CARE

Nearly 50 percent of hospitals operated at a financial loss last year while expenses continued to climb. Expenses increased more than \$5 billion since 2019. Because of this financial strain, Tennessee hospitals have been forced to cut services and postpone capital projects.

NEARLY 50% OF HOSPITALS OPERATED AT A FINANCIAL LOSS IN 2023

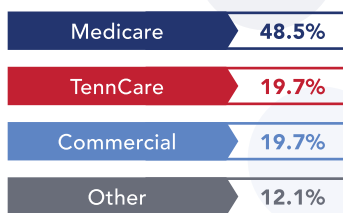
TOTAL EXPENSES DRAMATICALLY HIGHER THAN PRE-PANDEMIC



LOW REIMBURSEMENT RATES THREATEN ACCESS TO HOSPITAL CARE

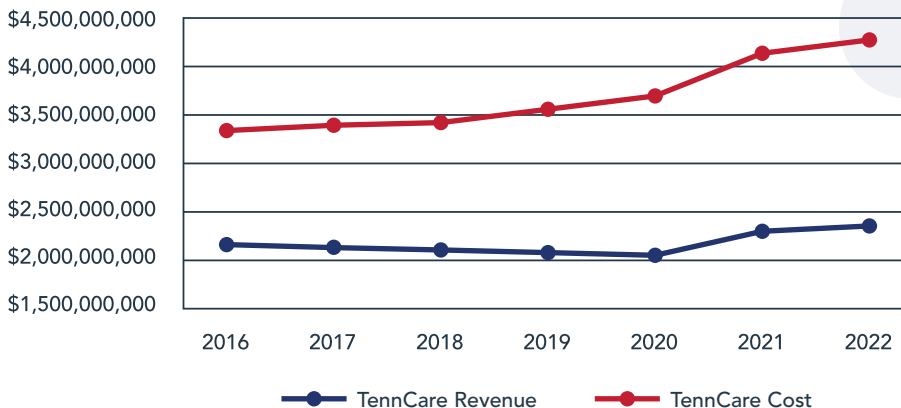
Hospital revenue comes primarily from third-party payers, including commercial insurers and government programs like Medicare and Medicaid. Unfortunately, these government programs rarely cover the actual cost of patient care. Commercial insurance reimbursement rates have not kept pace with inflation and increasing workforce costs.

Payer Mix % Total Inpatient Days



In 2022, the Medicaid and Medicare shortfall was approximately **\$4 BILLION**

2016-2022 TENNCARE PAYMENT VS. TENNCARE COSTS (ALL TN HOSPITALS)



Actual cost of care is significantly greater than TennCare's reimbursements.

In 2016, TennCare base rates covered 61 percent of costs.

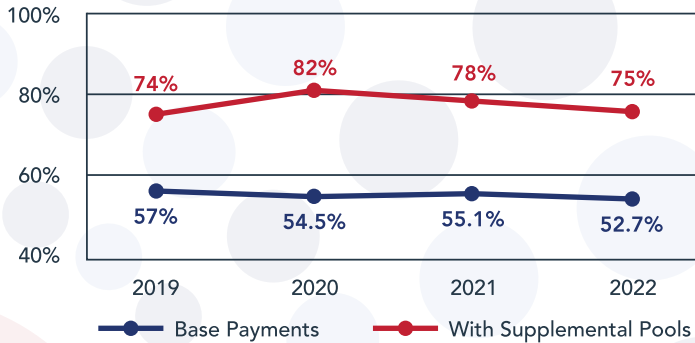
In 2022, it only covered 52 percent. Hospitals are at greater risk as this gap continues to widen.

TENNESSEE MUST REINVEST IN TENNCARE

TENNCARE REIMBURSEMENT

TennCare reimbursement to hospitals falls short, even when coupled with supplemental pool payments. The total amount only covers 75 percent of costs. It is critical that TennCare reimbursement is adjusted to strengthen provider networks and ensure Tennesseans continue to have access to quality hospital care.

% of TennCare Cost Covered by Revenue – All Hospitals



CORE TENNCARE BENEFITS PAID FOR BY HOSPITALS

During the Great Recession, TennCare proposed significant benefit and rate reductions. Tennessee hospitals agreed to a voluntary assessment, which included funding to prevent those drastic cuts. This was meant to be temporary – a way to maintain the program until state finances improved. State finances have significantly improved, and hospitals are now facing a financial crisis of their own. It is important for the state to reassume responsibility for fully funding TennCare benefits. This will allow hospital assessment dollars to be redirected to support hospitals.

Hospital assessment currently funds \$291 million of the state share of the TennCare program including:



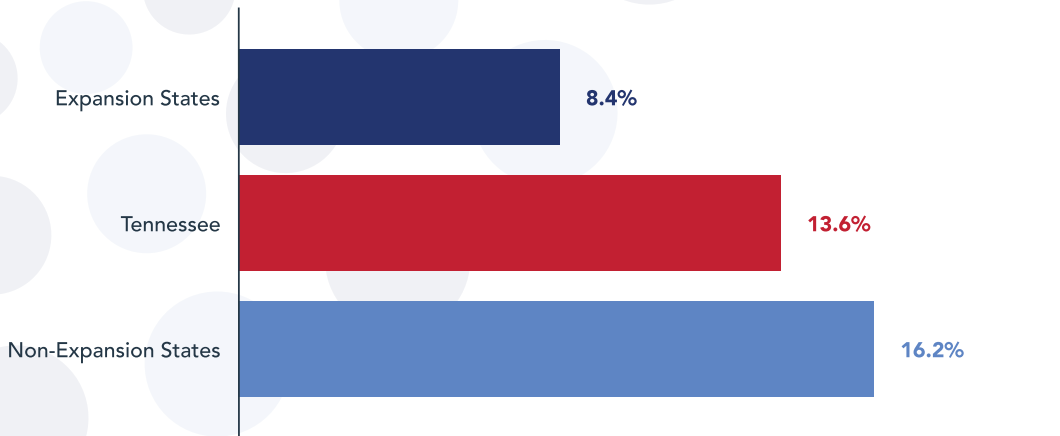
LACK OF INSURANCE COVERAGE CONTRIBUTES TO HOSPITAL FINANCIAL STRAIN

Federal EMTALA laws require hospitals to treat all patients regardless of their ability to pay. In 2023, Tennessee hospitals provided more than a billion dollars in charity care for uninsured and underinsured patients. As one of only 10 states that hasn't expanded Medicaid, Tennessee has a higher percentage of uninsured individuals than the national average. Fewer uninsured Tennesseans would reduce the amount of unpaid hospital care.

Due to the COVID-19 health emergency, TennCare's annual eligibility review process was put on hold. This process resumed in early 2023. Approximately 300,000 are estimated to lose coverage, adding to the uninsured numbers in Tennessee.

GAP IN UNINSURED RATES BETWEEN MEDICAID EXPANSION AND NON-EXPANSION STATES IS LARGE

Uninsured Rate for Adults Aged 19-64



Note: Medicaid Expansion Status as of January 1, 2022. Source: U.S. Census Bureau, Current Population Survey, 2023 Annual Social and Economic Supplement

**NEARLY
700,000
UNINSURED
IN TENNESSEE**

**ANOTHER
300,000
COULD LOSE
TENNCARE
COVERAGE**

SUPPORT TENNESSEE HOSPITALS: STRONG HOSPITALS = STRONG COMMUNITIES

HOSPITAL ASSESSMENT TO FUND TENNCARE BUDGET

SB1740 by Sen. Ferrell Haile | HB1723 by Rep. Patsy Hazlewood

First passed in 2010, the voluntary hospital assessment is THA-supported legislation that funds a major part of the TennCare program and makes critical supplemental pool payments to hospitals to offset unreimbursed care costs provided to TennCare enrollees.

REINVEST IN TENNCARE

- Hospitals continue to face extreme financial challenges. Medicaid reimbursement fails to cover costs, thereby contributing in a significant way to those financial challenges. Today, much of the hospital assessment (\$291 million) is used to fund the core TennCare program as opposed to being available to provide much needed support to hospitals.
- We are asking the state to resume responsibility for funding the TennCare program so that hospitals will be better positioned to help themselves through the hospital assessment.
- We are deeply appreciative of the \$110 million that was appropriated by the legislature for this fiscal year to begin to address this issue. However, this was an investment of non-recurring funds that provided temporary relief for an ongoing problem. We ask that, at a minimum, these funds be made recurring, and a plan developed to address additional investment in future years.

PHYSICIAN EMPLOYMENT FREEDOM

SB2919 by Sen. Paul Bailey | HB2298 by Rep. Jason Zachary

- THA supports eliminating an outdated law that limits physicians' employment choices and hinders hospitals' ability to fully staff facilities.
- All physicians – including anesthesiologists, emergency physicians, pathologists, and radiologists that fall under these restrictive provisions – should have the freedom to establish employment relationships that best suit their professional goals and align with the evolving needs of patient care, while retaining independent medical judgment.
- By allowing hospitals the option to directly employ these specialty physicians, patients can benefit from more integrated and comprehensive healthcare services. This shift can lead to better continuity of care, reduced fragmentation, and a stronger focus on meeting the diverse needs of patients within the healthcare delivery system.

ENSURING PATIENT ACCESS TO CLINICIAN ADMINISTERED MEDICATIONS

SB502 by Sen. Bo Watson | HB916 by Rep. Iris Rudder

- THA seeks to pass legislation to stand up for patients against payer systems and policies that cause harm to patients and their providers by addressing unfair payer practices, such as "white bagging," that put patients at risk and shift reimbursement from contracted providers to insurer-owned companies.
- THA seeks to allow patients the flexibility to obtain medications from the pharmacy of their choice, along with requiring payers to do the following:
 - Ensure patients have more timely and safer access to life saving medications by removing barriers that only allow medications to be obtained from insurer-owned, or managed, specialty pharmacies.
 - Allow providers to spend time caring for their patients rather than complying with complex, cumbersome, and labor-intensive insurer-driven processes.
 - Protect patients by requiring coverage of their medications at the same level regardless of where the medication is sourced.



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