

# STRONG HOSPITALS. STRONG COMMUNITIES.

## SUPPORT TENNESSEE HOSPITALS

### HOSPITAL ASSESSMENT AND TENNCARE BUYBACKS

**SB1939 by Sen. Ferrell Haile (R-Gallatin) / HB1867 by Rep. Gary Hicks (R-Rogersville)**

- Approve the annual hospital assessment at 6%, which is essential to ensure continuity of TennCare benefits/services and to provide the funding to support critical supplemental payments to hospitals.
- Appropriate **\$137 million in state funding for TennCare “buybacks”**.
- Make “buybacks” recurring and establish a clear, long-term plan for the state to resume full responsibility for funding core TennCare benefits.

Hospital assessment funding of certain TennCare benefits/services began as a temporary bridge during a time of severe budget cuts more than 15 years ago and has evolved into continued reliance on hospitals to fund a significant portion of the TennCare budget. More money is required from the hospital assessment every year for this purpose due to inflation and/or FMAP changes.

Also funded through the assessment, the recently implemented Hospital Investment Program (HIP) is providing much-needed financial relief to hospitals, which continue to face financial pressure as reimbursement fails to cover the cost of care, operating costs continue to rise, and payer tactics to delay and deny care accelerate.

Federal regulation places a limit on the amount of revenue that can be generated through the hospital assessment, and we have reached the cap in Tennessee. Last year, there would not have been enough assessment dollars to fully fund both the portion of the TennCare budget financed with the hospital assessment and HIP supplemental payments. A one-time appropriation to TennCare approved by the General Assembly ultimately freed up an equivalent amount of assessment dollars to fully fund HIP.

Unfortunately, last year’s appropriation was a short-term solution to an ongoing problem, and that problem has grown this year due to an unusually large FMAP swing against the state. As a result, a **\$137 million appropriation to TennCare is necessary** to fully fund TennCare, while freeing up assessment dollars to fully fund HIP payments to hospitals.

### INSURANCE PAYER REFORM

Hospitals should be paid accurately and promptly for the care they provide, and patients should be protected from instability in the healthcare system. Health insurers exert significant control over coverage and payment decisions with limited transparency or accountability.

Legislative action is needed to restore balance and ensure fair, timely, and predictable interactions between payers and providers.

- **Patients’ Right to Know Act - SB2554 by Sen. Shane Reeves (R-Murfreesboro) / HB2162 by Rep. Iris Rudder (R-Winchester)** - Holds insurers accountable by requiring public reporting on denials, prior authorization practices, payment timelines, and audit activity.
- **Health Insurance Fair Practices Act - SB711 by Sen. Richard Briggs (R-Knoxville) / HB1076 by Rep. Scott Cepicky (R-Culleoka)** - Requires clinician oversight, disclosure of automated decision-making, same-specialty physician review, and clear standards for payment timelines and audits. Prevents payers from making unilateral changes that impact provider reimbursement, ensuring fairness and preserving the spirit of the managed care system.

### PROTECTION FOR QUALITY OF CARE DISCUSSIONS

Tennessee law has long recognized the importance of the Quality Improvement Committee (QIC) process, whereby healthcare providers analyze and learn from adverse healthcare incidents and take action to improve care going forward. Confidentiality surrounding the process is essential to the decision of a healthcare provider or healthcare organization to undertake the process. A recent Tennessee Supreme Court decision created an exception to the confidentiality protections previously afforded to the QIC process under Tennessee law.

This bill will clarify that the confidentiality protections surrounding the QIC process are not waivable.

- **Protecting Patient Transparency and Quality Improvement - SB2413 by Sen. Bo Watson (R-Hixson) / HB2259 by Rep. Esther Helton-Haynes (R-East Ridge)** - Provides a narrow statutory clarification protecting Quality Improvement Committee communications, which are essential to patient safety and internal review, ensuring hospitals can communicate candidly with patients without being penalized for transparency.

# THE HOSPITAL ASSESSMENT AND THE HOSPITAL INVESTMENT PROGRAM - A LIFELINE FOR HOSPITALS

Tennessee hospitals continue to experience significant financial strain driven in part by:

MEDICAID MANAGED CARE RATES THAT COVER ONLY 50% OF THE COST OF CARE.



AN OBLIGATION TO CARE FOR INDIVIDUALS WHO ARE UNINSURED OR UNDERINSURED.

Since 2025, the Hospital Investment Program (HIP) has played a critical role in stabilizing the hospital industry by leveraging hospital assessment dollars to draw down federal funds to help reduce uncompensated care from low TennCare MCO rates and caring for uninsured and underinsured patients.

## HIP HELPS, BUT SIGNIFICANT FINANCIAL BURDEN REMAINS

**50%**

HIP doesn't solve low TennCare MCO rates, rather it provides a supplemental payment on top of the rates paid by MCOs, which cover approximately 50% the cost of care.

**\$5 BILLION**

While HIP has reduced the amount of uncompensated care absorbed by hospitals by more than \$2 billion, hospitals continue to shoulder nearly \$5 billion in uncompensated care.

Since 2010, the hospital assessment has contributed hundreds of millions of dollars annually to fund core TennCare benefits.

HOSPITAL

FEDERAL MATCHING

TO COVER UNPAID CARE IN HOSPITALS AND TENNCARE BENEFITS

Hospitals stepped up during the Great Recession to temporarily fund these benefits amid significant state budget cuts. Over time, that temporary measure has evolved into continued reliance on hospitals to fund a significant portion of the TennCare budget. The cost of those items has nearly doubled over the past 16 years.

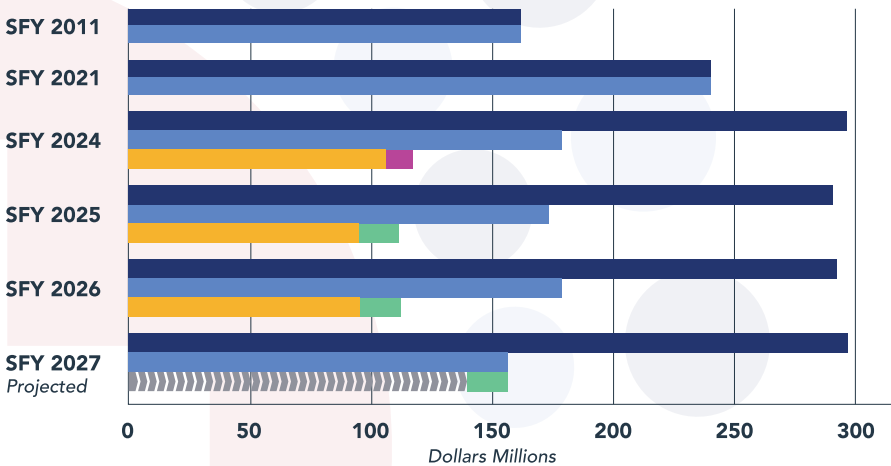


# STATE INVESTMENTS IN TENNCARE "BUYBACKS" ALLOW HOSPITAL DOLLARS TO HELP HOSPITALS

Federal regulation puts a limit on the amount of revenue that can be generated through the hospital assessment. Last year, the assessment would not have been able to fully fund both the portion of the TennCare budget previously funded by the assessment and the HIP program without one-time appropriations approved by the General Assembly to cover some assessment-funded TennCare costs. This freed up assessment dollars to draw a federal match and fully fund HIP.

## TENNCARE BENEFITS PAID FOR BY HOSPITAL ASSESSMENT

■ TennCare Benefits Cost   
 ■ Hospital Assessment Dollars Funding TennCare Benefits  
■ State Investments (recurring)   
 ■ State Investments (non-recurring)  
■ State Investments (recurring, cumulative)   
 ▧▧▧ State Investments (recurring, requested)



Because the majority of TennCare "buybacks" have been non-recurring, and the cost of TennCare benefits has increased, **\$137 million in "buybacks"** is needed to fully fund TennCare and HIP in this year's budget.

The cost of the TennCare benefits funded by the assessment have nearly doubled since 2010 due to inflation and federal matching rate changes. For the upcoming fiscal year, TennCare is expecting the largest federal matching rate decrease (FMAP) in its history.

**\$37  
MILLION**

reduction in federal funding for items funded by the hospital assessment.

## ADDITIONAL THREATS JEOPARDIZE SUSTAINABILITY

Legislative support is even more critical as hospitals contend with growing administrative and reimbursement pressures from insurers and prepare for federal funding cuts to programs like HIP starting in 2028. These threats will compound existing pressures and could again jeopardize access to care - especially in rural communities.

COMMERCIAL INSURANCE PRESSURES

- Rising denial rates
- More care requiring prior authorization
- Higher administrative staffing needs dedicated to managing payer processes
- Millions of dollars in delayed or disputed payments

IN TENNESSEE

- Commercial insurance plans deny over 9% of inpatient hospital claims, with some plans denying up to 17%
- Overall, commercial insurance plans have denied roughly 8% of claims in the past 12 months, resulting in hundreds of millions of dollars in denied claims shifting costs to patients and providers.

Source: Hyve Vitality Payer Scorecard

NATIONWIDE

- 93% of physicians report delays in patient care due to commercial insurance prior authorization requirements.
- 94% say prior authorizations have a negative impact on patient care
- Between 2022 and 2023, Medicare Advantage (commercial Medicare) care denials increased 55.7%.

Source: American Medical Association and American Hospital Association

HOSPITAL FUNDING CUTS ON THE HORIZON

- The federal OBBBA includes cuts to programs like the Hospital Investment Program.
- Hospitals must prepare now for more than a billion in cuts starting in 2028.
- Rural hospitals are most at risk from these cuts
- Uninsured and underinsured rates are expected to rise as health insurance premiums increase.

# 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  
\$1.4 Billion in Charity Care

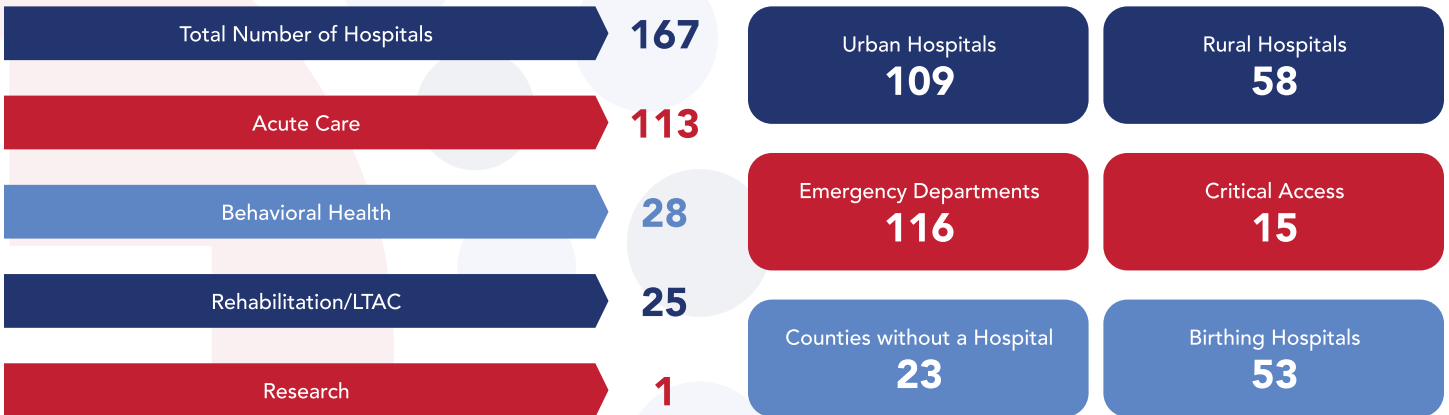


872,575 Admissions  
Over 3.4 Million ED Visits



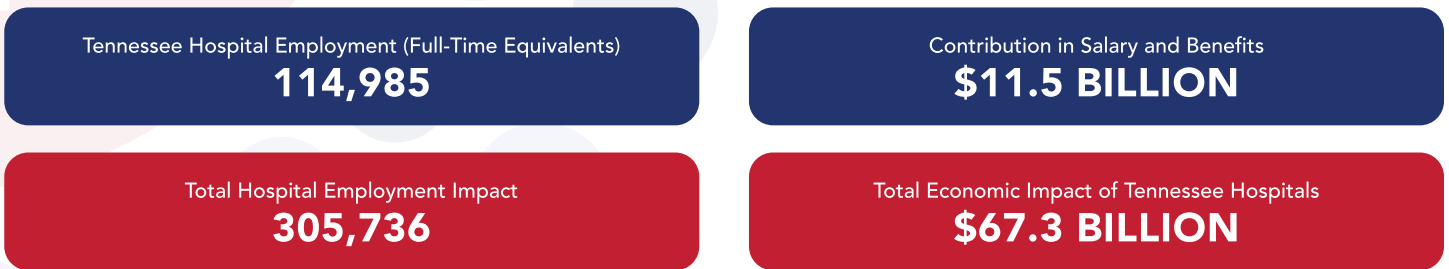
85,000 Births Annually

## TENNESSEE HOSPITALS BY THE NUMBERS



## ECONOMIC IMPACT

Hospitals are economic engines for their communities, contributing nearly \$70 billion in total economic impact. They employ almost 115,000 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.



Source: 2024 Joint Annual Report of Hospitals Published Dec. 13, 2025



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