



Tennessee Hospital Priorities Spring 2025

Tennessee hospitals' top legislative priority is **strong opposition to devastating Medicaid reforms, site-neutral payments, and other proposals that will cut critical hospital funding and jeopardize access to care for Tennessee patients.**

Below are additional legislative and regulatory priorities to support the workforce and financial stability of hospitals and ensure quality care to patients across Tennessee.

Extend Tennessee's Partial Medicaid DSH Payments

- Tennessee is at a unique disadvantage as the **only** state without a permanent Medicaid DSH allotment. Tennessee's partial funding is set to expire at the end of the current federal fiscal year.
- The Medicaid statute requires a disproportionate share hospital (DSH) payment to hospitals treating large numbers of low-income patients. Tennessee's DSH allotment helps provide care to vulnerable populations and vital reimbursement to hospitals caring for them.
- Strong, bipartisan support from the Tennessee delegation has helped the state secure temporary, partial DSH payments for over two decades. Tennessee's current allotment of \$53.1 million per year will expire **September 30**.
- **Since the last DSH extension in 2015:**
 - Uncompensated care in Tennessee hospitals has grown 37%, equating to over \$1.5 billion in growth.
 - Medicaid Shortfall has grown 54%, adding to hospitals' financial pressures.
 - Charity care has also grown, with hospitals providing over \$1.4 billion to their communities.
- Tennessee hospitals **urge your outreach to congressional and committee leadership to ensure Tennessee's DSH is addressed before September to avoid any lapse in funding.**

Fix the Flawed Area Wage Index (AWI)

- Tennessee hospitals appreciate the strong leadership from the Tennessee delegation on legislation to address the flawed AWI formula. **Tennessee hospitals ask for your continued efforts to enact a permanent legislative fix.**
- Past legislation would have established a permanent Medicare AWI floor of 0.85 which would benefit the majority of Tennessee hospitals. Currently half of Tennessee hospitals are below the floor the bill would establish. If not addressed the percentage of hospitals below 0.85 will only grow.
- **Preserve Relief to Hospitals Most Negatively Impacted**

- CMS has acknowledged the current wage index system perpetuates and exacerbates the disparities between high and low wage index hospitals. In 2019, CMS established a policy where hospitals in the lowest reimbursement areas (the bottom 25%) received a wage index increase.
- In the absence of a permanent legislative fix, the policy helped mitigate the downward spiral and provided a critical lifeline for hospitals across the state.
 - **50 Tennessee hospitals (64%) benefited from the policy, which provided close to \$200 million in reimbursement relief to keep hospitals afloat.**
- Unfortunately, in 2024 CMS was required to vacate the policy after a court ruling sided with high wage states that had challenged CMS authority to implement the policy.
- The last-minute retraction of the policy will have a massive impact on hospitals across Tennessee, with an estimated financial loss of over \$55 million this year alone.
- We urge you to work with Congress and the Administration to preserve this critical relief and a transition policy that limits the financial loss to hospitals impacted by this abrupt reversal.

Protect the 340B Drug Pricing Program

- The 340B program allows hospitals to reduce the price of outpatient pharmaceuticals for patients and expand health services to meet the needs of their communities. **The 340B program is critical to the 48 eligible hospitals throughout Tennessee**, providing both economic vitality and access to healthcare.
- The program does not require any state taxpayer dollars. Hospitals that participate are subject to rigorous oversight and must meet numerous reporting and program integrity requirements.
- **Drug Companies are Trying to Undermine the Program**
 - Drug companies continue to try to undermine the 340B program, including through efforts to change the 340B program from an upfront discount to a back-end rebate model. This would jeopardize patients' access to drugs, require financially strapped hospitals to provide upfront financing while they await reimbursement, and add considerable burden and cost to the health care system.
 - HHS and the Trump Administration have prevented the implementation of the rebate programs noting they would "violate federal law and would upend the way the 340B program has operated for more than thirty years."
 - Tennessee hospitals **urge Congress to protect the 340B program** so it can continue to help providers stretch limited federal resources and provide more comprehensive services to more patients.