



February 19, 2024

SUMMARY OF BILL: Establishes that the hospital payment rate corridor for payments by managed care organizations to certain rural hospitals for routine, non-specialized inpatient services provided to TennCare enrollees must be between 100 percent and 120 percent of the Medicare reimbursement rate for the current federal fiscal year.

Authorizes the Division of TennCare (Division) to seek a federal waiver or other authorization to implement such payment rate corridor without requiring the expansion of optional Medicaid enrollment.

Requires the Division to provide an updated list of Medicare severity-diagnosis-related groups (MS-DRGs) directly to participating rural hospitals each year.

FISCAL IMPACT:

Increase State Expenditures – \$25,400/FY24-25 and Subsequent Years

Increase Federal Expenditures – \$47,100/FY24-25 and Subsequent Years

Assumptions:

- As defined in the legislation, only two rural hospitals are assumed to be impacted by the established reimbursement requirements.
- The proposed legislation sets the hospital payment rate corridor between 100 and 120 percent of the federal Medicare rate. It is assumed that the average reimbursement rate will be 110 percent of the Medicare rate.
- According to an actuarial analysis by the Division, the total cost to increase the inpatient reimbursement rate for rural hospitals to 110 percent of the Medicare rate is estimated to be \$72,477 per year.
- Medicaid expenditures receive matching funds at a rate of 64.928 federal to 35.072 percent state. Of this amount, \$25,419 ($\$72,477 \times 35.072\%$) will be in state expenditures and \$47,058 ($\$72,477 \times 64.928\%$) will be in federal expenditures in FY24-25 and subsequent years.
- The Division can provide an updated list of MS-DRGs to participating rural hospitals utilizing existing resources, without an increase in expenditures.

IMPACT TO COMMERCE:

Increase Business Revenue – \$72,500/FY24-25 and Subsequent Years

Assumptions:

- Rural hospitals will experience a recurring increase in business revenue of \$72,477 in FY24-25 and subsequent years.
- Any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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