



STRONG HOSPITALS. STRONG COMMUNITIES.

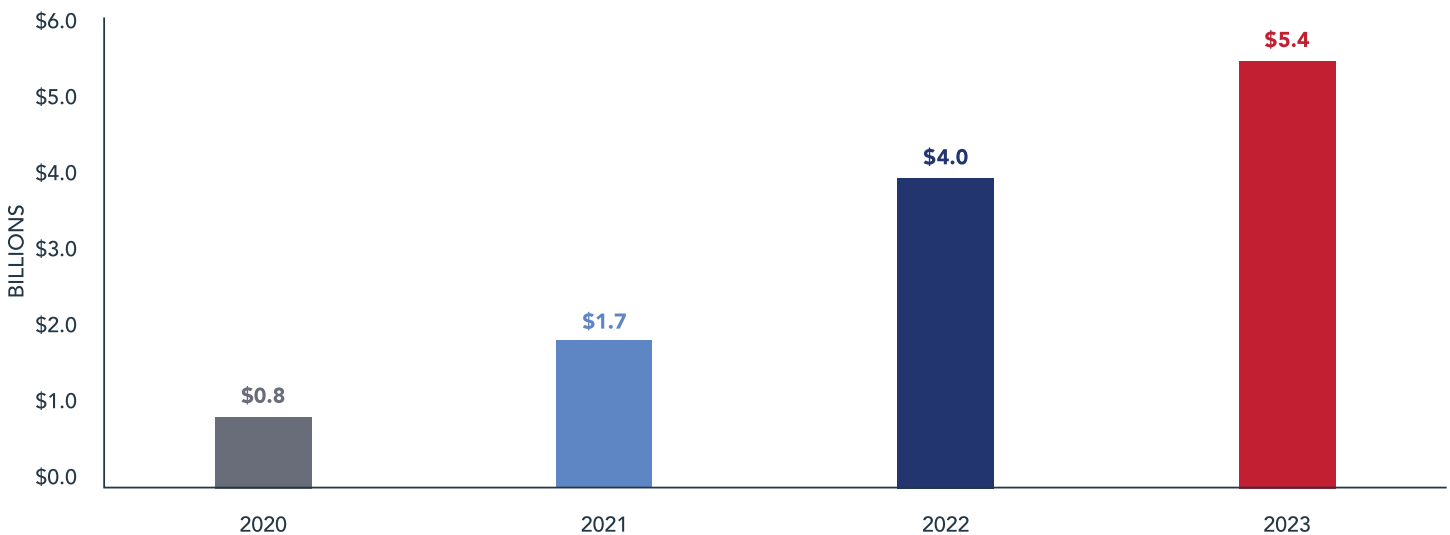
TENNESSEE HOSPITALS ARE FACING A FINANCIAL CRISIS

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.

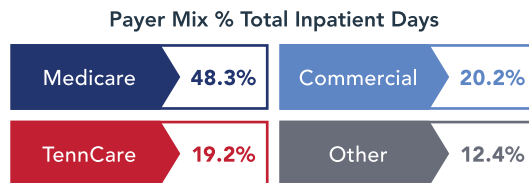
NEARLY 50% OF HOSPITALS OPERATED AT A FINANCIAL LOSS IN 2023

TOTAL EXPENSES DRAMATICALLY HIGHER THAN PRE-PANDEMIC



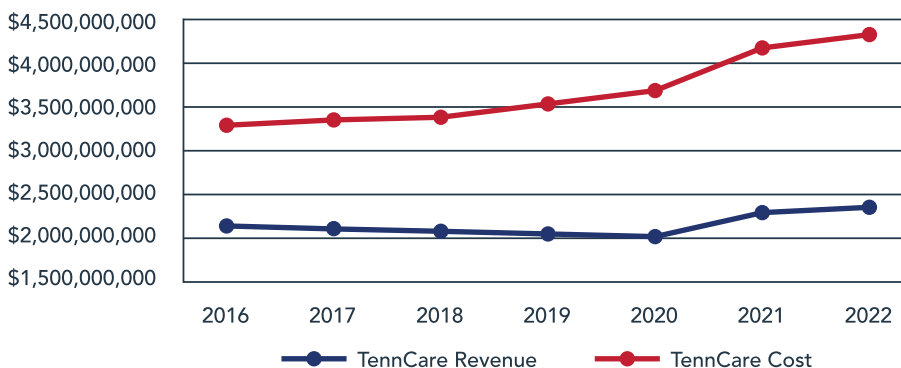
LOW REIMBURSEMENT RATES THREATEN ACCESS TO HOSPITAL CARE

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.

ANTIQUATED STATE CORPORATE PRACTICE OF MEDICINE LAW DRIVES UP HEALTHCARE COSTS

BAD FOR HOSPITALS

Passed in 1970, Tennessee's Corporate Practice of Medicine Law prevents hospitals from directly employing four types of doctors – emergency room physicians, radiologists, pathologists, and anesthesiologists. Instead, hospitals must contract with outside companies that act as third parties in the arrangement and drive up costs. Hospitals can and do directly employ many other types of physicians in arrangements that improve quality and care coordination for patients.

BAD FOR PATIENTS

This legal restriction also negatively impacts patients. The firms employing these physicians may or may not elect to participate with the same insurers as the hospital, creating confusion for patients. There is a more significant impact on patient care in children's hospitals since these outside companies are often unable or unwilling to meet the need for pediatric specialists in these fields.

Federal No Surprises Act Worsens the Impact of State Corporate Practice of Medicine Law

The *Federal No Surprises Act*, implemented January 1, 2022, prevents the companies employing these physicians from billing patients directly for services as they have in the past. The resulting decrease in reimbursement has resulted in these companies demanding large increases to their contracts with hospitals and has contributed to the recent bankruptcy of two large Tennessee-based companies involved in providing these services. These bankruptcies and business closures have threatened access to care, while the state *Corporate Practice of Medicine Act* has left hospitals with unnecessarily limited options to ensure continued access to these important services. Tennessee's corporate practice of medicine law should be repealed.

In a recent survey of Tennessee hospitals, 57.53 percent noted increases in subsidies to these specialties of 10 percent or more, with 26.03 percent highlighting increases of 20 percent or more. The trend of increased subsidies is just beginning, and hospitals fully expect subsidies for hospital-based physician services to further increase over the next year.

57%
OF HOSPITALS

10%
INCREASE

26%
OF HOSPITALS

20%
INCREASE

SUPPORT PHYSICIAN EMPLOYMENT FREEDOM

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

THA urges legislators to support SB2919 by Sen. Paul Bailey / HB2298 by Rep. Jason Zachary to eliminate an outdated and obstructive law that limits physicians' employment choices and hinders hospitals' ability to fully staff their 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.
- With increased interest among new physicians in seeking direct employment, repealing this law could foster improved efficiency and coordination, ultimately enhancing patient care.
- By allowing hospitals the option to directly employ these specialty groups as they do with other 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.



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