

TENNESSEE STATEWIDE HEALTH CARE REFORM DEMONSTRATION FACT SHEET

Name of Medicaid Section 1115 Demonstration: TennCare II

Date Initial Proposal Submitted:	February 12, 2002
Date Initial Proposal Approved:	May 30, 2002
Date Implemented:	July 1, 2002
Date Expires:	June 30, 2007

Date Renewal Proposal Submitted:	June 15, 2006
Date Renewal Proposal Approved:	June 29, 2007
Date Implemented:	July 1, 2007
Date Expires:	June 30, 2010

Number of Amendments: 6

SUMMARY

TennCare began on January 1, 1994 as an ambitious, statewide, health care reform program. It provided comprehensive benefits to Medicaid beneficiaries, uninsured State residents with income below specified limits, and uninsured residents at any income level if they had medical conditions that made them uninsurable. After several extensions of the original five-year demonstration, Tennessee began TennCare II on July 1, 2002 as a new five-year demonstration program.

Tennessee operates its Medicaid program through the TennCare II demonstration, except for the provision of long-term care services. All Medicaid State plan eligibles (except for those eligible only for payment of Medicare premiums) are enrolled in TennCare Medicaid and receive most of their State plan services through the demonstration's delivery system. The program uses savings from managed care and the redirection of disproportionate share hospital payments to fund enhanced services to adult Medicaid State plan eligibles and to extend eligibility to uninsured or uninsurable demonstration eligibles through the TennCare Standard program.

In 2005, Tennessee received approval for a series of demonstration amendments that allowed the State to close selected State plan and demonstration populations to new enrollment, and eventually to disenroll individuals already determined eligible. These changes would have resulted in approximately 323,000 individuals losing eligibility for coverage under TennCare. A subsequent demonstration amendment approved in 2006 authorized the creation of a new demonstration expansion population, to take the place of the State plan eligibility groups that were discontinued.

On June 29, 2007, TennCare II was renewed for a three-year extension period of July 1, 2007 through June 30, 2010.

ELIGIBILITY

Medicaid State Plan Mandatory and Optional Eligibles—All individuals eligible under the title XIX State plan are enrolled in TennCare II, except for those whose only coverage consists of payment for Medicare premiums.

Uninsured or Uninsurable Demonstration Populations—Once the planned disenrollment is completed of uninsured or uninsurable adults aged 19 or older, these demonstration expansion populations will only include the following children who “rollover” into TennCare Standard coverage after losing eligibility under the Medicaid State plan:

- title XXI optional targeted low-income children who are uninsured and younger than 19 years old with family income up to 200 percent of the Federal poverty level (FPL)
- title XIX medically eligible (uninsurable) children younger than 19 years old with family income at least 200 percent FPL without limit.

Standard Spend Down (SSD) Demonstration Population—On November 14, 2006, CMS authorized the State to add a new demonstration expansion population of non-pregnant adults aged 21 or older who would meet the State plan medically needy rules. Once the State is notified of the demonstration’s extension, the State will open this category to enrollment and begin transferring into this category the non-pregnant adults who are currently eligible under the State plan as medically needy. When the transition is complete, the State will submit a State plan amendment to eliminate medically needy coverage under the State plan for non-pregnant adults who are eligible as parents/caretaker relatives or as aged, blind, or disabled.

BENEFITS

TennCare Medicaid

State plan eligible children under age 21

All Medicaid State plan services including EPSDT expanded services are covered, as well as services that managed care entities may provide as cost-effective alternatives. The following State plan covered services are carved out of TennCare: Medicare premiums and cost-sharing, long-term care institutional or 1915(c) waiver services, targeted case management, and residential day services for children in State custody.

State plan eligible adults aged 21 or older

All Medicaid State plan services are covered, as well as various optional services not covered under the State Plan and services that managed care entities may provide as cost-effective alternatives. Service limitations either are not applicable or are less stringent than under the State plan. The following State plan covered services are carved out of TennCare: Medicare premiums and cost-sharing, long-term care institutional or 1915(c) waiver services, targeted case management, and Program of All-Inclusive Care for the Elderly.

TennCare Standard

Demonstration populations of uninsured or medically eligible (uninsurable) children under age 19

Medicaid State plan services including EPSDT expanded services are covered, as well as services that managed care entities may provide as cost-effective alternatives. The following State plan services are not covered: Medicare premiums and cost-sharing, long-term care institutional or 1915(c) waiver services, targeted case management, and residential day services for children in State custody.

Standard Spend Down Demonstration population of medically needy non-pregnant adults

Medicaid State plan services are covered, including Medicare premiums and cost-sharing, as well as various optional services not covered under the State Plan and services that managed care entities may provide as cost-effective alternatives. Service limitations either are not applicable or are less stringent than under the State plan. The following State plan services are not covered: long-term care institutional or 1915(c) waiver services, targeted case management, and Program of All-Inclusive Care for the Elderly.

COST SHARING

For TennCare Medicaid:

There are no premiums, deductibles, or out-of-pocket maximum limit. The only co-payment is a nominal \$3 co-pay for each brand name drug, with no co-payments for individuals receiving long-term care, family planning, pregnancy-related, emergency, or hospice services.

For TennCare Standard (including changes approved as part of the demonstration's extension effective July 1, 2007):

- There are no premiums or deductibles.
- For enrollees with income less than 100 percent FPL, there are no co-payments, except that the Standard Spend Down population has a nominal \$3 co-pay for each brand name drug.
- For enrollees with income from 100 to 199 percent FPL, the co-payments are as follow:
 - \$10 for emergency room services (waived if admitted);
 - \$3 for each brand name drug for the SSD population;
 - \$5 for outpatient physician services; \$5 for a specialist; and
 - \$5 per inpatient hospital admission (waived if readmitted within 48 hours for the same episode).
- For enrollees with income at or above 200 percent of the FPL, the co-payments are as follow:
 - \$50 for emergency room services (waived if admitted);
 - \$3 for each brand name drug for the SSD population;
 - \$15 for outpatient physician services, \$20 for a specialist; and
 - \$100 per inpatient hospital admission (waived if readmitted within 48 hours for the same episode).
- Total out-of-pocket cost sharing for TennCare Standard children is limited to 5 percent of family income. There is no annual out-of-pocket maximum for TennCare Standard adults.

DELIVERY SYSTEM

The State contracts with full or partial risk managed care organizations (MCOs) to provide all physical health services. In the Middle Tennessee Region, the MCOs provide behavioral health services, in addition to physical health. TennCare Select--a non-risk, non-capitated, Prepaid Inpatient Health Plan (PIHP)--provides physical health services to certain categories of TennCare enrollees--SSI children, children in State custody, institutionalized children, enrollees living temporarily out-of-state or in areas with insufficient MCO capacity to serve them, and aliens covered for only emergency medical services. TennCare Select also functions as a back-up plan if an MCO leaves the TennCare program. At-risk Behavioral Health Organizations provide mental health and substance abuse services to all TennCare enrollees, except for those living in the Middle Tennessee Region. There is also a single non-risk Dental Benefits Manager and a single Pharmacy Benefits Manager, serving TennCare participants in all areas of the State.

AMENDMENTS

Date Amendment #1 Submitted: March 27, 2003

Date Amendment #1 Approved: April 29, 2003

Amendment #1 was approved in order to remove the Stabilization Neutrality Cap, referenced in the initial Special Terms and Conditions (STCs). The State had initially requested a stabilization period in which they would have non-risk contracts with managed care organizations (MCOs) in order to keep the MCOs from withdrawing from the program, and possibly causing it to collapse. When more people were found to be eligible for Medicaid than projected, this STC was removed to allow the State to increase the overall budget neutrality cap and give them more flexibility to modify the program as needed.

Date Amendment #2 Submitted: September 24, 2004

Date Amendment #2 Revised: February 18, 2005

Date Amendment #2 Approved: March 24, 2005

Amendment #2 was approved in order to allow the State to disenroll 323,000 individuals in the following groups:

- State plan categories of medically needy non-pregnant adults aged 21 and older, including parents and other caretaker relatives and individuals eligible as aged, blind, or disabled; and
- Demonstration expansion populations of: uninsured adults aged 19 and older with income below 200 percent of the Federal poverty level (FPL); adults aged 19 and older with medical conditions that made them uninsurable; and adults with Medicare, but not Medicaid, who met criteria for TennCare as of December 31, 2001, and continued to meet the criteria that made them uninsurable (grandfathered duals).

The State also received approval to close:

- new enrollment for State plan medically needy non-pregnant adults;
- new enrollment into the demonstration expansion populations; and
- “rollover” enrollment of individuals aged 19 and older from Medicaid State plan eligibility to the demonstration expansion populations, so that rollover is now only authorized for uninsured or medically eligible (uninsurable) children.

Enrollment was closed for these groups on April 29, 2005. In May 2005, the State began the process of disenrolling demonstration expansion eligible adults. Through the use of *ex parte* eligibility reviews, the State sought to determine whether any of the affected individuals were eligible in an open Medicaid State plan category, and could in this manner retain eligibility for TennCare. The State later suspended disenrollment of State plan medically needy non-pregnant adults.

Date Amendment #3 Submitted: September 24, 2004

Date Amendment #3 Revised: February 18, 2005

Date Amendment #3 Approved: June 8, 2005

Amendment #3 was approved to allow the State to proceed with several components from the State's amendment request dated September 24, 2004 and updated on February 18, 2005. The State was granted permission to limit or eliminate coverage of certain pharmacy and other optional benefits for Medicaid State plan and demonstration expansion groups, as follow:

- elimination of pharmacy coverage for adults (aged 21 or older) who are demonstration expansion eligibles or are medically needy non-pregnant State plan eligibles, except for individuals receiving long-term care institutional or 1915(c) waiver services. However, since the approval of Amendment #3, the State received approval of a State Plan Amendment effective July 1, 2005 that authorized a monthly limit of five prescriptions, of which no more than two can be brand name drugs, for medically needy non-pregnant State plan adults (with the exception of individuals receiving long-term care services who are exempt from these limits). The State has the authority to exempt certain drugs from the monthly limit.
- reduction of pharmacy coverage for all other Medicaid State plan eligible adults (aged 21 and older) to a monthly limit of five prescriptions, of which no more than two can be brand name drugs, except for those receiving long-term care services (who continue to receive pharmacy services as medically necessary). The State has the authority to exempt certain drugs from the monthly limit.
- elimination of coverage for over-the-counter drugs (except prenatal vitamins for pregnant women), methadone clinic services, and dental services for all State plan and demonstration expansion adults (aged 21 years and older).
- addition of the benefit of private duty nursing for demonstration expansion children, while affirming previously approved authority to eliminate private duty nursing for all State plan and demonstration expansion adults. However, the State indicated in a letter dated 7/13/2005 that the State will postpone elimination of private duty nursing for adults.
- imposition of nominal co-payments of \$3.00 per brand name drug prescription or refill for all State plan eligible adults and for all other State plan or demonstration expansion enrollees with incomes at or above 100 percent FPL, except for individuals receiving long-term care, family planning, pregnancy-related, emergency, or hospice services.
- removal of the out-of-pocket maximum previously applied to demonstration expansion eligibles with incomes at or above 100 percent FPL, including children.
- affirmation of previously approved authority to limit substance abuse services to a lifetime maximum of \$30,000 for all State plan and demonstration expansion adults (aged 21 years and older).

- affirmation of previously approved authority not to cover convalescent care or sitter services under TennCare.

Date Amendment #4 Submitted: September 24, 2004

Date Amendment #4 Revised: February 18, 2005

September 1, 2005

Date Amendment #4 Approved: March 31, 2006

Amendment #4 was approved to allow the State to proceed with several components from the demonstration amendment dated September 24, 2004, updated on February 18, 2005, and clarified on September 1, 2005. The State was granted permission to make the following benefit and related changes to the TennCare II program:

- operate one Behavioral Health Organization (BHO) statewide;
- re-establish an annual managed care organization (MCO) change period for TennCare enrollees, beginning in the fall of 2006;
- eliminate pharmacy coverage of benzodiazepines and barbiturates for all adult State plan enrollees including dual eligibles;
- implement technical corrections regarding notice and appeals to Attachment F of the Special Terms and Conditions (STCs);
- transfer individuals who are eligible for both Medicaid and Medicare from the existing section 1915(b) waiver to the section 1115 demonstration in order to enroll them in a managed care delivery system;
- make \$50 million in Special Hospital Pool payments for demonstration year 4 to compensate hospitals for un-reimbursed costs of care;
- withdraw previously granted authority to eliminate coverage of private duty nursing for all TennCare adults; and
- reinstitute outpatient pharmacy coverage for medically needy non-pregnant State plan adults, with a five prescription monthly limit.

Date Amendment #5 Submitted: January 11, 2006

Date Amendment #5 Revised: March 14, 2006

May 21, 2006

Date Amendment #5 Approved: November 14, 2006

Amendment #5 was approved to:

- add a Standard Spend Down demonstration expansion population of non-pregnant adults aged 21 or older, capped at 105,000 enrollees, who would meet the medically needy rules in the State plan;
- authorize “soft” limits for outpatient pharmacy coverage;
- adjust the per member per month (PMPM) budget neutrality expenditure limit for dual eligibles; and
- deny an increase in the Meharry Medical College supplemental pool payments.

Date Amendment #6 Submitted: February 29, 2008

Date Amendment #6 Revised: May 19, 2008

Date Amendment #6 Approved: July 22, 2008

Amendment #6 was approved to:

- modify the TennCare Medicaid and TennCare Standard Benefits for adults aged 21 and older by clarify that the home health benefits will be covered as medically necessary and in accordance with limitations included in State rules; and
- cover Medicaid-optional private duty nursing services when medically necessary to support the use of ventilator equipment or other life-sustaining technology when constant nursing supervision, visual assessment, and monitoring of both the equipment and patient are required.

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