



**Tennessee Hospital Association
Hospital Coverage Assessment
HB 738 by Harrison, Casada, Armstrong, Maggart
SB 483 by Overbey**

- THA is asking the General Assembly to extend the hospital coverage assessment for *one additional year* to prevent \$870 million in cuts from taking effect July 1, 2011, and to continue to provide the critical dollars necessary to provide hospitals a portion of their unreimbursed TennCare costs.
- Like last year's legislation, hospitals will be prohibited from increasing charges to patients as a result of the assessment.
- While it is the state's responsibility to fund TennCare, hospitals again must step up on an interim basis until the state's revenues recover so their patients and every community in Tennessee will not suffer the consequences of these drastic cuts.

Why the Assessment is Necessary

- Hospitals already provide approximately \$2 billion in uncompensated TennCare, Medicare, charity care and bad debt. If \$870 million in cuts is added to that number, the impact would reach far beyond TennCare.
 - Tennessee hospitals provide 99,000 full-time equivalent jobs in the state. If these cuts take effect, thousands of these jobs would be lost as hospitals would likely close or reduce services.
 - Level 1 trauma centers could be forced to restrict when and how they accept transfers from other hospitals.
 - High cost services, such as burn, perinatal and hemophilia services, would likely be reevaluated.
 - Rural, sole community provider hospitals would have to reassess every service they provide and some of those hospitals might close.

Cuts Prevented by the Assessment

- The proposed assessment would fund the same items that were funded by the legislation passed last year. However, the cuts that cost \$659 million last year now cost \$870 million due to increased enrollment, utilization and growing expenses associated with delivering those same services. The

assessment now must also fund the full 7 percent hospital and professional rate cut, 6 percent of which was funded last year by one-time federal dollars that are no longer available.

- The legislation provides that the proceeds from the assessment will be directed towards the following specific items that otherwise would be cut or not funded:
 - 7% reduction in hospital payments
 - 7% reduction in payments to health professionals (physicians, nurse practitioners, physician assistants and podiatrists)
 - 8 physician office procedures limit per year
 - Essential access hospital payments
 - Critical access hospital cost-based reimbursement
 - Disproportionate share payments to hospitals
 - “Medically needy” enrollment up to 7,000 people
 - Graduate medical education funding
 - 8 day annual limit on inpatient hospitalization
 - 8 visit annual limit on non-emergency outpatient visits
 - Limit of 8 lab or x-ray procedures annually
 - Elimination of reimbursement for physical therapy, occupational therapy and speech therapy
- Like last year’s legislation, payments to hospitals to offset unreimbursed TennCare costs again would be funded.
- Just like last year, the assessment would be paid by all licensed hospitals except: 1) non-state owned government hospitals; 2) critical access hospitals; 3) freestanding rehabilitation and long-term acute care hospitals; 4) the pediatric research hospital; and 5) state mental health institutes. Although these hospitals would not pay the fee, their cuts also would be restored.
- The annual assessment rate will be 4.52 percent of a hospital’s net patient revenue, according to its 2008 Medicare cost report.

We urge you to support the hospital coverage assessment in order to not only protect hospitals from the devastating impact of the drastic TennCare cuts, but to prevent patients, other TennCare providers and every community in this state from also suffering the consequences of those cuts.

For more information, contact:

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