

Medicaid Reform is a Lifeline for Tennessee's Hospitals

The Supreme Court ruled in June that the new health reform law permits, rather than requires, states to reform their Medicaid programs to cover people with incomes up to 138 percent of the federal poverty line. Now, Tennessee must choose whether to expand Medicaid. **If Tennessee does not expand Medicaid, many hospitals will face crippling financial losses that could force them to cut services or staff or, in some instances, even close.** That's because some hospitals now receive disproportionate share hospital (DSH) payments for providing care to people without insurance. When the health law was passed, hospitals agreed to accept cuts in DSH, as well as other Medicare and Medicaid payment reductions.¹ 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 121 general medical and surgical hospitals in Tennessee. Of these, **54 are at risk of major cuts or even closure** because they have, on average, lost money over the past three years or have only had positive revenues due to DSH payments. These at-risk hospitals directly employ over 21,000 Tennesseans, and indirectly sustain tens of thousands more jobs. If these hospitals close because the State does not expand its Medicaid program, it would leave **30 Tennessee counties without a hospital** and would have a devastating effect on Tennessee's economy.² Below is a list of the hospitals at risk of closing if Tennessee does not expand its Medicaid program.

County	Hospital	Employees
Anderson*	Methodist Medical Center of Oak Ridge	925
Bedford*	Heritage Medical Center	234
Bledsoe*	Erlanger Bledsoe	71
Bradley*	Skyridge Medical Center	766
Bradley*	Skyridge Medical Center - West	71
Campbell	Jellico Community Hospital	225
Carroll*	Baptist Memorial - Huntingdon	157
Carroll*	McKenzie Regional Hospital	121
Cheatham	Centennial Medical Center at Ashland City	48

*Counties that would be left without a hospital if the identified hospital(s) close.

¹ According to the Congressional Budget Office (CBO), the law will reduce Medicaid DSH payments nationally by \$22 billion over the next decade. See CBO, "Estimates for the Insurance Coverage Provisions of the Affordable Care Act Updated for the Recent Supreme Court Decision," at n.17 (July 2012). This fact sheet only considers the effect of reductions in Medicaid DSH payments. However, to help reduce the federal budget deficit, the health reform law makes several other major changes on the way hospitals are reimbursed for providing patient care. The law reduces Medicare DSH payments by \$34 billion over the next decade. See Elmendorf, Douglas M., "Letter to the Honorable John Boehner providing an Estimate for H.R. 6079." (July 24, 2012). The law also cuts future increases in Medicare fee-for-service payments to hospitals by \$260 billion over the next decade. *Id.* at 14. The latter reduction will reduce Medicare payment rates to 60 percent of private levels by 2020, a 10.4 percent relative reduction. The Office of the Actuary at the Centers for Medicare and Medicaid Services estimates that this payment reduction, by itself, will cause *15 percent of all American hospitals to become unprofitable without an offsetting increase in payments on behalf of individuals newly insured through the exchanges and Medicaid expansion.* See Shatto, John D. and M. Kent Clemens, "Projected Medicare Expenditures under Illustrative Scenarios with Alternative Payment Updates to Medicare Providers," CMS Office of the Actuary (May 18, 2012).

² Annual financial and employment data on Tennessee hospitals is derived from the Tennessee Joint Annual Reports on Hospitals, available at <http://health.state.tn.us/PublicJARS/Default.aspx>.

Claiborne*	Claiborne County Hospital	329
Clay*	Cumberland River Hospital	213
Cocke*	Baptist Hospital	203
Cumberland*	Cumberland Medical Center	892
Davidson	Metro Nashville General Hospital	649
Davidson	Skyline Medical Center Madison Campus	203
Davidson	Southern Hills Medical Center	352
Dickson*	Horizon Medical Center	413
Fayette*	Methodist Healthcare - Fayette	74
Fentress*	Jamestown Regional	145
Gibson	Gibson General Hospital	69
Gibson	Humboldt General	81
Giles*	Hillside Hospital	219
Greene*	Laughlin Memorial Hospital	590
Greene*	Takoma Regional	427
Hamblen*	Lakeway Regional Hospital	239
Hamblen*	Morristown Hamblen Healthcare	647
Hamilton	Erlanger East	180
Hamilton	Erlanger Medical Center	3280
Hamilton	Erlanger North	73
Hancock*	Wellmont Hancock County	37
Haywood*	Haywood Park Community Hospital	92
Henderson*	Henderson County Community Hospital	103
Henry*	Henry County Medical Center	515
Hickman*	Hickman Community Hospital	110
Humphreys*	Three Rivers Hospital	75
Johnson*	Johnson County Community Hospital	61
Knox	Mercy Medical Center West	345
Loudon*	Ft. Loudon Medical Center	194
Macon*	Macon County General Hospital	119
Marion*	Grandview Medical Center	237
Marshall*	Marshall Medical Center	127
McMinn	Woods Memorial	289
Roane*	Roane Medical Center	298
Sevier*	LeConte Medical Center	432
Shelby	Baptist Memorial - Collierville	323
Shelby	Delta Medical Center	448
Shelby	Methodist Hospital - North	1065
Shelby	Methodist Hospital - South	728
Shelby	Methodist University Healthcare	2332
Smith*	Riverview Regional –North	144
Smith*	Riverview Regional –South	25
Sumner	Sumner Regional Medical Center	711
Unicoi*	Unicoi County Memorial Hospital	166
Washington	Franklin Woods Community Hospital	388
		TOTAL: 21,260