

A CLOSER LOOK AT THE AMERICAN HEALTH CARE ACT'S IMPACT ON TENNESSEE

IMPLICATIONS FOR RURAL HEALTH AND TENNESSEANS WITH DISABILITIES

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<http://www.sycamoreinstitute.org/2017/06/22/ahca-tennessee-rural-disabilities/>

The AHCA involves trade-offs that could require difficult decisions by Tennessee policymakers.

The House-approved bill could directly affect about 1 in 3 Tennesseans — including those who buy health insurance in the individual market, are enrolled in TennCare, or are uninsured.

- **Key Trade-Off for the Individual Market:** Young and healthy Tennesseans get more access to plans with lower premiums, higher deductibles, and less comprehensive benefits. As a result, older and sicker Tennesseans would likely experience premium increases for more comprehensive, ACA-compliant plans.
- **Key Trade-Off for Medicaid:** Federal Medicaid spending gets capped, which will place greater pressure on state budgets. TennCare could potentially get up to \$3.2 billion (or 2.3%) less federal funding than under current law during the caps' first 10 years, according to the Urban Institute.

How the AHCA's Trade-Offs Affect the 1.5 Million Tennesseans Living in Rural Areas

Tennesseans living in rural areas tend to be older, poorer, and less healthy than those in other areas of the state.

- **Lower Premiums Options:** If insurers can attract younger and healthier enrollees with less comprehensive, lower-premium plans, Tennessee's rural areas could see a wider range of insurers and plans.
- **Higher Out-of-Pocket Costs:** Many rural Tennesseans may pay higher out-of-pocket costs due to their poorer health status, unique demographics, and the AHCA's changes to premium subsidies.
- **Increased "Age Rating":** The AHCA increases the spread between what insurers can charge older and younger individuals. Rural populations skew older and would feel the downside of this trade-off more acutely.
- **High Rates of TennCare Enrollment:** Rural counties have some of the state's highest TennCare enrollment rates. As a result, changes to TennCare could be more likely to impact individuals in rural areas.
- **Financial Stress for Rural Hospitals:** Higher out-of-pocket costs for rural Tennesseans could put rural hospitals on the hook for more uncompensated care and at greater risk of shutting their doors. Nine rural hospitals in Tennessee have closed since 2010. The 5 rural Tennessee hospitals with the highest rates of uncompensated care are in Cheatham, Hardeman, Hickman, Bledsoe, and Carroll counties.
- **Potential for Decreased Access to Care:** If additional rural hospitals shut down, some rural Tennesseans may have difficulty accessing needed health care (particularly emergency care) without traveling long distances.

How the AHCA's Trade-Offs Affect the 150,000 Tennesseans with Disabilities Covered by TennCare

About 10% of TennCare enrollees have disabilities, but their medical and long-term care accounts for about 35% of TennCare medical spending. TennCare is a relatively low-cost Medicaid program and has used optional benefits (not required by current federal law) to control costs for enrollees with disabilities.

- **Potential Pressure to Roll Back Optional Benefits:** New pressure on TennCare's budget could force state policymakers to focus their limited dollars on non-optional Medicaid populations and services, which could have a disproportionate impact on TennCare enrollees with disabilities.
- **Potential for Little Impact:** The AHCA's federal caps on Medicaid funding may ultimately have little impact on TennCare coverage for enrollees with disabilities due to the program's recent success in controlling long-term care costs.
- **Cost-Saving Innovations May Be at Risk:** TennCare coverage for home and community based services (HCBS) can cost 3.5 times less than nursing home care, but HCBS are optional under current federal law. New pressure on TennCare's budget could undermine our state's successful efforts to reduce TennCare spending on long-term care — which private insurance rarely covers.
- **Competition for Funding with Other TennCare Populations:** If the cost of covering other populations exceeds the AHCA's caps, TennCare could be forced to shift funding away from individuals with disabilities.