



Division of
**Health Care
Finance & Administration**

TennCare

TennCare

Fiscal Year 2013-2014 Annual Report



Overview and History of TennCare

TennCare is the state of Tennessee's Medicaid program that provides health care for approximately 1.1 million Tennesseans and operates with an annual budget of approximately \$9.3 billion. TennCare members are primarily low-income pregnant women, children and individuals who are elderly or have a disability. TennCare covers approximately 20 percent of the state's population, 50 percent of the state's births, and 50 percent of the state's children.

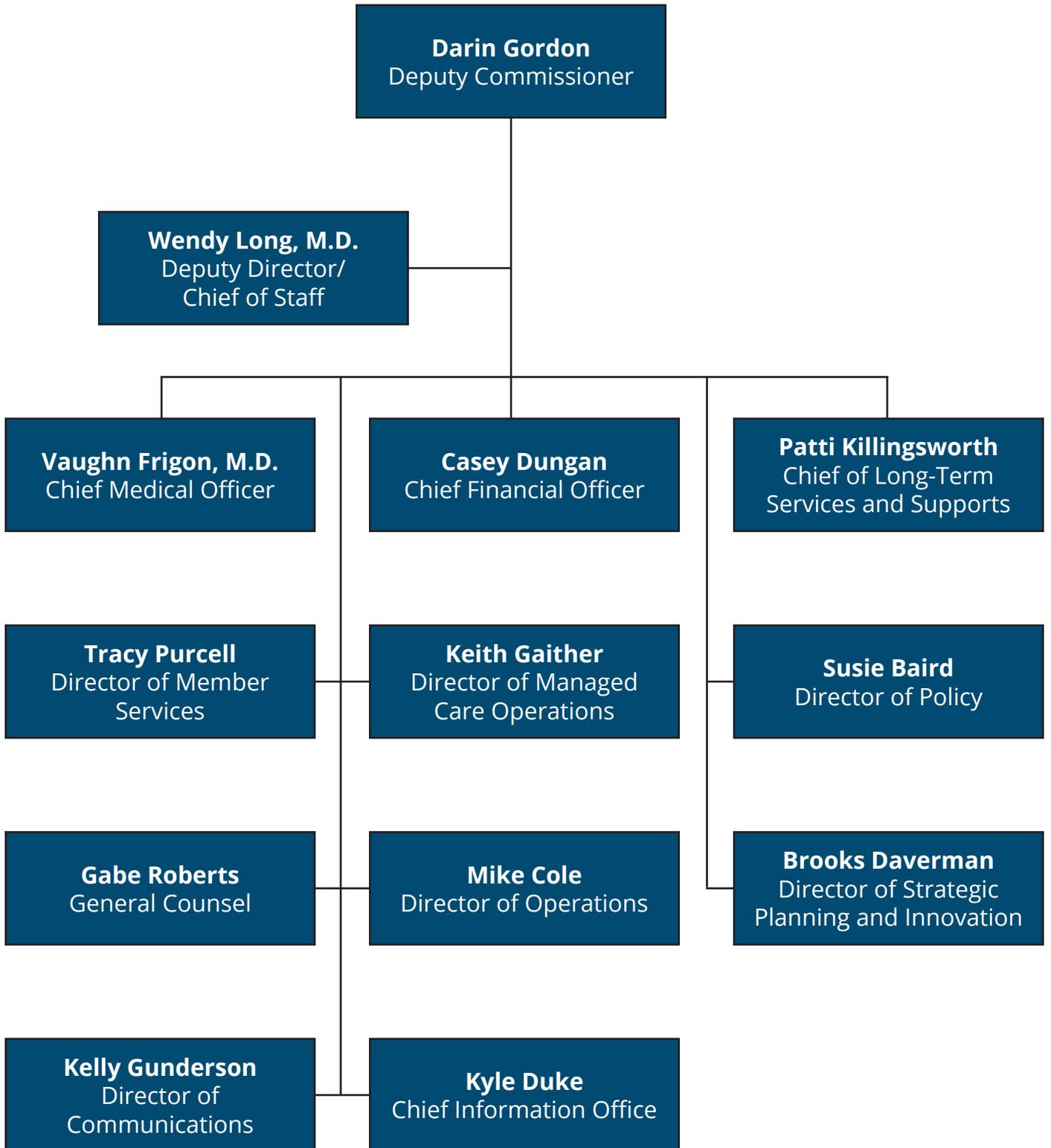
TennCare is one of the oldest Medicaid managed care programs in the country, having begun on January 1, 1994. It is the only program in the nation to enroll the entire state's Medicaid population in managed care. The TennCare program operates under a Section 1115 waiver from the Centers for Medicare and Medicaid Services (CMS) in the United States Department of Health and Human Services. Unlike traditional fee-for-service Medicaid, TennCare is an integrated, full-risk, managed care program. TennCare services are offered through managed care entities. Medical, behavioral and Long-Term Services and Supports are covered by "at-risk" Managed Care Organizations (MCOs). All of TennCare's MCOs are ranked among the top 100 Medicaid health plans in the country.

The care provided by TennCare's MCOs is assessed annually by the National Committee for Quality Assurance (NCQA) as part of the state's accreditation process. In addition to the MCOs, there is a Pharmacy Benefits Manager for coverage of prescription drugs and a Dental Benefits Manager for coverage of dental services to children under age 21. As a leader in managed care Long-Term Services and Supports (LTSS), the state successfully implemented TennCare CHOICES in 2010 bringing LTSS into the managed care model. These services are provided in Nursing Facilities (NFs) and Intermediate Care Facilities for persons with intellectual disabilities (ICF/IID), as well as by Home and Community Based Service providers.

The Bureau of TennCare is within Health Care Finance and Administration (HCFA). The Department of Finance and Administration is the state agency charged with the responsibility of administering HCFA and the TennCare program. In addition to the Bureau of TennCare, HCFA includes the CoverKids and CoverRx programs, the Strategic Planning and Innovation Group – which oversees the Tennessee Health Care Innovation Initiative, and the Office of eHealth Initiatives.



EXECUTIVE STAFF



The data for this annual report covers July 1, 2013-June 30, 2014

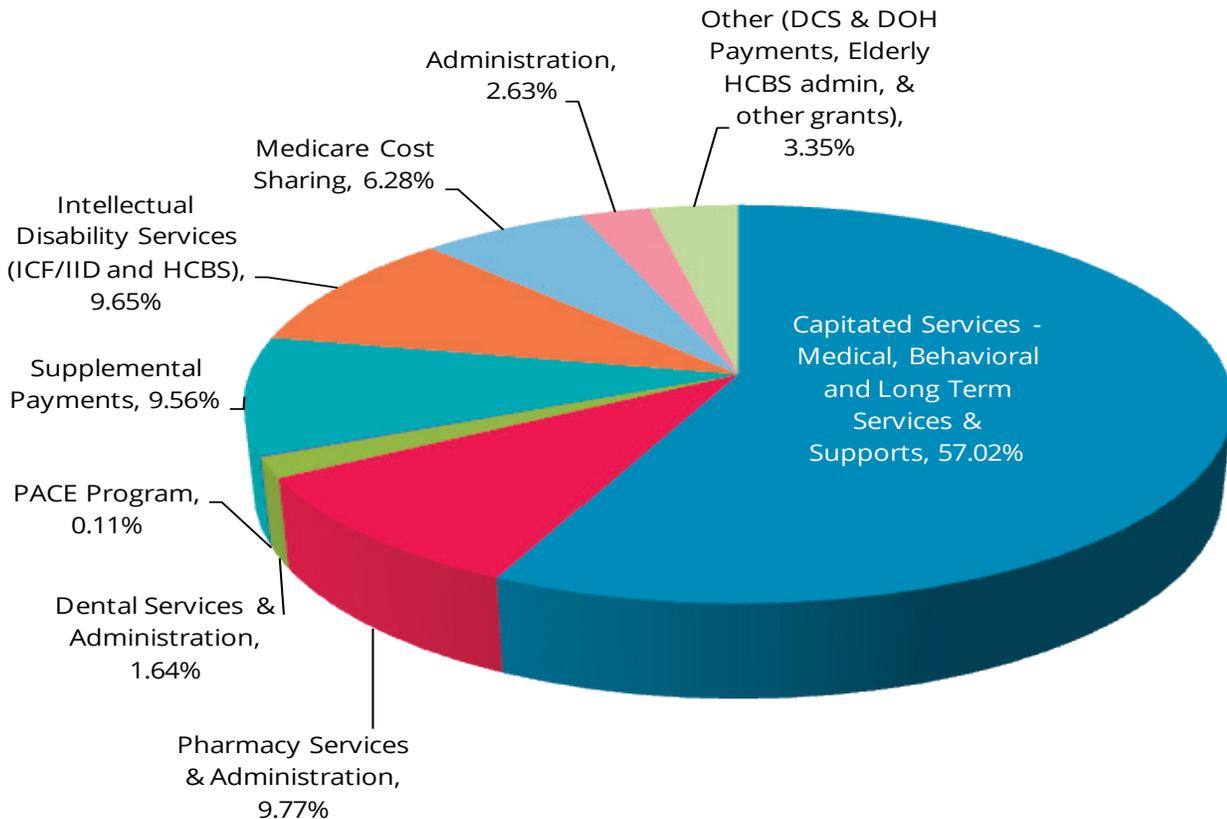
FY 14 Expenditures by Category

Capitated Services - Medical, Behavioral and Long Term Services & Supports ¹	\$5,355,428,200
Pharmacy Services & Administration	917,278,700
Dental Services & Administration	153,681,400
PACE Program	10,318,300
Supplemental Payments	897,666,500
Intellectual Disability Services (ICF/IID and HCBS)	906,326,200
Medicare Cost Sharing ²	590,176,800
Administration ³	246,671,000
Other (DCS & DOH Payments, Elderly HCBS admin, & other grants)	<u>314,913,700</u>
Total	\$ 9,392,460,800

1. This figure is the total of capitation payments which is inclusive of all medical and behavioral health services as well as the long term services and supports for CHOICES members.

2. Includes Medicare Part D Clawback.

3. Administration includes funding for eligibility determination by DHS in all county offices for six months. With the advent of the Affordable Care Act, DHS no longer determined TennCare eligibility as of January 1, 2014.



Enrollment and Program Expenditures

Enrollment by Eligibility Race and Age

Enrollment on January 1, 2014

Race	0 to 20	21 to 64	65 +	Grand Total
Black	221,935	115,499	13,585	351,019
Hispanic	65,908	4,959	474	71,341
Other	54,626	45,989	8,298	108,913
White	381,672	237,300	43,997	662,969
Grand Total	724,141	403,747	66,354	1,194,242

CHOICES Enrollment

Category of Service	Number of Recipients (6/30/13)	Number of Recipients (6/30/14)	% Change
Home and Community Based Services	12,372	12,810	4%
Nursing Facility Services	19,498	18,331	-6%

Medical Services

Providers with Paid Claims	FY14 Recipients	Expenditures Per Recipient	FY14 Expenditures ¹
24,063	1,104,549	\$2,983.14	\$3,295,029,568

1. Total expenditure includes the total of administration fees paid to contracted MCO's, based on the allocated proportion of total Medical and Behavioral Health expenditure incurred in SFY14.

Mental Health Clinics and Institutional Services

Providers with Paid Claims	FY14 Recipients	Expenditures Per Recipient	FY14 Expenditures ^{1, 2}
7,254	232,470	\$1,784.42	\$414,823,667

1. Excludes case management services, transportation and other community services where payment to provider was a capitated arrangement.

2. Total expenditure includes the total of administration fees paid to contracted MCO's, based on the allocated proportion of total medical and behavioral health expenditure incurred in SFY14.

Pharmacy Services

Services Delivered through Pharmacy Benefits Manager (PBM)

Providers with Paid Claims	FY14 Recipients	Expenditures Per Recipient	FY14 Expenditures ¹
8,847	954,352	\$961.15	\$917,278,700

1. Amount includes administrative costs paid to the PBM.

Dental Services

Services Delivered through the Dental Benefits Manager (DBM)

Providers with Paid Claims	FY14 Recipients	Expenditures Per Recipient	FY14 Expenditures ¹
1,408	384,939	\$399.24	\$153,681,400

1. Amount includes administrative costs but does not include Health Department Dental Program cost of \$6,552,000 which is included on page 1 in the Other (DCS & DOH Payments, Elderly HCBS admin, & other grants) category.

TennCare Expenditures and Recipients by County

County	Enrollment on 1-Jan-14	Estimated 2014 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Anderson	13,593	75,528	18.0%	\$97,120,824	\$7,145
Bedford	10,559	46,627	22.6%	\$55,162,376	\$5,224
Benton	3,385	16,145	21.0%	\$26,564,682	\$7,848
Bledsoe	2,763	13,931	19.8%	\$13,765,694	\$4,982
Blount	18,276	126,339	14.5%	\$121,693,532	\$6,659
Bradley	17,588	102,975	17.1%	\$111,132,353	\$6,319
Campbell	11,293	39,918	28.3%	\$71,824,943	\$6,360
Cannon	2,531	13,757	18.4%	\$16,746,484	\$6,617
Carroll	6,587	28,370	23.2%	\$46,561,783	\$7,069
Carter	10,930	56,886	19.2%	\$67,990,878	\$6,221
Cheatham	6,022	39,764	15.1%	\$41,703,156	\$6,925
Chester	3,280	17,379	18.9%	\$17,842,876	\$5,440
Claiborne	7,710	31,592	24.4%	\$48,985,402	\$6,353
Clay	1,868	7,765	24.1%	\$11,698,017	\$6,262
Cocke	9,677	35,374	27.4%	\$57,366,379	\$5,928
Coffee	10,775	53,623	20.1%	\$67,311,534	\$6,247
Crockett	3,420	14,668	23.3%	\$21,725,298	\$6,352
Cumberland	10,211	57,985	17.6%	\$69,254,617	\$6,782
Davidson	115,945	668,347	17.3%	\$735,512,574	\$6,344
Decatur	2,421	11,666	20.8%	\$18,662,143	\$7,708
DeKalb	4,316	19,268	22.4%	\$26,980,273	\$6,251
Dickson	8,949	50,575	17.7%	\$62,779,024	\$7,015
Dyer	8,992	37,935	23.7%	\$51,783,089	\$5,759
Fayette	5,654	39,011	14.5%	\$31,004,094	\$5,484
Fentress	5,237	17,855	29.3%	\$38,901,025	\$7,428
Franklin	6,278	41,402	15.2%	\$38,804,159	\$6,181
Gibson	11,146	49,472	22.5%	\$90,794,453	\$8,146
Giles	4,998	28,853	17.3%	\$34,784,804	\$6,960
Grainger	4,945	22,864	21.6%	\$28,675,290	\$5,799
Greene ²	12,473	68,335	18.3%	\$188,383,171	\$15,103
Grundy	4,281	13,425	31.9%	\$26,449,906	\$6,178
Hamblen	12,928	63,036	20.5%	\$81,247,920	\$6,285
Hamilton	54,030	351,220	15.4%	\$342,521,906	\$6,339
Hancock	2,115	6,657	31.8%	\$12,801,211	\$6,053

TennCare Expenditures and Recipients by County

County	Enrollment on 1-Jan-14	Estimated 2014 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Hardeman	6,020	25,965	23.2%	\$45,257,071	\$7,518
Hardin	6,058	25,870	23.4%	\$41,401,520	\$6,834
Hawkins	11,507	56,735	20.3%	\$65,004,370	\$5,649
Haywood	5,160	18,185	28.4%	\$28,745,963	\$5,571
Henderson	5,997	28,009	21.4%	\$37,574,309	\$6,266
Henry	6,706	32,204	20.8%	\$39,712,205	\$5,922
Hickman	5,212	24,384	21.4%	\$31,302,352	\$6,006
Houston	1,622	8,267	19.6%	\$12,765,533	\$7,870
Humphreys	3,384	18,135	18.7%	\$23,601,918	\$6,975
Jackson	2,469	11,568	21.3%	\$15,568,582	\$6,306
Jefferson	9,948	52,677	18.9%	\$67,901,717	\$6,826
Johnson	3,763	17,859	21.1%	\$22,376,809	\$5,947
Knox	61,456	448,644	13.7%	\$426,311,777	\$6,937
Lake	1,920	7,631	25.2%	\$13,528,759	\$7,046
Lauderdale	6,768	27,382	24.7%	\$36,424,810	\$5,382
Lawrence	8,429	42,274	19.9%	\$56,269,458	\$6,676
Lewis	2,334	11,906	19.6%	\$17,769,997	\$7,614
Lincoln	6,065	33,637	18.0%	\$35,011,294	\$5,773
Loudon	6,980	50,771	13.7%	\$47,347,069	\$6,783
Macon	5,745	23,003	25.0%	\$33,199,410	\$5,779
Madison	20,419	98,178	20.8%	\$155,312,130	\$7,606
Marion	5,973	28,407	21.0%	\$38,146,670	\$6,387
Marshall	5,277	31,269	16.9%	\$32,655,806	\$6,188
Maury	14,378	85,515	16.8%	\$108,284,292	\$7,531
McMinn	10,088	52,626	19.2%	\$64,726,129	\$6,416
McNairy	6,595	26,267	25.1%	\$40,301,881	\$6,111
Meigs	2,539	11,701	21.7%	\$12,702,971	\$5,003
Monroe	9,715	45,233	21.5%	\$60,536,641	\$6,231
Montgomery	23,141	189,961	12.2%	\$138,002,554	\$5,964
Moore	731	6,319	11.6%	\$4,959,740	\$6,785
Morgan	4,091	21,660	18.9%	\$24,434,490	\$5,973
Obion	6,398	30,941	20.7%	\$36,054,526	\$5,635
Overton	4,349	22,028	19.7%	\$25,918,144	\$5,960
Perry	1,772	7,822	22.7%	\$10,529,360	\$5,942

TennCare Expenditures and Recipients by County

County	Enrollment on 1-Jan-14	Estimated 2014 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Pickett	968	5,124	18.9%	\$6,265,956	\$6,473
Polk	3,240	16,730	19.4%	\$16,042,760	\$4,951
Putnam	13,851	74,165	18.7%	\$103,936,240	\$7,504
Rhea	7,772	32,641	23.8%	\$50,247,784	\$6,465
Roane	9,617	52,748	18.2%	\$76,686,731	\$7,974
Robertson	10,691	68,079	15.7%	\$65,295,325	\$6,108
Rutherford	36,207	288,906	12.5%	\$213,954,935	\$5,909
Scott	6,871	21,987	31.3%	\$43,719,442	\$6,363
Sequatchie	3,341	14,704	22.7%	\$19,452,486	\$5,822
Sevier	14,715	95,110	15.5%	\$79,832,942	\$5,425
Shelby	223,069	938,803	23.8%	\$1,202,903,068	\$5,393
Smith	3,521	19,009	18.5%	\$23,262,857	\$6,607
Stewart	2,480	13,279	18.7%	\$15,801,719	\$6,372
Sullivan	26,719	157,047	17.0%	\$167,315,915	\$6,262
Sumner	22,614	172,706	13.1%	\$136,236,688	\$6,024
Tipton	11,364	61,623	18.4%	\$57,739,539	\$5,081
Trousdale	1,659	8,002	20.7%	\$9,958,305	\$6,003
Unicoi	3,420	17,963	19.0%	\$25,896,551	\$7,572
Union	4,260	19,113	22.3%	\$25,169,219	\$5,908
Van Buren	1,145	5,633	20.3%	\$10,185,740	\$8,896
Warren	9,196	39,969	23.0%	\$65,204,711	\$7,091
Washington	18,864	126,242	14.9%	\$135,118,551	\$7,163
Wayne	2,769	16,913	16.4%	\$21,145,463	\$7,636
Weakley	6,264	34,373	18.2%	\$42,037,759	\$6,711
White	5,823	26,301	22.1%	\$40,277,251	\$6,917
Williamson	8,325	205,226	4.1%	\$57,306,108	\$6,884
Wilson	14,366	125,376	11.5%	\$99,054,133	\$6,895
Other ³	22,926			\$83,844,895	\$3,657
Total	1,194,242	6,549,352	18%	\$7,518,069,200	\$6,295

1. Service Expenditures include Medical, Pharmacy, Long-Term Services and Supports, Dental, Behavioral Health Services, MCO administrative costs and Part D payments on behalf of Dual eligible members. Payments on behalf of Dual eligible members for Part D drug coverage totaled \$167,519,400. ASO administration and Part D payments were allocated across counties relative to the county's proportion of total expenditure.

2. Greene County expenditures include costs associated with the Greene Valley Developmental Center, causing the per-member cost to appear higher when comparing it with those of the other counties.

3. This category reflects recipients who are Tennessee residents for which their domicile is temporarily located outside of the state.

Milestones

FY 2013-2014

Amendment 19 – Copays for Generic Medication

The Center for Medicare and Medicaid Services (CMS) approved Amendment 19 on July 16, 2013, with an implementation date of October 1, 2013. Amendment 19 allows for TennCare to charge members a \$1.50 co-payment for covered generic medications. These members already have a \$3.00 co-pay on brand name drugs. This measure was approved by the General Assembly for the State Budget for Fiscal Year 2014.

Transition from Disease Management to Population Health

On July 1, 2013, TennCare completed the transition from a “Disease Management” (DM) model of targeted health care interventions to a new model referred to as “Population Health” (PH). Where DM aimed to help enrollees prevent the worsening of chronic conditions that had already developed, PH is more proactive, addressing the needs of members along the entire health care continuum. PH identifies risky behaviors likely to lead to disease in the future—poor eating habits, physical inactivity, tobacco or drug use—and assists members in discontinuing such activities. The goal of this approach is to keep the healthy well and to improve the health of individuals who already have complex chronic conditions. Services delivered through PH vary according to the needs of the member and include:

- Health risk assessments
- Preventive services reminders
- Health coaching
- Care coordination
- A 24-hour-a-day / 7-day-a-week nurse line
- Face-to-face visits (where appropriate)

- Prenatal packets for pregnant women
- Case management for women with high-risk pregnancies

Implementation of PH began on January 1, 2013, when 263,989 DM members were removed from disease management categories and placed in one of two levels of health risk (“low/moderate” or “high”, with “no identified risk” being added later in the year) and one of five intervention programs (Health Risk Management, Maternity, Care Coordination, Chronic Care Management or Complex Case Management). By the completion of this process on July 1, 2013, 96 percent of the PH population with no identified risk or a low/moderate risk had been passively enrolled into appropriate programs, while the remaining percent of high-risk members had been invited to participate in more intensive programs.



New Pharmacy Leadership

On July 22, 2013, Dr. Rusty Hailey joined the TennCare program in the position of Chief Pharmacy Officer. Dr. Hailey, who succeeds Bryan Leibowitz as head of the Pharmacy Division, earned a bachelor's degree in Pharmacy from the University of Mississippi and his Doctorate of Pharmacy from Rio Grande College of Pharmacy as well as a Master of Business Administration degree from St. Joseph's University. Two aspects of Dr. Hailey's distinguished career will be especially useful in guiding TennCare's pharmacy program in the years ahead. His extensive leadership experience over a 20-year period— established in such roles as President of Pharmacy Operations and Senior Vice President of Cigna HealthSpring, Chief Pharmacy Officer and Senior Vice President of Coventry Health Care, and Executive Vice President of Coventry Pharmaceutical Management Services—qualifies Dr. Hailey to serve in the position of Pharmacy Director.

The managed care approach to health care that defines the TennCare program is very familiar to Dr. Hailey, who was both a Fellow and the President of the Academy of Managed Care Pharmacy, and who served as President of the Foundation of Managed Care Pharmacy.

Implementation of Eligibility Changes Mandated by the Affordable Care Act

On January 1, 2014, the Affordable Care Act was fully implemented including coordination with the Federally Facilitated Marketplace. HCFA worked for over a year leading up to January 1 to build a new eligibility system that will be able to review applications for health care assistance and identify which persons are eligible for an “insurance affordability program,” meaning Medicaid, CoverKids, or subsidized insurance under the Marketplace.

The new system is to be called “TEDS” (Tennessee Eligibility Determination System). However, HCFA determined that it would not be prudent to allow TEDS to begin processing electronic applications on January 1, 2014. Due to tight federal implementation timeframes, late changes being made by the federal government, and ongoing work on account transfers between the FFM and states, adequate testing has not taken place to minimize implementation challenges. Rather than repeating the federal experience of going live with a system that had not been sufficiently tested, HCFA decided not to implement TEDS prematurely. Anticipating that such action would be appropriate, HCFA developed a contingency plan for processing applications in the meantime. HCFA also began taking steps to engage the Centers for Medicare and Medicaid Services (CMS) in working together to identify and resolve problems in the weekly flat files that CMS was sending the state in lieu of account transfers.



Managed Care Contracts

The Bureau of TennCare issued a Request for Proposals (RFP) in October 2013, for three organizations to provide managed care services to the TennCare population. The RFP required the winning bidders to provide physical health services, behavioral health services, and LTSS throughout the state, with actual service delivery scheduled to begin in Middle Tennessee on January 1, 2015, and in East and West Tennessee later that calendar year. On December 16, 2013, the Bureau announced that the winning proposals had been submitted by Amerigroup, BlueCare and UnitedHealthcare, the three companies that currently form TennCare’s managed care network. New contracts with these entities will last from January 1, 2014, through December 31, 2016, and contain options for five one-year extensions.

Commitment Award from the Tennessee Center for Performance Excellence

On February 19, 2014, TennCare Director Darin Gordon attended the Excellence in Tennessee Awards Banquet hosted by the Tennessee Center for Performance Excellence (TNCPE). During the event,

Director Gordon accepted TNCPE’s “Commitment Award,” which recognizes organizations that are “beginning to demonstrate serious commitment to, and implementation of, performance improvement principles.” The award was the culmination of a cycle in which TennCare examined its principles, processes and achievements; summarized them in a 20-page application to TNCPE; and hosted a day-long site visit for a team of examiners who offered the Bureau feedback on its operations. TNCPE is a nonprofit organization whose stated mission is “to drive organizational excellence in Tennessee.”

Since 1993, TNCPE has reviewed applications from more than 1,200 organizations across the state, including such government agencies as the Tennessee Department of Health, the Tennessee Department of Environment and Conservation, and the City of Germantown.

Concept Paper Regarding Long-Term Services and Supports (LTSS)

Currently, TennCare and the Tennessee Department of Intellectual and Developmental Disabilities (DIDD) deliver Home and Community Based Services (HCBS) to individuals with intellectual disabilities through three Section 1915(c)Waiver programs:

- The Statewide Waiver, which serves more than 6,500 people;
- The Arlington Waiver, which serves nearly 300 people; and
- The Self-Determination Waiver, which serves more than 1,100 people.

With the Statewide Waiver and the Arlington Waiver scheduled to expire on December 31, 2014, TennCare and DIDD initiated a fresh examination of the system of HCBS for TennCare members with intellectual and/or developmental disabilities to determine where meaningful improvements could be made. Meetings held in late 2013 and early 2014 with consumers and their family members, people who are not receiving services currently and their family members, HCBS providers, and advocacy groups yielded substantial feedback about the most effective ways to renew existing 1915(c) Waivers and to introduce new program designs. A summary report of stakeholder input was sent to Members of the General Assembly on March 27, 2014. Drawing heavily on these suggestions, TennCare and DIDD published a joint proposal—entitled *Renewal and Redesign of Tennessee’s Long-Term Services and Supports Delivery System for Individuals with Intellectual Disabilities: A Concept Paper for Stakeholder Review and Input—*

on May 30, 2014. The document outlines a plan for renewing the Statewide Waiver and the Arlington Waiver with essential amendments and for launching a new program of managed long-term services and supports to be called Employment and Community First CHOICES. The stated goal of Employment and Community First CHOICES is “promoting and supporting integrated, competitive employment and independent living as the first and preferred option for all individuals with intellectual and developmental disabilities.” In June 2014, representatives of TennCare and DIDD hosted a series of Community Meetings in all three regions of the state to share information and accept comments about the Concept Paper. Feedback received will be incorporated into the formal proposals submitted to CMS.

