



November 23, 2012

Dear Governor Haslam:

The League of Women Voters of Tennessee¹ strongly supports the expansion of Tennessee's Medicaid program (TennCare) to include non-disabled adults with incomes up to 138% of the federal poverty level (FPL), as authorized by the Affordable Care Act of 2010 (ACA). Medicaid expansion will be good for the fiscal health of Tennessee; it will be good for the continuing viability of Tennessee's hospitals; and most importantly, it will be good for the projected 200,000 adults who will enroll in Medicaid by 2020, at **no additional cost** to state government. We urge your Administration to implement this state option for the following reasons:

We believe Medicaid expansion will be highly beneficial to Tennessee, enabling the state to cover as many as 200,000 uninsured adults over the next seven years without additional cost to state government, while reducing uncompensated care for hospitals and other health care providers.

1. Medicaid expansion will make health insurance available to approximately 200,000 uninsured Tennesseans living in poverty who are currently ineligible for Medicaid and unable to afford private insurance.² Federal law authorizes all states to expand their Medicaid programs beginning in 2014 by covering adults who did not previously qualify for the program with incomes up to 138% of the federal poverty level (\$15,415 for an individual or \$26,344 for a family of three in 2012), including the 5% FPL income disregard. Currently, adults who are not pregnant, disabled, elderly, or parents of dependent children cannot qualify for Medicaid, regardless of their degree of impoverishment or medical need. In 2014, low-income, non-disabled, childless adults will be guaranteed Medicaid coverage in every state opting to implement this expansion, without need for a waiver; and parents with dependent children will be eligible at a uniform income level across all states.³ This is an extremely important opportunity to improve the health, quality of life, and productivity of large numbers of Tennesseans who are among those at highest risk for poor health. Medicaid expansion provides fair access to health care for adults without dependent children who are unable to afford private health insurance.

2. Medicaid expansion will produce additional revenues which will more than offset the additional state costs through 2020. There is no cost at all to the state for the expansion population during the first three years (2014-2016). New costs of implementing the ACA will be incurred whether or not the state takes the money provided for the expansion. Depending on the number of newly eligible individuals who enroll during this period, the expansion could bring between 1.5 and 1.9 billion additional federal dollars to Tennessee by 2016. Even after the federal match share declines to 95% in 2017 (and to 90% by 2020 and in subsequent years), the cost will be offset by the state's continuing collection of the 5.5% gross receipts tax on the HMOs.⁴ Because of the gross receipts tax, the state will actually make money from Medicaid expansion during the first four years. Based on TennCare's enrollment projections, the cumulative state cost for expansion will **not** exceed cumulative state revenue from the additional HMO tax receipts until 2021.⁵ *The state can drop the new coverage at any time, if it cannot afford to contribute to the cost.*

In addition to the enhanced federal match for the Medicaid expansion population and the gross receipts tax on HMOs, reduced expenditures of state-only funds currently required for health services will help the state accommodate anticipated increases in Medicaid enrollment not including the federally-funded expansion population. For example: there will be approximately \$50 million annual savings in state-only funds currently devoted to CoverTN, CoverRx, and AccessTN (programs no longer needed because of coverage gained through Medicaid expansion or the insurance exchange in 2014). Thus, from a purely fiscal perspective, Medicaid expansion in Tennessee seems the wisest course of action.

3. Expanding Medicaid coverage will reduce the cost of uncompensated care for the state and for health care providers currently serving large numbers of uninsured patients who will qualify for health insurance as a result of this expansion. This is particularly important, now that disproportionate share (DSH) reimbursements to hospitals serving large numbers of uninsured patients will be sharply reduced under the ACA. Reform assumes that the number of uninsured people will fall dramatically beginning in 2014 when the individual insurance mandate and Medicaid expansion take effect. The new law is expected to lower state costs for uncompensated care by as much as \$1.6 billion between 2014 and 2019, with much of the reduction due to the expansion of Medicaid.⁶ In addition, hospitals, doctors, and other health care providers will also be paid for much of the care that they currently provide without compensation.

Failure to implement Medicaid expansion will have serious negative consequences for our state, threatening the health and productivity of individual Tennesseans, the financial viability of Tennessee's health care delivery system, and the fiscal stability of state government.

1. Without Medicaid expansion, many working Tennessee families will remain without health coverage, burdening the health care delivery system with uncompensated cost for their care. Of those who will qualify under Medicaid expansion, 80% have incomes below the poverty level and are ineligible to receive a premium tax credit to help pay for commercial insurance. By law, premium tax credits are only available to individuals earning more than 100% FPL. Even individuals with incomes between 100%-133% FPL, who qualify for credits, will have difficulty affording commercial insurance, since the credits were not designed to meet the needs of this population.⁷ Research indicates that lack of health insurance can have serious consequences for both uninsured adults and the communities in which they live. In addition to higher costs for emergent care and reduced workforce productivity due to untreated illness, widespread problems in local health care delivery can be intensified by higher uninsurance rates and have potentially grave implications for the quality and timeliness of care for everyone in those communities.⁸

2. A number of hospitals will close, and many others will be severely impacted, if Tennessee does not expand Medicaid. The hospitals will experience sharp cuts in Medicare and Medicaid disproportionate share revenues under reform, and expanded Medicaid (TennCare) coverage is essential to offset those otherwise crippling reductions. If hospitals lose those payments and the loss is not made up by the expansion of Medicaid, it will devastate not only hospitals but the communities they serve, particularly in rural areas. The hospitals that are at risk can be identified from information in the Joint Annual Report of Hospitals. Altogether, 54 of 120 hospitals will go into the red without Medicaid expansion to mitigate their other losses, and over 30 counties are at risk of losing both a hospital and a major employer.⁹ (See Appendix for a list of at-risk hospitals in Tennessee.)

3. Refusing the expansion will adversely affect the state budget. The state budget is critically dependent on federal Medicaid (TennCare) funding. TennCare is by far the largest source of federal revenues to the state. Federal TennCare funds support the Department of Children's Services, the Department of Health, the Department of Human Services, the Department of Intellectual and Developmental Disabilities, and the Department of Mental Health. Over \$900 million of these funds come to the state *only* because the hospital industry has in recent years paid an assessment with which to match the federal dollars. Hospitals agreed to pay the assessment in order to sustain the TennCare program temporarily until the new health reform law took effect. Without Medicaid expansion, hospitals may have neither the financial ability, nor the willingness, to continue paying the assessment. Without the hospital assessment, the resulting loss of federal funds would have a disastrous impact across state government and local governments.

In this letter, the League focuses on issues that are of particular concern to state government in an attempt to clarify what we consider the clear advantages of implementing Medicaid expansion in Tennessee and the stark disadvantages of failing to do so. We hope that you will find this information constructive to your deliberations on this matter. If you would like us to meet with you about this issue, please contact us at:

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Sincerely,

Margie Parsley

Margie Parsley
President
League of Women Voters of Tennessee

cc: Honorable Beth Harwell, Speaker
Honorable Ron Ramsey, Lt. Governor

Notes

1. Established in 1920, the League of Women Voters is strictly nonpartisan, neither supporting nor opposing candidates for office at any level of government, but works to influence public policy through advocacy by a grassroots citizen network directed by the consensus of its members. The League of Women Voters of Tennessee has chapters in all three Grand Divisions of the State. Its policy positions are consistent with those advocated by the League of Women Voters of the United States. The League believes that affordable health care of high quality should be available to all U.S. residents. It considers the ACA an important first step toward achieving needed reform of the health care system in the United States and supports its implementation nationwide, with ongoing efforts to assess and improve the efficacy and fairness of programs developed to implement this law. In particular, ***the League supports programs aimed at decreasing the number of individuals who lack health insurance, including expansion of Medicaid eligibility; development of group insurance pools for uninsured individuals and small businesses, with special attention to the protection of individuals with chronic and/or complex health problems who are poor, disabled, or medically underserved; and establishment of a fair reimbursement system for providers of health services to such individuals.***
2. Health Care Finance and Administration (HCFA) FY 2014 Budget Presentation by TennCare Director Darin Gordon (Nov 13, 2012) at 9, www.tn.gov/tenncare/forms/HCFAbudgetFY14.pdf.
3. Kaiser Commission on Medicaid & the Uninsured, How will the Medicaid Expansion for Adults Impact Eligibility and Coverage? (July 2012), www.kff.org/medicaid/upload/8338.pdf.
4. HMO tax statute, Tenn. Code Ann. 56-32-124(a).
5. HCFA FY 2014 Budget Presentation, op. cit., at 9, www.tn.gov/tenncare/forms/HCFAbudgetFY14.pdf.
6. Buettgens M et al., Consider Savings as Well as Costs: State Governments Would Spend at Least \$90 Billion Less with the ACA than Without It from 2014 to 2019, at 11, Table 7; Robert Wood Johnson Found. & Urban Institute (July 2011).
7. Tennessee Joint Annual Report of Hospitals, <http://health.state.tn.us/PublicJARS/Default.aspx>.
8. Kenney G, et al., Opting Out of the Medicaid Expansion under the ACA: How Many Uninsured Adults Would not Be Eligible for Medicaid? (Urban Institute, 7/5/12), www.urban.org/UploadedPDF/412607-Opting-Out-of-the-Medicaid-Expansion-Under-the-ACA.pdf.
9. McWilliams JM, Health Consequences of Uninsurance Among Adults in the United States: An Update, as cited in Institute of Medicine, America's Uninsured Crisis: Consequences for Health and Health Care (2009), http://www.nap.edu/catalog.php?record_id=12511.

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, it could cause many hospitals to 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. 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 closing** 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.¹ 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
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

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

¹ 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>.

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