



# **TennCare Oversight Presentation**

**Darin Gordon, Deputy Commissioner**

**Dr. Wendy Long, Chief Medical Officer**

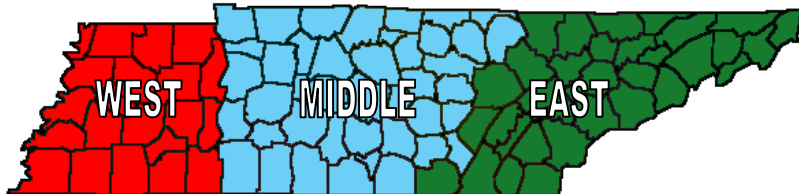
**Scott Pierce, Chief Financial Officer**

**Presented November 19, 2009**



# Continued Progress

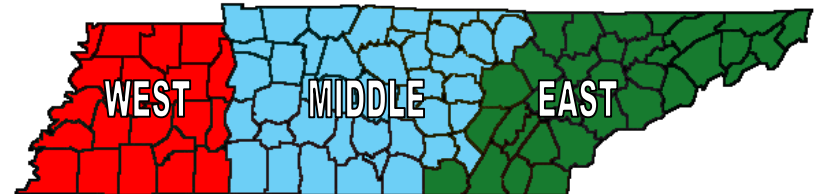
## TennCare 2006



- Union Health Plan
- Memphis MCC
- UAHC Health Plan
- TennCare Select
- VHP, Inc.
- TennCare Select
- Preferred Health
- John Deere
- Volunteer State Health
- TennCare Select

- 8 different MCOs throughout the state; none of them “at risk”
- Fragmented, non-integrated system with behavioral health and long-term care carve-outs
- Smaller, less experienced MCOs not selected in a competitive bid process
- Low Elderly and Disabled HCBS utilization (1,131 participants)
- Dramatic reduction in pharmacy spend (from \$2.4B in 2005 to \$1.2B in 2006)
- Improved operational functions (4 audit findings in 2006; down from 39 in 2002)

## TennCare 2009



- AmeriChoice
- BlueCare
- TennCare Select
- AmeriChoice
- Amerigroup
- TennCare Select
- AmeriChoice
- BlueCare
- TennCare Select

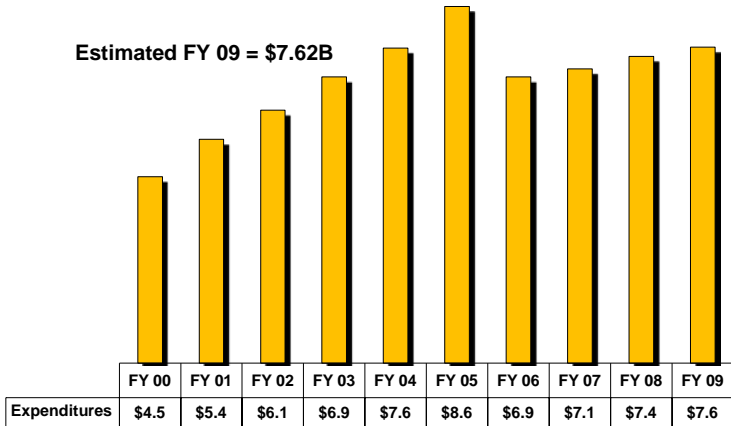
- 4 MCOs throughout the state; 3 “at risk” and one “partial risk”
- Behavioral and physical health integrated; LTC integration via CHOICES underway
- Well-capitalized MCOs selected in a competitive bid process
- Improved Elderly and Disabled HCBS utilization (6,000 participants; 430% increase)
- Continued to control growth in pharmacy spend (\$730m in 2009)
- Last audit resulted in zero findings



# Continued Progress

## Actual Expenditures

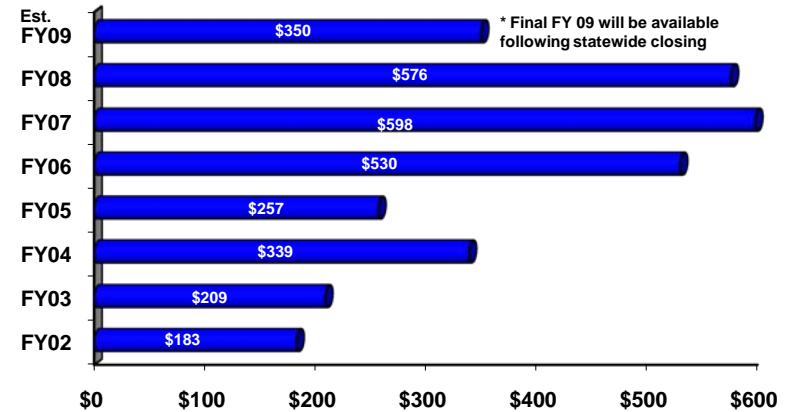
Estimated FY 09 = \$7.62B



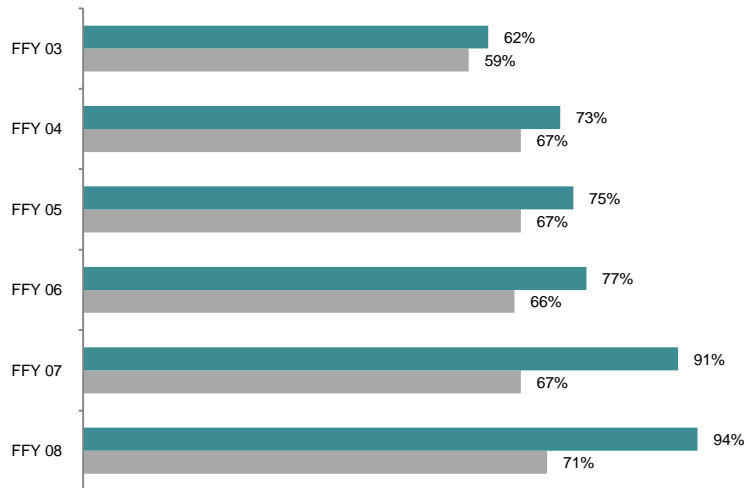
## Fiscal

- Costs under control
- Reserves available to help the state weather difficult economic times

## Reserves



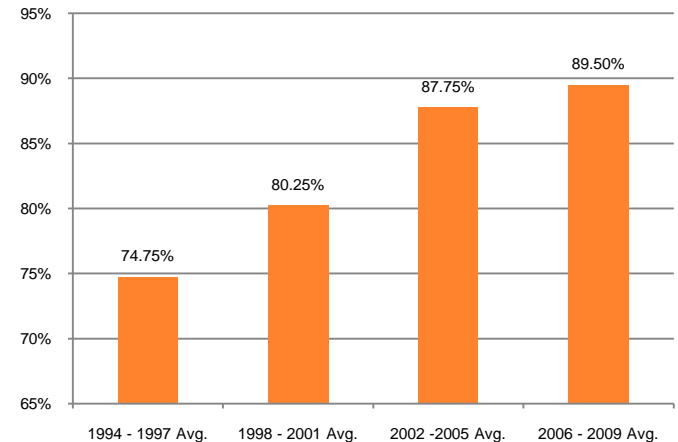
## EPSDT Screening Progress



## Quality

- Dramatic improvement in child health screening rates
- 2009 UT Survey of enrollees 92% either satisfied or very satisfied

## 2009 UT Enrollee Satisfaction Survey



Well Child Screening  
Dental Screening



# Medicaid Nationwide

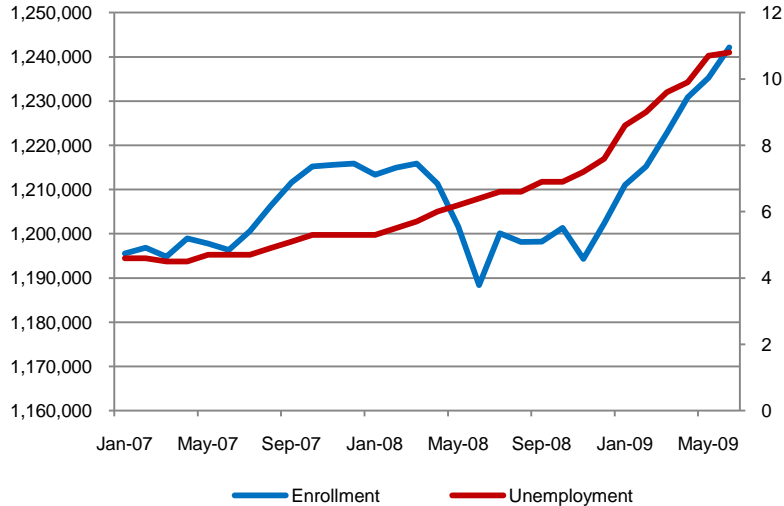
- Medicaid agencies across U.S. struggling
  - Kaiser report on Medicaid Budget Survey
    - In FY 2009, the national Medicaid spending growth average reached 7.9% – the highest growth in six years.
    - 75% of states believe there is a 50/50 chance FY 2010 appropriations will be insufficient – 12 states regard a shortfall as almost certain.
    - Even with ARRA, nearly every state implemented at least one new Medicaid policy to control spending (more states implementing provider cuts and benefit restrictions) than in the previous few years.
    - “There is grave concern about the prospects of the end of the enhanced FMAP... Medicaid officials believe that major program cuts will be considered, perhaps on a scale not ever seen in Medicaid.”
  - Medicaid news across the U.S.
    - **Massachusetts:** “The projected Medicaid and tax revenue problems together amount to as much as a \$900 million imbalance just three months into the new fiscal year.” – Swampscott Reporter – Oct. 9, 2009 [Michael Widmer, Massachusetts Taxpayers Fund President]
    - **Louisiana:** “If the state is unsuccessful in achieving the relief, our Medicaid program might as well close up shop. We cannot sustain a \$1 billion drop.” – WBRZ, Louisiana Broadcasting – July 8, 2009 [Alan Levine, State Department of Health and Hospitals Secretary]
    - **North Carolina:** “North Carolina is trying to squeeze savings out of Medicaid, even as more people than anticipated sign up for coverage... So far, the cuts primarily mean that doctors, hospitals and providers are being paid less for their services.” – News & Observer – Oct. 14, 2009
    - **Nevada:** “Some said Medicaid cuts that were unthinkable a few years ago may be necessary. Nevada might reconsider a list of potential cuts... including wholesale elimination of eligibility groups, restricted home- and community-based benefits, and reduced hospital and physician Medicaid pay.” – American Medical News – Oct. 12, 2009 [Charles Duarte, Administrator of the Division of Health Care Financing and Policy at the Nevada Dept. of Health and Human Services]



# “Perfect Storm” for Medicaid Programs

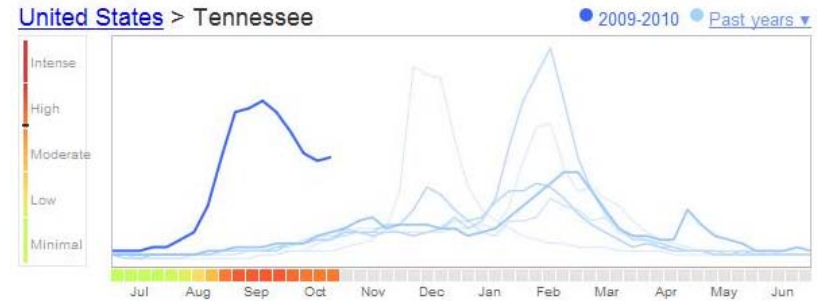
## Economic Situation Worsened While Demand for Services Increased

TN Enrollment and Unemployment



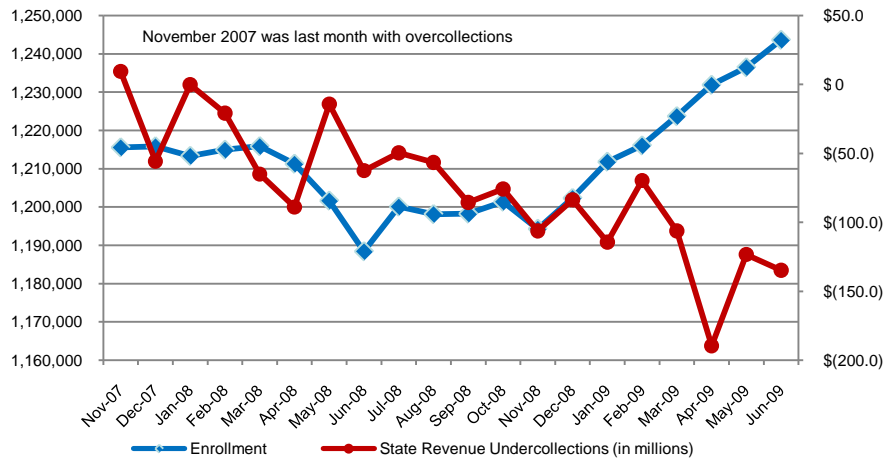
## Influenza Epidemic Increases Utilization

Flu Trends in Tennessee



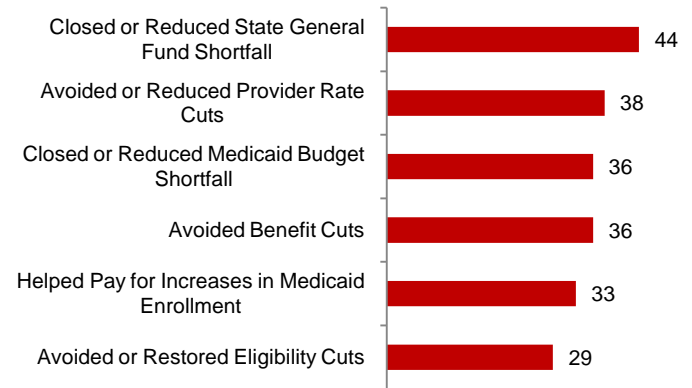
Source: Google/flu

TN Enrollment and State Revenues



## One-time ARRA Funding Set to Expire on 12/31/10

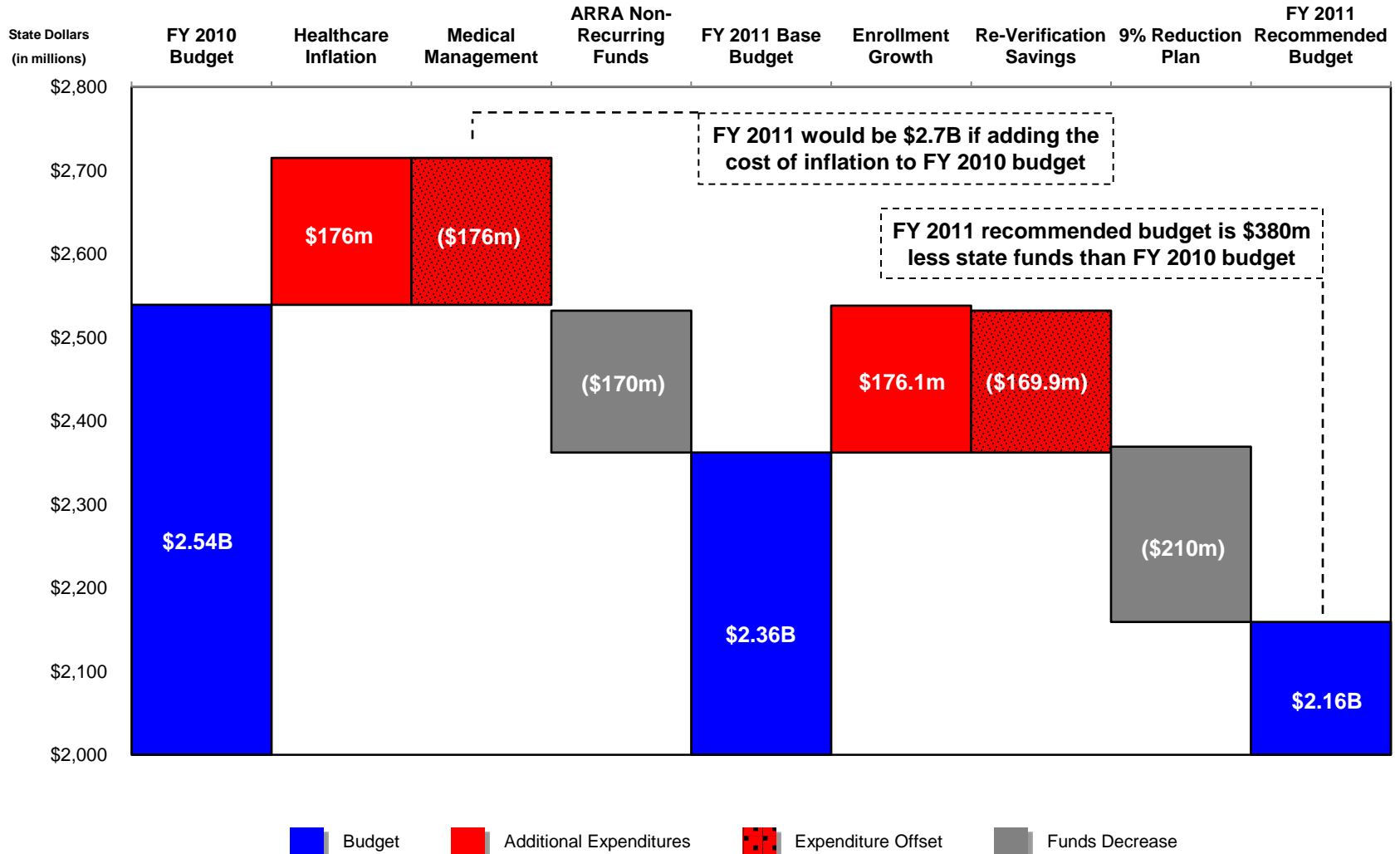
National Use of ARRA Enhanced Medicaid Funding



SOURCE: KCMU survey of Medicaid officials in 50 states and Dist. of Col. Conducted by Health Management Associates, Sept. 2009

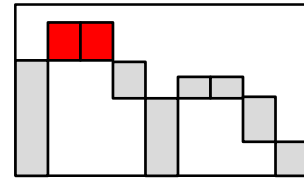


# Constructing the FY 2011 Budget (State Dollars)





# Efforts to Counteract Health Care Inflation



Health Care Inflation and Medical Management

Over the next decade, the Congressional Budget Office projects 7 percent per year Medicaid inflation

## Goals

## Examples

### Utilization Management

Assure that care is delivered in accordance with best practice guidelines

- Disease Management
- Complex Case Management
- Medical Home Model
- Network Consolidation
- Enhanced Prior Authorization Process
- ER Diversion of Non-Emergencies
- Reimbursement Strategies that Promote Quality Improvement
- Bus Pass Program

### Pharmacy Controls

Improve quality of care by reducing inappropriate prescriptions and drive utilization to most cost-effective drugs

- Preferred Drug List
- Drug Rebates
- Point of Sale Edits
- Prescription Limits
- Co-Pays for Brand Name Drugs
- Retro DUR

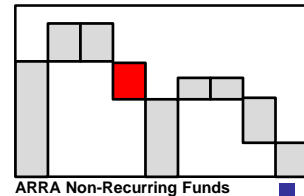
### Fraud and Abuse Prevention and Detection

Identify potential cases of enrollee and/or provider fraud/abuse and make referrals to the appropriate investigation/enforcement authority

- Narcotic Controls
- Pharmacy Lock-In
- Case Management for Frequent ER Users
- Provider Prescribing Review
- Provider Fraud Task Force
- Trend and Outlier Analysis



# FY 2010 Reductions Implemented or Delayed by Non-Recurring ARRA Funds

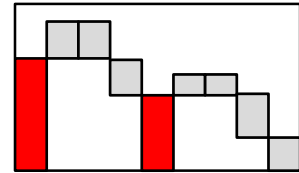


FY 2010 Reductions Funded with Non-Recurring ARRA Funds	Total Reductions	ARRA Funds used in FY 2010*
Reduce Provider Rates by 7%	\$325,761,800	\$84,248,500
Eliminate Essential Access Hospital Payments	100,000,000	25,862,000
Increasing Activities of Daily Living Requirement for Long Term Care	47,124,000	12,187,200
Eliminate Critical Access Hospital Payments	10,000,000	2,586,200
Eliminate Funding for Graduate Medical Education Programs	50,000,000	12,931,000
DIDS Reductions	44,696,000	11,559,300
Reduce Medicare Part A Crossover Reimbursement Rates to 80% of Medicare (hospitals, nursing homes, dialysis)	35,550,400	9,194,000
Reduce Matched Grant to Meharry Medical College	5,000,000	1,293,100
Eliminate Non-Matched Grant to Meharry Medical College	3,000,000	3,000,000
DCS Reductions	7,190,900	2,254,600
Eliminate Perinatal Grants to Hospitals	4,545,600	2,272,800
Streamline HCBS Waiver Administration	1,889,700	944,900
Reduce Grants Made by Governor's Office of Childcare Coordination	866,600	866,600
Defer Planned Upgrades to MMIS System	4,582,000	458,200
Eliminate Memphis City Schools Program	500,000	250,000
Eliminate UT Pharmacy Contract	195,600	97,800
Eliminate Medstat Contract	1,200,000	0
Eliminate Shared Health Contract	12,000,000	0
Mandate Electronic payment and RA for Providers	1,000,000	0
Postpone Opening Medically Needy Category to New Enrollees	32,727,300	0
Eliminate Auto-Inflators in Provider Contracts	1,500,000	0
Change Policy of Paying for Nursing Home Stays Before a PASRR Evaluation is Completed	39,600,000	0
Eliminate Vacant Positions at Office of Inspector General	399,200	0
<b>TOTAL</b>	<b>\$729,329,100</b>	<b>\$170,006,200</b>

## ARRA Summary

- Estimated \$1.1 billion additional federal dollars drawn in from Oct. 1, 2008 to Dec. 31, 2010
- Temporarily increases FMAP (Federal Medical Assistance Payments) from 65% to 75%
- No money can be placed in Rainy Day or Reserve Funds
- Funds set to expire on Dec. 31, 2010
- Helped offset or “add-back” reductions in FY 2010
- Absence of new funding for FY 2011 will result in the reduction of these items from the budget

\* Items with zero dollars in the ARRA column were eliminated in FY 2010

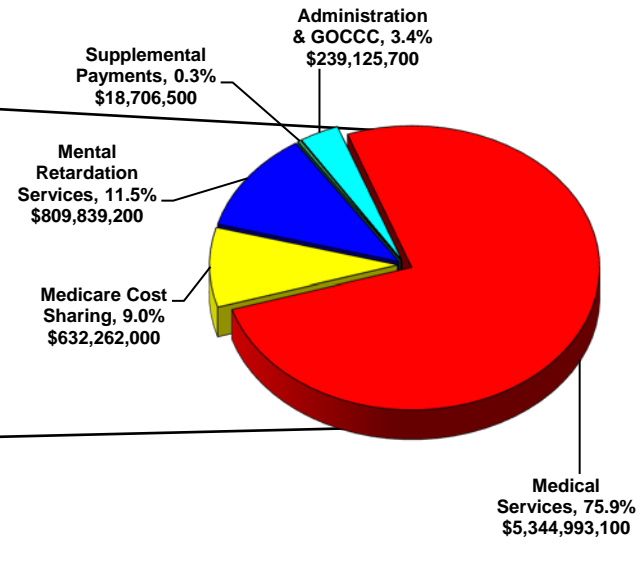
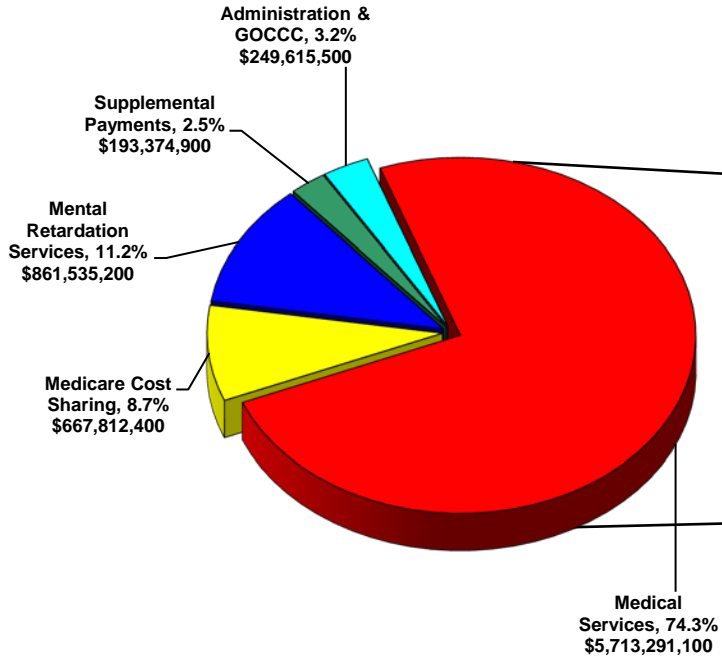


FY2010 Budget and FY2011 Base Budget

# Recurring Base Budget FY 2011

**FY 2010**

**FY 2011\***



**\$7,685,629,100**

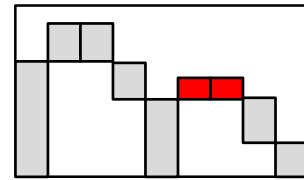
**\$7,044,926,500**

\* Budget Request figures represented here are prior to the requested reduction plan related to the national economic downturn.

NOTE: The removal of items funded with one-time ARRA money (\$640 million) in FY 2010 accounts for the drop from \$7.6 billion to \$7.0 billion in FY 2011.

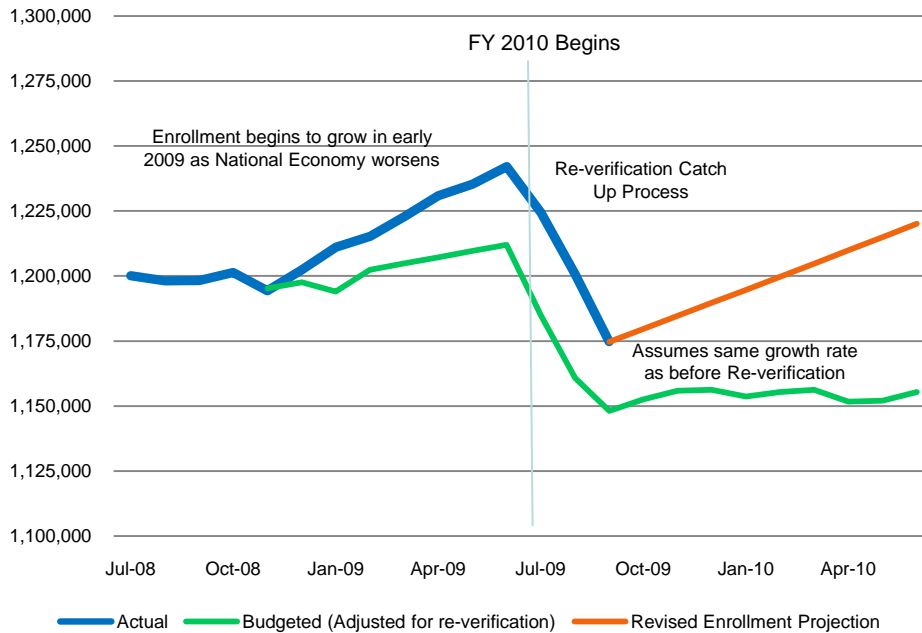


# Enrollment Growth and Re-verification

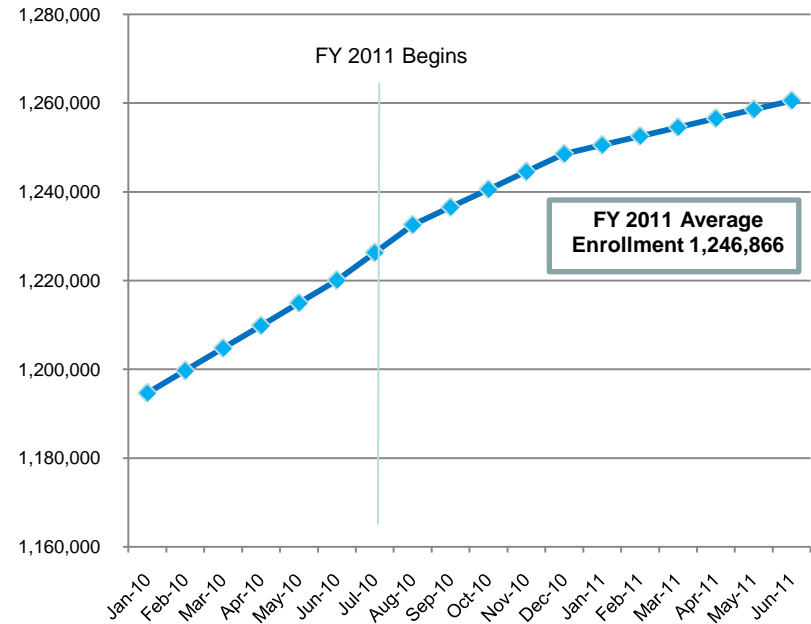


Enrollment Growth and Re-Verification Savings

TennCare Enrollment in FY 2010 – Actual and Projections



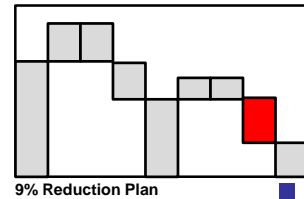
FY 2011 Trend



- Enrollment began to grow more rapidly than expected in spring/summer of 2009, as seen in other states
- Growth remains at high levels even with ongoing re-verification process
- Increasing on average by approximately 5,000 per month (has exceeded 8,000 new enrollees in a single month)
- ARRA prevents restrictions in eligibility beyond 7/1/08



# Ways to Adjust Expenditures



## Categories

## Options

## Challenges/Limitations

Enrollment

- Change optional eligibility categories
  - expand/contract
  - close
  - eliminate

- ARRA prevents restrictions in eligibility beyond 7/1/08
- Mandatory enrollment already increasing due to economy
- Requires CMS approval

Provider Reimbursement

- Increase or decrease provider rates

- FY 2010 budget includes 7% reduction (postponed implementation due to one-time ARRA funding)
- Further reduction may stress provider network

Cost Sharing

- Premiums
- Co-pays
- Deductibles

- CMS limits the population cost sharing can be applied to, how large it can be, and enforceability
- Requires CMS approval

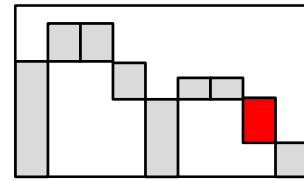
Benefits

- Increase existing benefit limits
- Eliminate optional benefits
- Place new limits on benefits

- Cannot change benefit package for approximately 700,000 children and 60,000 pregnant women
- Requires CMS approval



# FY 2011 Budget Reductions (State Dollars)



9% Reduction Plan

Offset Enrollment Growth \$176,130,900	
Re-Verification Savings	\$169,947,600
National AWP Lawsuit – AWP pricing is reduced on a national level due to lawsuit	6,051,700
Enhanced DME Prior Authorization Requirements	131,600

• Offsets enrollment increase due to nationwide economic downturn

• These reduction plans are in addition to the FY2010 reductions supported by non-recurring ARRA funds (see page 7)

Additional 6% \$141,961,600	
Increased Premium Tax Collections due to LTC CHOICES integration	\$39,737,500
FMAP SAVINGS - Federal Match Rate moving from 65.248 to 65.78 percent	33,273,100
Establish a reimbursement ceiling for Hospitals at 100% of Medicare	17,830,300
\$1 generic MAC pricing on widely discounted generic drugs – plus \$3 dispensing fee - brings total payment to \$4	5,647,000
Modified DME Contracting to reduce costs through bulk purchasing	3,434,400
Increased Pharmacy Rebate Collections (Delaware Model)	2,737,600
Eliminate Remaining Meharry Grant	1,711,000
Require Copay of \$2/trip for Non-Emergency Transportation for Non-Pregnant Adults	1,310,400
Increased Revenue from Data Sharing Agreements	900,000
Outreach to over 65 Non-Medicare	410,600
DIDS Reductions - TennCare Share	23,178,700
DCS Reductions - TennCare Share	6,450,300
DHS Reductions – TennCare Share	3,483,400
Health Department Reductions - TennCare Share	1,277,900
GOCCC	450,600
Commerce and Insurance Reductions - TennCare Share	128,800

Additional 3% \$70,747,200	
\$10,000 Annual Cap on In-Patient for Non-Pregnant Adults	\$51,233,900
15 lab/xray Procedures per year for Non-Pregnant Adults	8,832,300
Eliminate OT /ST /PT for Non-Pregnant Adults	3,388,100
15 Out-Patient Procedures per year for Non-Pregnant Adults	2,887,900
Change pharmacy MAC pricing to AWP minus 82% on generics, branded would remain at AWP minus 13%	4,106,400
If benefit changes are accepted at these levels, the cost of growth in population reduces	298,600

• Benefit changes require CMS approval

• Benefits for children and pregnant women would remain the same



## Conclusion

- Continued sound fiscal and operational management
  - Made tough decisions that allowed us to be in a better position than many other states
  - Able to absorb higher than anticipated enrollment increase as a result of nationwide economic downturn
  - Additional revenue decline means more difficult decisions will need to be made; TennCare is in a better position than most to meet those challenges
- Monitoring and analyzing national health care reform proposals
  - Current proposals could change Medicaid eligibility to include everyone under 133% to 150% of poverty
  - Estimated state cost currently ranges from \$735 million to \$1.4 billion from 2014-2019
- Implementation of additional program enhancements despite nationwide economic downturn
  - CHOICES implementation
  - Continuing to build program infrastructure to improve operations and processes with IT enhancements and modernization initiatives
  - TennCare has become part of the state's financial solution



# Appendix



# Benefit Comparisons

## Tennessee

## Other States

Benefit	Current Limits	Proposed Limits*	Limits	Range
Inpatient hospital  (Mandatory)	None	\$10,000 annual limit	17 states currently have limits 5 states: day limits 3 states: dollar limits 9 states: length of stay limits	Day limits: 16 days per year to 45 days per year Dollar limits: \$10,000 per year for certain enrollees to \$200,000 per year
Outpatient hospital  (Mandatory)	None	15 outpatient procedures per year	14 states currently have limits 12 states: visit limits 2 states: dollar limits	Visit limit: 3 non-emergency visits per year to 22 ambulatory
Lab/X-ray  (Mandatory)	None	15 procedures per year	3 states currently have limits 2 states: visit limits 1 state: dollar limits	Visit limit: 15 diagnostic X-rays per year to 18 lab tests per year Dollar limit: \$500 per year on all lab and most X-ray services
DME and supplies  (Mandatory if part of home health; otherwise optional)	None	Regional preferred providers	6 states currently have limits 4 states: quantity limits 2 states: dollar limits	Quantity limits: Most medical equipment items covered only once every 3 years to 1 piece of medical equipment purchase of the same every 2 years Dollar limits: Medical supplies limited to \$250 per month to \$1950 maximum benefit per year for incontinence products
Physician visits  (Mandatory)	None	No change	27 states currently have limits 26 states: visit limits 1 state: dollar limit	Visit limits: 4 psychotherapy visits per year to 30 office visits per year. Dollar limits: Psych services up to \$900 per year or \$400 per year for NF residents
Speech, physical and occupational therapy  (Optional)	None	No longer covered	PT: 16 states have time/visit limits; 16 state do not cover OT: 15 states have time/visit limits; 20 states do not cover ST: 12 states have time/visit limits; 15 do not cover	PT: 15 visits per year to 180 days of treatment per year OT: 12 visits per year to 2 weeks of treatment ST: 12 visits per year to 70 visits per year for certain populations
Pharmacy  (Optional)	5 prescriptions per month including up to 2 brand name prescriptions	No change	18 states have limits on the number of prescriptions covered	Script limit: 3 prescriptions per month to 8 prescriptions per month
Transportation – Non-Emergency  (Optional)	Covered as necessary for enrollees lacking accessible transportation for covered services	\$2 co-pay per trip for non-emergency transportation	6 states have limits	10 one-way trips per year to 2 trips per month

\* Excludes children and pregnant women