

Medicaid Expansion: A Lifeline for Tennessee's Rural Counties

The Supreme Court ruled in June that the new health reform law permits, rather than requires, states to expand their Medicaid programs to cover people with incomes up to 138 percent of the federal poverty level. Now, Tennessee must choose whether to expand Medicaid. If Tennessee chooses to expand its Medicaid program, the federal government will pay *all* of the cost for the first three years, and will continue to cover at least 90 percent after that. This is a great deal for Tennessee. The expansion will not only bring billions of federal dollars and thousands of jobs to Tennessee,¹ but it is crucial for the well-being of Tennessee's rural communities.

- One of four Tennesseans lives in a rural community.² Rural Tennesseans are more likely than Tennesseans living in urban and suburban areas to have serious healthcare needs. They have higher rates of chronic diseases such as hypertension, diabetes, heart disease, and arthritis.³ Unfortunately, people living in rural areas are also less likely to have health insurance than those living in urban areas. Nearly a quarter of people living in rural areas lack health insurance. Rural residents also tend to be uninsured for longer periods of time.⁴
- People in rural areas are also more likely to work in low-wage jobs. More than 33 percent of workers in rural areas make less than \$7 an hour, compared to 19 percent in urban areas.⁵ Workers making below \$7 an hour are three times more likely to be uninsured.⁶
- By expanding Medicaid to cover those with incomes below 138 percent of the federal poverty level (around \$14,856 per year for an individual, or \$30,657 for a family of four), Tennessee could provide many of these low-income rural residents with access to much-needed health care.
- **If Tennessee does not expand Medicaid, it could also cause many rural hospitals to close.** That's because some hospitals now receive extra payments for providing care to people without insurance. When the health law was passed, hospitals agreed to accept cuts in these payments. In a world where almost everybody had insurance, as envisioned by the law, hospitals could afford to take those cuts. Without the expansion, hospitals will still be stuck providing care to lots of uninsured patients, but they will have to do it on tighter budgets. Many hospitals, especially in rural areas, will not be able to survive if Tennessee does not expand its Medicaid program.
- There are now 61 hospitals in Tennessee's 49 rural counties. Of these 61 rural hospitals, 24 are at risk of closing because they have, on average, lost money over the past three years. If these hospitals close because the State does not expand its Medicaid program, it would leave 21 rural counties without a hospital.⁷
- Losing hospitals can lead to a domino effect with other health care providers. Doctors rely on hospitals to build a foundation for their practice. If the hospital goes, doctors may also leave or decide not to come at all.⁸ This could lead to even broader economic consequences. By one estimate, each doctor in a community leads to \$500,000 in additional income and sustains five jobs.⁹ Overall, rural health care creates 15 to 20 percent of the jobs in rural areas.¹⁰ These jobs could be threatened if Tennessee chooses not to expand Medicaid.

¹ John Holahan and Irene Headen, *Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or below 133% FPL*, Kaiser Commission on Medicaid and the Uninsured (May 2010) at 40, Table 6, available at <http://www.kff.org/healthreform/upload/Medicaid-Coverage-and-Spending-in-Health-Reform-National-and-State-By-State-Results-for-Adults-at-or-Below-133-FPL.pdf>.

² Kaiser Family Foundation. (2012). *Population Distribution by Metropolitan Status: Tennessee*, available at <http://www.statehealthfacts.org/comparebar.jsp?cat=1&ind=18>.

³ Glasgow, N., Johnson, N., & Morton, L.. *Critical Issues in Rural Health*. (May 2004).

⁴ Lenardson, J., Ziller, E., Coburn, A. & Anderson, N. (2009, June). Profile of rural health insurance coverage: A chartbook. *Rural Health Research and Policy Centers*, available at <http://muskie.usm.maine.edu/Publications/rural/Rural-Health-Insurance-Chartbook-2009.pdf>.

⁵ Kaiser Family Foundation. (2003). *Health insurance coverage in rural America*. Retrieved from <http://www.kff.org/uninsured/upload/Health-Insurance-Coverage-in-Rural-America-PDF.pdf>.

⁶ Rural Assistance Center, “Uninsured and Underinsured Frequently Asked Questions” (2008), available at www.raconline.org/ingo_guides/insurance/uninsurancefaq.php.

⁷ This definition of “at risk” hospitals is taken from Blankenau, et al., “The Causes and Consequences of the Rural Uninsured and Underinsured,” Center for Rural Affairs (April 2009), available at <http://files.cfra.org/pdf/Causes-and-Consequences-of-Rural-Uninsured.pdf>. Annual financial data on Tennessee hospitals is derived from the Tennessee Joint Annual Reports on Hospitals, available at <http://health.state.tn.us/PublicJARS/Default.aspx>.

⁸ Committee on the Consequences of Uninsurance, “A Shared Destiny: Community Effects of Uninsurance,” Board on Health Care Services, Institute of Medicine (2003), available at http://www.nap.edu/openbook.php?record_id=10602&page=R1.

⁹ *Id.*

¹⁰ “Health Insurance Access in Rural America,” National Rural Health Assoc. (March 2004), available at <http://www.ruralhealthweb.org/index.cfm?objectid=400AC60D-1185-6B66-8811D1B5632FB36B>.