Budget Reconciliation Issue Brief

As Congress continues the budget reconciliation process, there are proposals under consideration that would jeopardize access to care for patients across Tennessee. Notably, the House Energy and Commerce Committee, which has primary jurisdiction over Medicaid and other health care programs, has been instructed to reduce deficits by not less than $880 billion, so significant Medicaid cuts are at least being considered.

Cuts to Medicaid threaten the viability of hospitals, nursing homes, and other safety-net providers nationwide, especially those in rural and underserved areas, which serve a large proportion of Medicaid patients. Over the past several years, Tennessee hospitals have experienced unprecedented financial challenges due to:

- Increased labor costs
- Low reimbursement rates and escalating administrative burdens
- Drugs and supply costs
- Cybersecurity technology and insurance costs

Nearly 50% of Tennessee hospitals are currently operating at a financial loss. Tennessee has already experienced 18 hospital closures, 14 in rural communities, since 2010. This is the second highest number of hospital closures of any state and will grow if budget reductions negatively impact Medicaid coverage or funding in Tennessee.

The Vital Role Medicaid Plays in Tennessee

- TennCare covers over 20% of the state's population, including many disabled and residents of long-term care facilities.
- TennCare pays for over 50% of the births in the state.
- Tennessee has a history of running an efficient Medicaid program with conservative fiscal management and a focus on using innovation to provide access to high quality care for enrollees.

Oppose Shifting Additional Medicaid Costs to States

- Removing key mechanisms Tennessee employs to address Medicaid funding challenges will result in a direct negative impact to Tennessee hospitals and patients. The State will be forced into a position of either increasing taxes or decreasing benefits and provider reimbursement.
    - **Provider Taxes** – In order to reduce the burden on individual Tennessee taxpayers to fund the TennCare program, Tennessee taxes healthcare providers to cover a portion of the "state share." The federal law supporting this practice has been in place for decades. The taxes collected fund core components of the TennCare program including the directed payment program (DPP).

- **The Directed Payment Program (DPP)** is a crucial initiative that ensures hospitals can sustain access to care for our most vulnerable populations. It supplements MCO payments that cover only 50% of the cost of providing care for Medicaid and helps cover the more than $1.4 billion dollars in charity care that hospitals provided in 2023. The DPP helps bridge the gap between costs and reimbursement, allowing hospitals to continue providing essential services, particularly in rural and underserved communities. **Without these payments, hospitals in Tennessee would immediately reduce services and close locations, jeopardizing healthcare access for thousands of Tennesseans.**

Preserve Enhanced Premium Tax Credits (EPTCs)

- As of 2024, 528,000 people in Tennessee (7th nationwide) receive critical tax credits that help lower their monthly premium payments to make quality, comprehensive health insurance coverage more affordable. If tax credits expire, Tennessee Marketplace plans' annual premiums will go up by $7,000 on average – adding substantial strain to family budgets.
- As a non-expansion state, enhanced premium tax credits play an especially important role in providing healthcare coverage in Tennessee, making healthcare coverage affordable for working Tennesseans who do not qualify for Medicaid. As the only type of healthcare provider that must treat patients with life-threatening illnesses and injuries, regardless of their ability to pay, hospitals will be the providers most impacted if individuals lose insurance coverage due to expiration of the EPTCs.
- In recent articles on states hardest hit **if the EPTCs expire, Tennessee ranks 4th most negatively impacted among all states in both economic output and job loss** estimates. Tennessee's healthcare job losses would amount to 5,800, with an estimated loss of 13,300 jobs in total, and the total economic output would fall by $2.8 billion.

Oppose Site-neutral Payment Policies

- Site-neutral payment policies would reduce access to critical health care services, especially in rural and other underserved communities.
- Site-neutral proposals are shortsighted and ignore fundamental differences between hospitals and other outpatient providers including physician offices. Unlike other providers, Hospital Outpatient Departments (HOPDs):
    - Must meet stricter regulatory and safety requirements to maintain standby capacity for natural and man-made disasters, public health emergencies, and other unexpected traumatic events.
    - Provide 24/7 emergency care to all who come through their doors, regardless of a person's ability to pay or insurance status.
    - Treat sicker, lower-income Medicare patients with more complex and chronic conditions compared **to non-hospital outpatient providers who can, and do, turn away these patient populations.**