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Beyond Medicaid Expansion

Promoting Innovation and Access in Healthcare

Introduction

Whether to expand Medicaid to able-bodied, working-age adults has remained a perennial debate at the Tennessee Capitol since Insure Tennessee was proposed in 2014, a plan for Medicaid expansion under the Affordable Care Act (ACA).[1] While initial estimates projected coverage for 160,000 Tennesseans, that number grew to nearly 300,000 by the time the legislation was heard in committee.[2] Although the legislature rejected the plan, bills for full and limited expansion continue to be filed, some as recently as 2025 and 2026.[3]

While proponents argue that healthcare access suffers as hospitals shutter without an infusion of federal funds, a decade of data reveals otherwise. As this brief will show, Tennessee's choice to forgo Medicaid expansion has:

- Granted the state more flexibility for Medicaid financing after the passage of the One Big Beautiful Bill Act
- Supported Medicaid's focus on truly needy residents of the state
- Sustained hospital infrastructure with more hospitals in operation today than when Insure Tennessee was introduced

Policymakers must continue to reject Medicaid expansion, seeking other ways to reduce barriers and expand access to healthcare in Tennessee communities. These policies should build on the successes of the 2026 legislative session by fully repealing certificate-of-need (CON) laws, unleashing alternative care models, and creating regulatory clarity for the use of artificial intelligence in healthcare.

By the Numbers: *Medicaid Expansion*

Medicaid's design as a safety net that provides basic health coverage to low-income children, older adults, pregnant women, and people with disabilities shifted in 2010 with the ACA, expanding eligibility for the program to working-age adults without disabilities. After the Supreme Court ruled the ACA's mandate was unconstitutionally coercive to states in 2012, states were given the ability to opt-in, which many did due to generous federal matching funds, well above those for traditional Medicaid.[4] To date, 40 states have adopted expansion, while Tennessee and nine other states have opted to forgo expansion.

Over a decade of data from expansion states reveals common trends:

- **Massive cost overruns.** Expansion states have experienced average cost overruns of 180 percent, with some states seeing costs 552 percent above original projections.[5]
- **Underestimated enrollment.** If Tennessee's enrollment mirrored the inaccurately low projections in expansion states, enrollment would reach an estimated 771,000 people, nearly 400 percent higher than original estimates.[6]
- **Hurting the truly needy.** Expansion to working-age adults has left traditional Medicaid enrollees with lower program funding, longer wait times, and reduced access to care. These effects have extended to the healthcare system as a whole, resulting in fuller emergency rooms and slower ambulance response times.[7]

Medicaid Expansion Trigger Laws

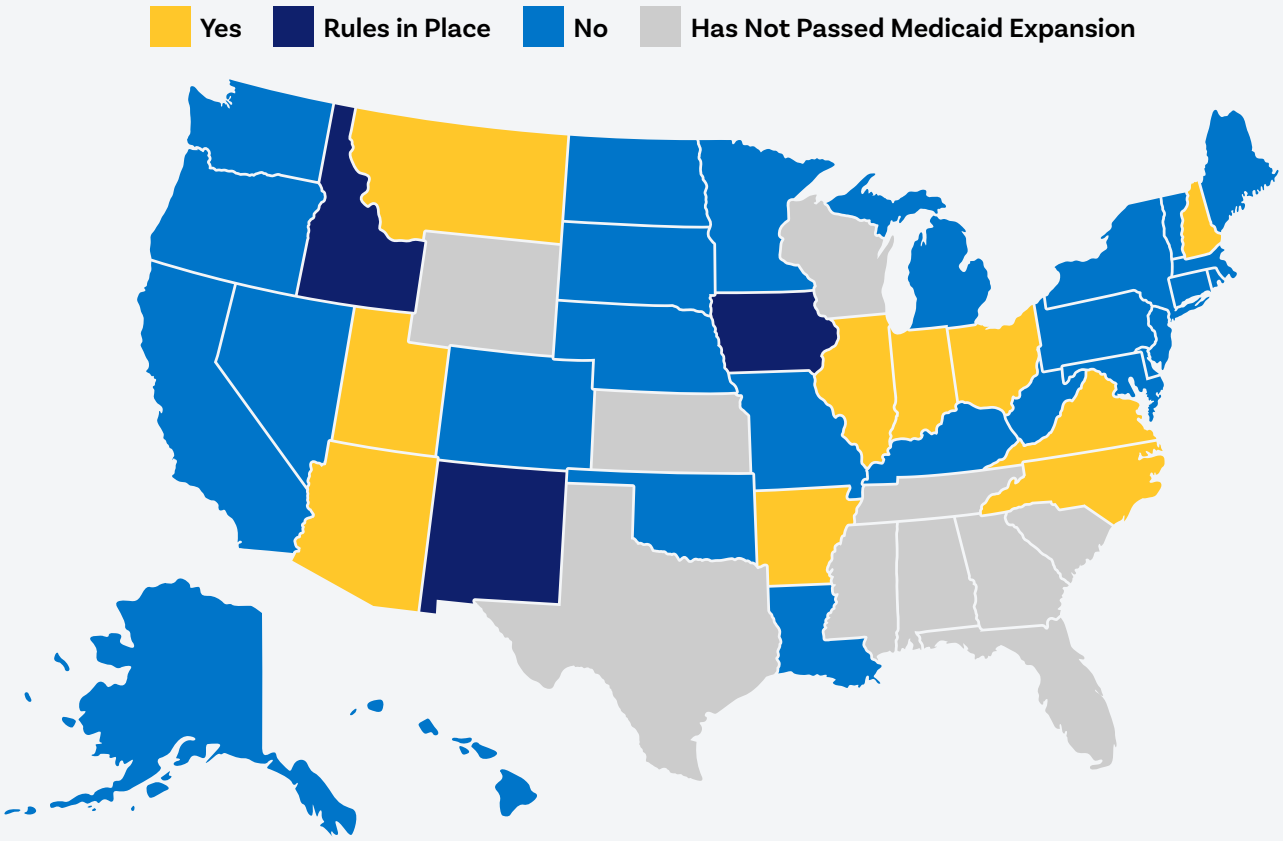

Figure 1. Over a dozen states have realized current healthcare costs are unsustainable if federal funding for Medicaid expansion is reduced.

These overly low projections have forced states to restructure their Medicaid programs. Since 2019, at least 16 expansion states sought federal waivers to institute work requirements.[8] Additionally, 13 states have passed trigger laws or have rules in place that would end or significantly change the program if the federal match drops below its current rate.[9]

As a non-expansion state, Tennessee enjoys unique protections under the federal One Big Beautiful Bill Act. Non-expansion states receive a higher Medicaid payment cap, relaxed tax limits on providers, and relief from heavy administrative mandates.[10] Expanding Medicaid forfeits these advantages, subjecting the state to increased federal oversight to protect taxpayers.

Given the expansion states' dependence on Congress to continue funding for participants beyond traditional Medicaid recipients, their vast underestimates of enrollment, and new restrictions in the One Big Beautiful Bill Act, Medicaid expansion raises questions about whether the program is fair and will continue in its current form in all expansion states moving forward.[11]

By the Numbers: *Hospitals*

Rural hospital closures are a national trend due to shifting demographics and unique financial pressures, but has Tennessee's decision to reject Medicaid expansion led to more hospital closures?[12] Across the country, in expansion and non-expansion states, half of rural hospitals are operating in the red and losing money—one-third are at risk of closing.[13]

With fewer patients and rising costs, some Tennessee hospitals have closed since Insure Tennessee was proposed, yet the number of hospitals in the state has increased overall. State-published hospital data shows 169 licensed hospitals operating in 2015 but 171 hospitals operating in 2024, according to the most recent data available.[14]

Although more hospitals are operating today, Tennessee has seen a slight decrease in the total number of counties with at least one hospital. In 2015, 78 counties had at least one hospital compared to 74 counties in 2024. Yet Tennessee communities have reopened rural hospitals and implemented new, innovative solutions to increase

2015
169
Hospitals

2024
171
Hospitals

Graphic 1. More hospitals are in operation today than when Medicaid expansion was first proposed in Tennessee.

healthcare access, without Medicaid expansion. For example, after closing its only hospital in 2014, the rural Haywood County hospital reopened in 2022.[15] In recent years, several counties have seen hospitals reopen or new, smaller facilities bringing healthcare access to the area.[16]

Freestanding emergency rooms (ERs)—24/7 critical care facilities owned and operated by a licensed hospital, but in a separate location—are filling the access gap.[17] In rural areas, these facilities can be a lifeline for healthcare access when a full-scale hospital is not or no longer feasible.

Though less than three percent of Tennessee's population lives in counties without a hospital or freestanding ER, these innovative options can potentially serve the small number of counties without critical healthcare access.[18]

Rural Healthcare Opportunities

True healthcare expansion comes from increasing access by reducing government barriers, not creating additional federal dependency. Though rural areas inherently face fewer options than urban population centers, state-level policy changes have the potential to increase healthcare access for all Tennesseans.

Tennessee's CON laws, which artificially block the entry of new healthcare providers, have reduced quality options for patients. Research indicates that a complete removal of CON laws could bring an additional 63 hospitals to the state, including 25 in rural areas.[19] Though some of these laws remain, government barriers placed on freestanding ERs through them have been greatly reduced due to recent legislation, and a full removal of CON laws is scheduled for July 1, 2028.[20]

Tennessee's Hospitals by County

More Hospitals Are Now Operating Than a Decade Ago and Rural Areas are Innovating

At Least One Hospital **Building/Reopened Hospital or Freestanding ER**

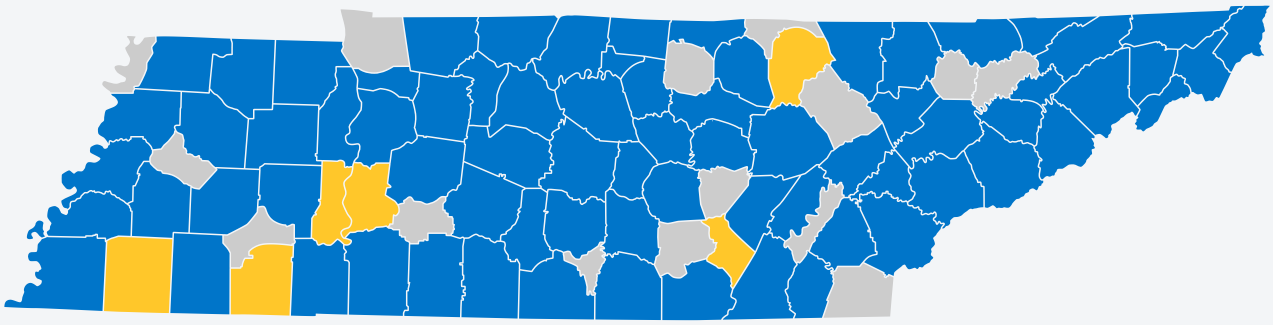

Figure 2. Rural counties have seen hospitals reopen; Others have innovated with freestanding ERs.

One rural Tennessee county's hospital closed but opened up a freestanding ER instead, which they believe can stand as a model for other areas and states, calling it the "future of rural healthcare."[21] A county executive stated that "rural hospitals are going to be a thing of the past," but sees the freestanding ER as the next best step when rural areas cannot support a full hospital.[22]

Along with freestanding ERs, micro-hospitals have begun to operate across the nation and in Tennessee.[23] These facilities, which are smaller than traditional hospitals but more comprehensive than a freestanding ER, provide 24/7 care and a small number of inpatient and outpatient beds. Innovative options like these respond to the unique needs and characteristics of local communities. A healthcare organization in one rural Tennessee community is responding to changing needs by replacing an outdated hospital with a state-of-the-art micro-hospital.[24] Where demand for a full hospital may no longer be present, micro-hospitals and freestanding ERs are showing that healthcare access can still be attained in nearly any area.[25]

Rural hospitals are uniquely positioned to innovate, especially in adopting artificial intelligence (AI), since they generally aren't bogged down by legacy software or existing technology relationships.[26] With specialist shortages more pronounced in rural areas, AI-assisted diagnostics and predictive analytics can speed up results and enable earlier medical intervention.[27] This is more than a hopeful possibility. Hospitals in states like Florida have cut sepsis deaths in half thanks to AI-assisted technology that continuously monitors patients, giving providers more information to act on early warning signs.[28] In Tennessee, hospitals use AI to improve workflow, reduce preventable injuries, and analyze brain scans to help physicians identify stroke-related abnormalities.[29] AI assistance in healthcare doesn't take decision making away from providers — it empowers them with additional information to make well-informed decisions when it matters most. Automating administrative tasks like medical coding and charting, with human review, can also give clinicians more time with patients.[30]

This technology doesn't replace practitioners; it provides insight and an additional layer of review. Critical thinking and final decisions should always rest on the healthcare provider. AI simply offers providers the most up-to-date information, offering help with everything from catching unsigned forms that could delay discharges to flagging abnormalities in medical scans. The goal isn't to replace providers, but to give them more data to inform their decisions. From major metros to rural clinics, innovations that better inform decisions should be welcomed to improve patient care.

Conclusion

The fight over Medicaid expansion will likely continue at the Tennessee Capitol. Still, the argument that Tennessee's choice not to expand Medicaid has led to fewer hospitals is not supported by the data, with more hospitals in operation today than a decade ago. Although the state has made improvements in provider licensing and CON reform, policymakers should consider the following policy recommendations to remove government barriers that restrict innovation and quality healthcare access:

- Continue rejecting Medicaid expansion to promote financial independence from Washington, D.C. and focus the program on serving the most vulnerable.
- Remove remaining CON laws to clear barriers to health care access in rural communities.
- Provide statutory protections and flexible regulations for innovative solutions such as micro-hospitals.
- Provide regulatory clarity for rural hospitals around the responsible use and benefits of artificial intelligence.

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