

STRONG HOSPITALS. STRONG COMMUNITIES.

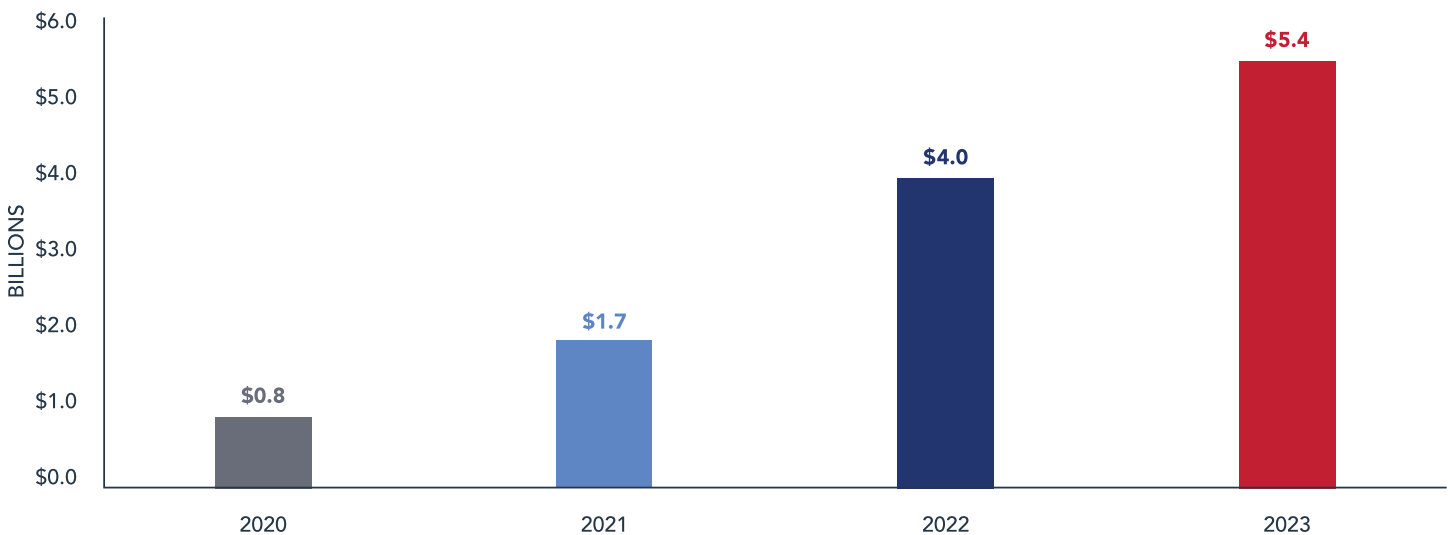
TENNESSEE HOSPITALS ARE FACING A FINANCIAL CRISIS

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.

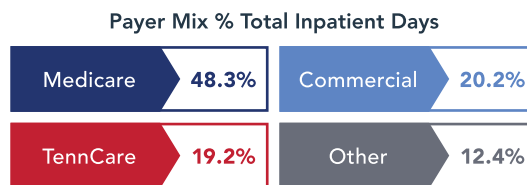
NEARLY 50% OF HOSPITALS OPERATED AT A FINANCIAL LOSS IN 2023

TOTAL EXPENSES DRAMATICALLY HIGHER THAN PRE-PANDEMIC



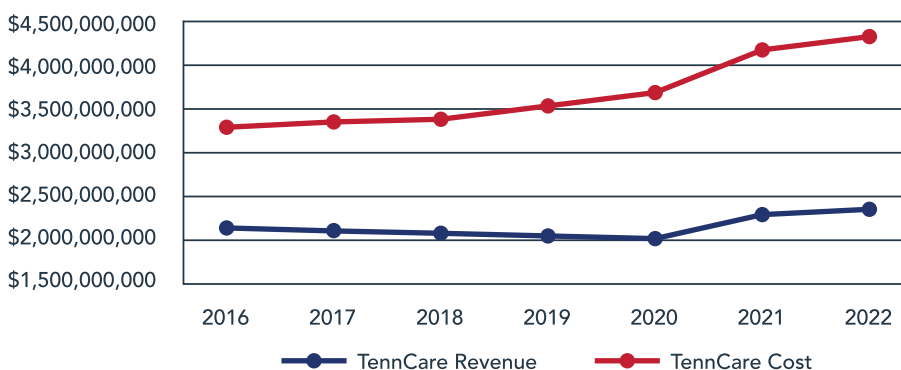
LOW REIMBURSEMENT RATES THREATEN ACCESS TO HOSPITAL CARE

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.



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.

CERTIFICATE OF NEED LAW HELPS LEVEL THE PLAYING FIELD

Hospitals are the only healthcare providers where the doors are always open, with care available to everyone regardless of their ability to pay. Other provider types aren't required to care for the uninsured and underinsured, which skews the competitive landscape.

Tennessee's Certificate of Need (CON) law discourages cherry-picking from facilities that serve few, if any, patients with payer sources that don't cover costs. Unregulated growth of providers that favor serving commercially insured patients poses a very real threat to the financial viability of Tennessee hospitals.

Tennessee's CON law plays a vital role in the healthcare delivery system and should remain in place. Elimination of need requirements for acute care hospitals, freestanding emergency departments (FSEDs) and non-hospital providers like ambulatory surgical centers (ASCs) and outpatient diagnostic centers (ODCs) poses a threat to the viability of the most critical component of the healthcare system in Tennessee. CON requirements on these provider types must be maintained.

With tremendous federal regulation on hospitals and the outsized role they play in providing services to Medicare and TennCare patients, Tennessee's CON law helps:

LEVEL THE PLAYING FIELD

CON prevents providers that are not subject to the same regulatory requirements as hospitals from cherry-picking only the most profitable patients and services.

CONTROL COSTS

Proliferation of unnecessary healthcare facilities drives up costs as providers compete for limited resources, such as staff. The CON process allows for the orderly development of new resources when need is demonstrated.

PRESERVE ACCESS

CON positions hospitals to afford to continue providing less profitable services that are essential to communities and to remain financially viable to serve vulnerable populations.

THA supports a process that ensures access to healthcare services for all Tennesseans, including the rural, uninsured, and underinsured populations. This includes meaningful, targeted improvements to the CON process combined with an incremental reform approach to the CON program that does not cause catastrophic disruptions to the healthcare industry and protects those essential services that are vital to the health of Tennessee's communities.



**TENNESSEE
HOSPITAL
ASSOCIATION**

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