

FINANCING HEALTH CARE FOR THE UNINSURED: WHO BEARS THE BURDEN IN TENNESSEE?



As the result of TennCare Reform, federal matching funds for TennCare decreased by \$800 million from actual FY 2005 to projected FY 2007. Meanwhile, the state has developed Cover Tennessee and the Safety Net to help those who face difficulty finding or affording health care—but these programs largely forgo federal matching funds. In FY 2009 the state is projected to spend about \$180 million on the two initiatives.

In 2005 between 482,000 and 836,000 Tennesseans lacked health insurance coverage. In addition, the fragmentation of the state's health care system contributes to rising health care costs through redundant services and program inefficiencies. As health care costs continue to rise and insurance becomes more cost-prohibitive, the state's taxpayers, providers, and businesses will face a larger burden in paying for the health care of the uninsured.

Report Findings:

Tennessee lacks a system to accurately measure total indigent health care costs.

- Hospital pricing practices vary widely among facilities and by patient type, making any estimate of statewide indigent health care costs inexact.

Total indigent health care costs in Tennessee likely exceed \$600 million. State and local government expenditures for indigent care likely exceed \$300 million.

- Many state and local government programs support indigent health care. Yet, government officials cannot determine what portion of these programs' budgets eventually reaches indigent persons.

Fully restoring Medicaid Disproportionate Share Hospital (DSH) payments to Tennessee will require additional federal approval and new state expenditures.

- Tennessee typically distributes \$100 million each year to help hospitals cover uncompensated costs.
- A fully restored DSH system would provide about \$420 million but would require about \$116 million in new state spending.

Unlike Tennessee, many states are using Medicaid to help finance major new health care initiatives.

- Arkansas uses federal funds to help finance a small business insurance product similar to CoverTN.

Tennessee's health care system is fragmented and lacks overarching goals.

- A comprehensive state health plan could help reduce health care costs and improve outcomes.
- Public Chapter 942 (2004) requires the Department of Finance and Administration to establish a comprehensive state health plan, but the department has yet to create such a plan.

Recommendations:

The General Assembly may wish to:

- revise the Joint Annual Report of Hospitals to improve the accuracy and usability of its data
- explore policies that would promote hospital pricing transparency

The Department of Finance and Administration should:

- examine options for obtaining federal funds for Cover Tennessee
- establish and enforce a comprehensive state health plan
- examine best practices for establishing and maintaining health care accounting standards

View the full report at <http://www.comptroller.state.tn.us/cpdivorea.htm>

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