



Health Care Finance and Administration FY 2016 Budget Presentation for Legislative Hearings

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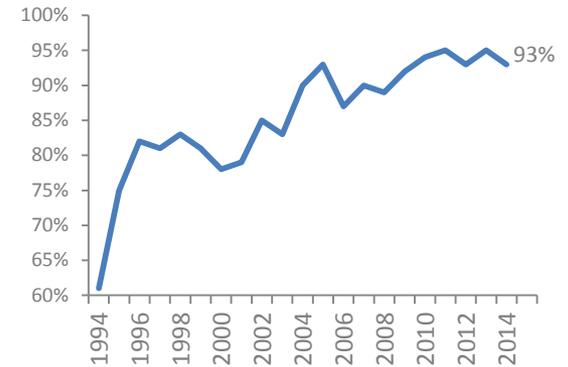
Continued Focus on Quality and Fiscal Trends

2013 HEDIS Scores and NCQA Rankings

- Out of 47 HEDIS measures tracked since 2007, 81% have shown improvement over time. These measures include access and availability, prevention and screening, and effectiveness of care.
- 5 of TennCare's 7 health plans are ranked in the top 10 of all the Medicaid Managed Care Plans in the Southeast.
- All TennCare health plans continue to be ranked among the top 100 Medicaid health plans in the country with the top three TennCare health plans being ranked 32, 33, and 36 out of the more than 260 Medicaid health plans evaluated.

Member Satisfaction

- UT conducts an annual survey of TennCare members.
- Satisfaction has remained above 90% for the past 6 years.

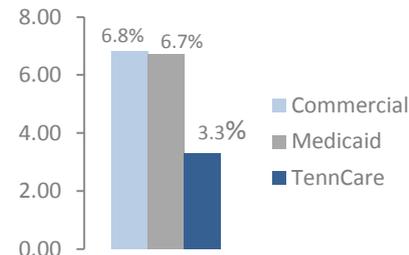


Recognition

- Tennessee ranks in the top five states for increasing rebalancing in LTSS toward HCBS from 2010-2012 according to a report from April 2014 conducted by Truven Health Analytics and CMS.
- The Bureau of TennCare received the Commitment Award in the annual Excellence in Tennessee recognition program administered by the Tennessee Center for Performance Excellence (TNCPE). TNCPE is the only statewide quality program and is patterned on the Baldrige Performance Excellence Program, the national standard for recognizing organizational excellence.

Financial Trends

According to a GAO report released in June 2014, TN was tied for the 4th lowest Medicaid spend per enrollee nationwide.



This graph shows projected medical trend for commercial insurance, Medicaid nationally, and TennCare. (Sources: Price WaterhouseCooper, CMS National Health Expenditure Data, and TennCare budget data)



Payment and Delivery System Reform

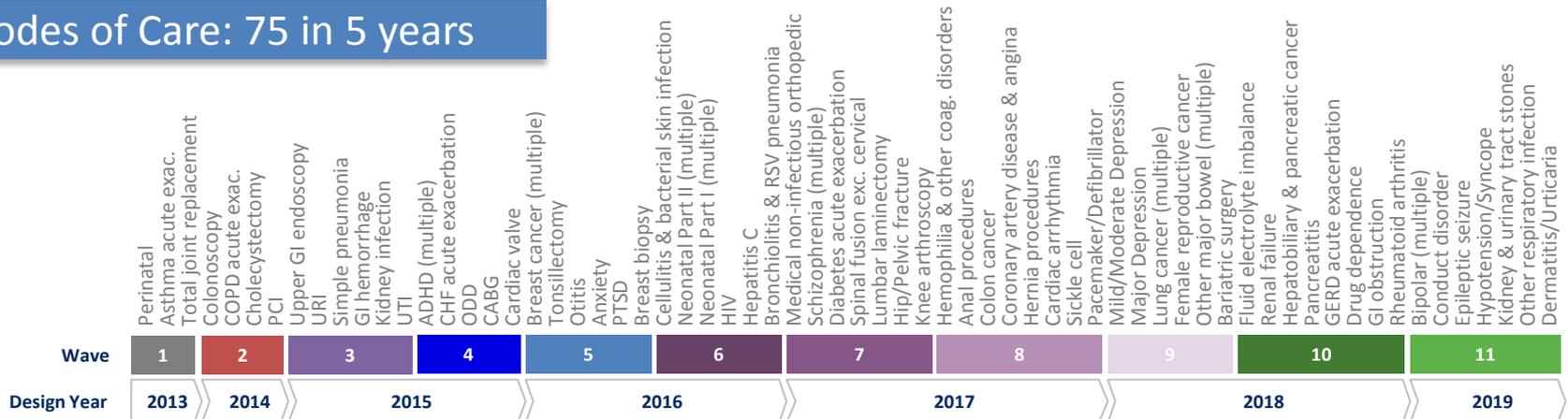
Delivery System

- First three episode-based models released.
- Submitted Round 2 SIM grant proposal in July 2014.
- Received 70 letters of support in response to grant proposal.
- Design of next five episodes of care to be completed by end of 2014.
- Stakeholder consultation on Patient Centered Medical Home (PCMH) and health home design to begin in spring of 2015.
- Shared care coordination tool pilot project began in November.

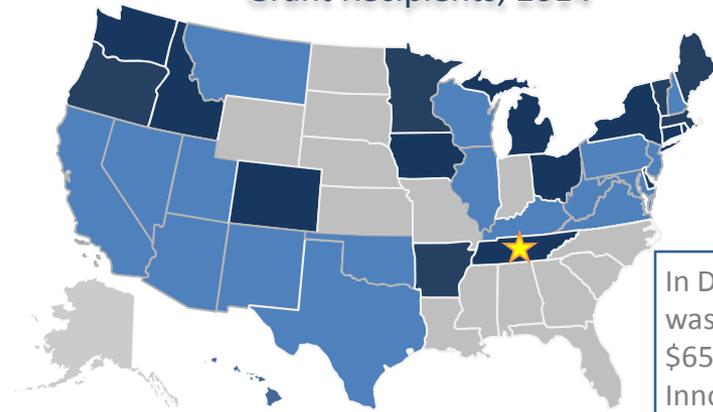
Long-Term Services and Supports

- Quality Improvement in Long-Term Services and Supports (**QuILTSS**) is a TennCare initiative to promote the delivery of high quality Long-Term Services and Supports for TennCare members.
- TennCare intends to create a new payment system (aligning payment with quality) for nursing facilities and certain HCBS based on performance on those measures.

Episodes of Care: 75 in 5 years



Round Two State Innovation Model (SIM) Grant Recipients, 2014



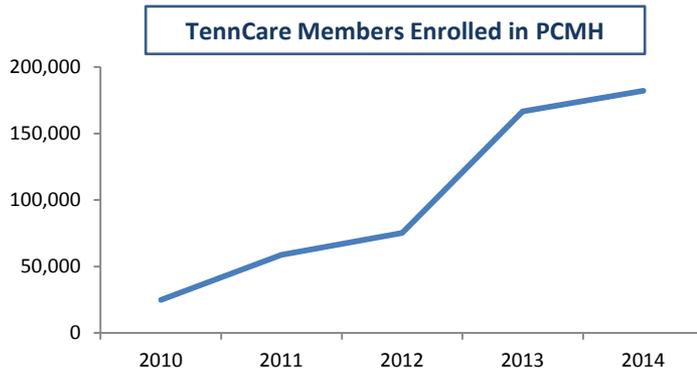
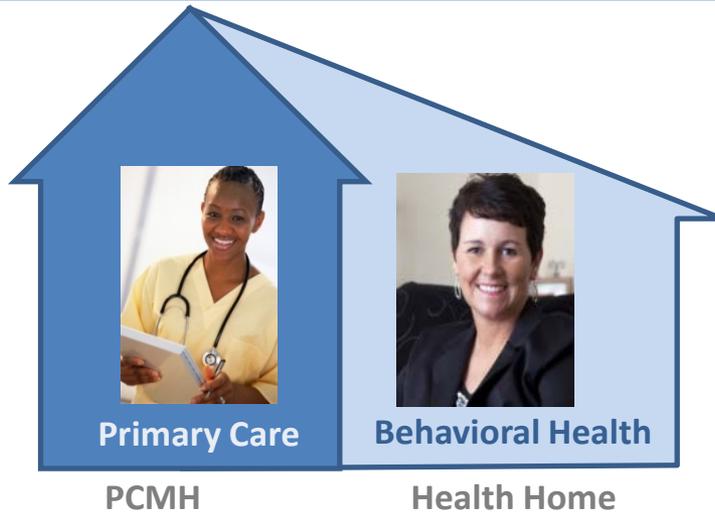
In Dec. 2014, TN was awarded a \$65 million State Innovation Model Testing grant.

- SIM Design grant
- SIM Testing



Primary Care Transformation: PCMH & Health Homes

Patient Centered Medical Homes focus on prevention and management of chronic disease, seek to increase coordinated and integrated care across multidisciplinary provider teams, and improved wellness and preventive care. Health Homes will further incorporate behavioral health care for TennCare members with severe and persistent mental illness.



- Primary care providers are responsible for proactively managing their attributed patients' health care.
- Rewards for reduced avoidable ED visits and hospitalizations, more coordinated care, and improved quality of care.
- Training and technical assistance supports to providers.
- Regular reports to providers on the quality and efficiency of the care their attributed patients receive.
- Primary care providers are alerted when their attributed patients are admitted, discharged, or transferred to the hospital or emergency department.



Primary Care Transformation: Timeline

- Major payers in Tennessee have committed to have 80% of members across all books of business cared for through a population-based model within five years.
- The initiative is developing a multi-payer shared care coordination solution for commercial payers and Medicaid MCOs.
- Tennessee's timeline for PCMH and Health Home rollout:

2015	2016	2017	2018
<ul style="list-style-type: none">■ PCMH and Health Home Technical Advisory Groups meet to advise on design elements of the program■ Care coordination tool pilot with 3-6 providers	<ul style="list-style-type: none">■ Launch multi-payer PCMH pilot for a minimum of 12 practices■ Launch Health Homes statewide■ Practice transformation training begins	<ul style="list-style-type: none">■ Expand multi-payer PCMH to pilot practices plus one grand region	<ul style="list-style-type: none">■ Expand multi-payer PCMH statewide



FY 2015 Budget and FY 2016 Cost Increases

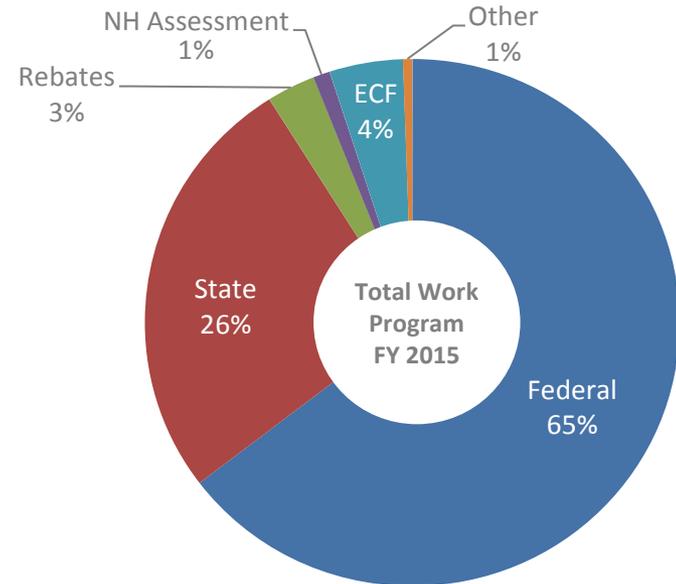
FY 2015 HCFA Budget Breakdown

Total FY 2015 Budget : \$10.3 billion (\$3.3 billion state)

TennCare Clinical Services: 72%

Supplemental Payments: 9.1%	Intellectual Disabilities Services: 8.7%
Medicare Services: 5.8%	HCFA Administration: 2.1%
CoverKids: 2.2%	AccessTN: <1%
CoverRx: <1%	Office of eHealth: <1%

Funding Sources



FY 2016 Est. Cost Increases*

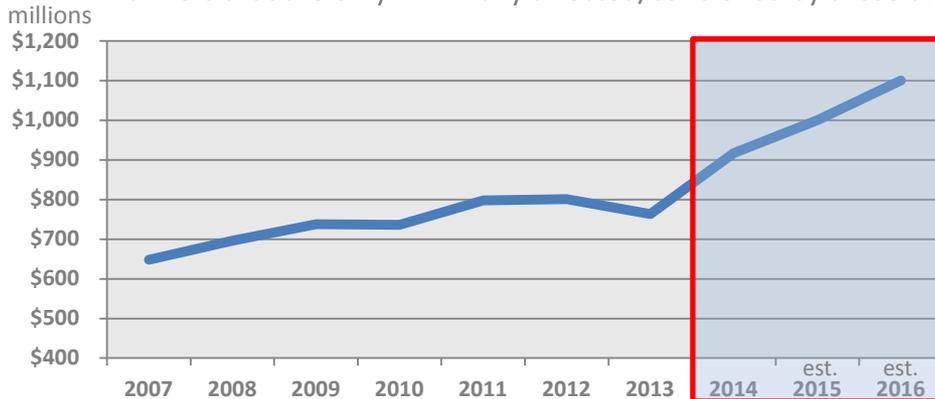
Cost Increases	State	Total
Medical and Pharmacy Inflation and Utilization	\$62,774,900	\$277,040,900
FMAP Rate Change	2,226,700	-
Public Chapter 926 Related to Inmates	1,151,300	2,265,300
TOTAL	\$66,152,900	\$279,306,200

*Figure does not include increases made by other agencies funded by TennCare



Pharmacy Increases

TennCare has been successful in managing pharmacy trend over the last 6 years. This has been accomplished through the aggressive use of prior authorization and other tools designed to drive utilization to the most cost effective medications and to control unnecessary utilization. The more recent increase in pharmacy trend is attributable to cost drivers that are only minimally affected/controlled by these traditional utilization management techniques.



While TennCare pharmacy spend has been below \$1 billion since 2007, estimates for FYs 2015 and 2016 are exceeding \$1 billion. TennCare projected pharmacy trend for FY 2016 is 10% (based on National Health Expenditure data, projected pharmacy trend nationally is 10.8%).

Innovator Drugs

- Two Hepatitis C drugs were recently introduced to the market – Sovaldi and Harvoni. The cost of a 12-week course of treatment with these drugs can range from \$84,000 to \$94,500.
- If every TennCare member with a Hepatitis C diagnosis were to qualify for treatment with Sovaldi, it would cost more than \$1.6 billion. This would more than double TennCare pharmacy expenditures.
- Prior authorization criteria will be applied to ensure innovator drugs are approved only when medically necessary. Even with such controls in place, the cost to the program can be substantial if the price is high, there is no competition, and the drug has a proven clinical benefit (i.e. there is no lower cost, similarly effective alternative).

Rising Cost of Generics

- Pharmacy payors across the country are seeing an increase in the cost of generic drugs.
- For instance, from 2012 to 2014 the cost of doxycycline increased from \$0.20 to more than \$3.00 per pill. As a consequence, TennCare spend jumped from \$760,000 to \$7.75 million.
- Albuterol increased from \$0.14 to more than \$4.00 per pill. As a consequence, TennCare spend increased from \$580,000 to \$8.7 million.
- Congress is currently investigating this national phenomenon.



HCFA FY 2016 Reduction Plan

Item	State	Total
ACA-Related Changes	\$22,689,600	\$40,257,200
Health Insurer Fee Budget Adjustment – reduce funding for this annual excise tax imposed on the health insurance industry by the Affordable Care Act for TennCare Managed Care Organizations (MCOs).	9,432,400	27,000,000
AccessTN Transition – AccessTN members transitioned to silver-level commercial plans.	13,257,200	13,257,200
Program Modifications	13,974,000	40,000,000
Level 2 Mental Health Case Management – Level 2 case management provided by community health centers for behavioral health crisis events provided for three months and then re-assessed by the member’s MCO.	10,480,500	30,000,000
Value-Based Provider Reimbursement – reduce cost for care episodes targets for payment reform.	3,493,500	10,000,000
Targeted Utilization Management Strategies	7,738,400	22,141,600
Buprenorphine Limits (Suboxone) – limit the prescription length of the drug to two years.	1,586,600	4,541,600
Compound Prescription Management – establish tiers for level of effort and sets a flat fee for the particular time period it takes to mix compound prescriptions.	908,300	2,600,000
Drug Test Criteria Change – expand the limit of 12 tests per member per year established in SFY13 to additional drug test codes.	1,397,400	4,000,000
CHOICES 3 Enrollment Limit – limit enrollment in CHOICES 3 to individuals eligible in another existing Medicaid category of LTSS.	3,846,100	11,000,000

Item	State	Total
Provider Reimbursement Changes	11,756,100	33,638,700
Reimbursement Rate for Pharmaceuticals – reduce the amount TennCare pays for pharmaceuticals by increasing the discount off of the avg. wholesale price to 23% for specialty drugs and 16% for brand name and generic drugs.	6,079,500	17,402,400
Therapy Related Payments – eliminate a separate billing for provider time to administer payments associated with speech, physical or occupational therapy claims.	5,276,600	15,091,300
Medicare Rates for Targeted Therapy Codes – set payment for codes classified as sometimes or always related to therapy at 100% Medicare rate.	400,000	1,145,000
Revenue Options	22,524,000	22,524,000
HMO Assessment Increase	17,414,500	17,414,500
CoverKids Transition	5,109,500	5,109,500
Total Reductions	\$78,682,100	\$158,561,500

Total FY 2016 Recommended Budget*

HCFA: \$10.5 billion (\$3.4 billion state)

Of which, \$10.3 billion (\$3.3 billion state) is TennCare

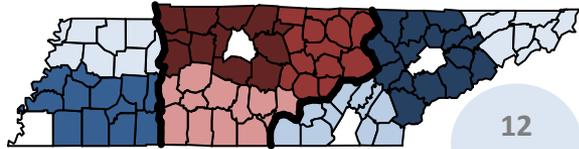
*Figures include non-recurring sources of revenue such as the enhanced coverage fee and the nursing home assessment which total approximately \$1.6 billion total (\$556.9 million state). Also, adjusted for program expenditures not scheduled to continue in 2016 (e.g., the temporary primary care services rate increase).



Then and Now

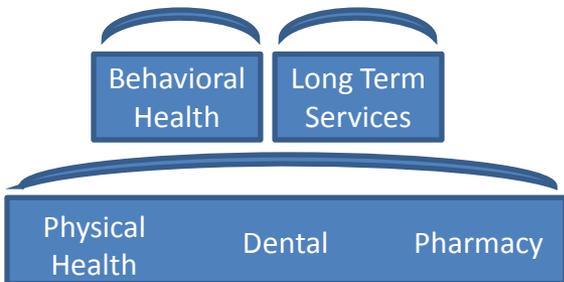
1994

Service Areas



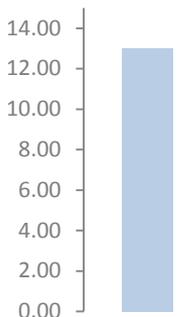
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MCOs

Integration



Trend – 13%

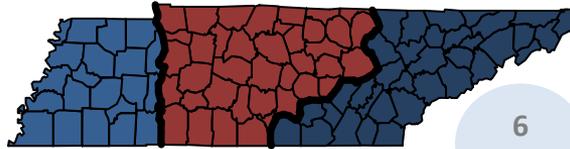
Quality



- Encounter data quality - poor
- Quality initiatives focused on development of MCO QI and UM policies and procedures
- Satisfaction rating – 61%

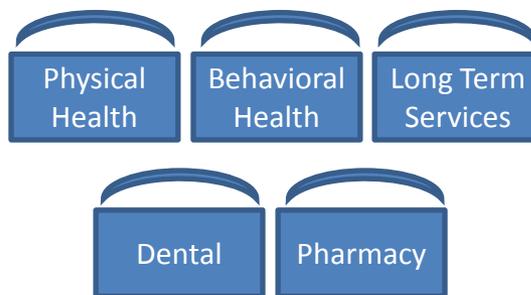
2004

Service Areas



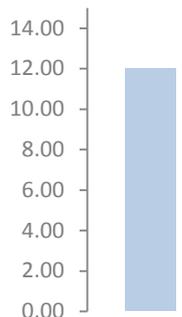
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MCOs

Integration



Trend – 12%

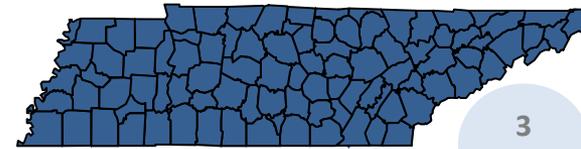
Quality



- Encounter data quality - good
- Quality initiatives focused on assessing compliance with MCO QI and UM policies and procedures
- Satisfaction rating – 90%

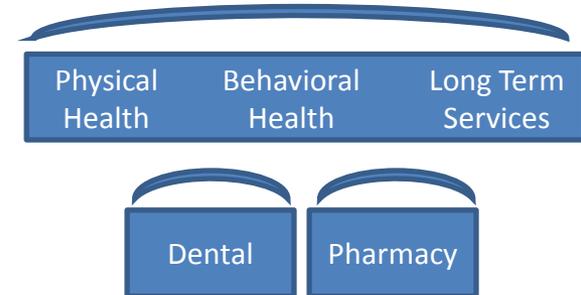
Today

Service Areas



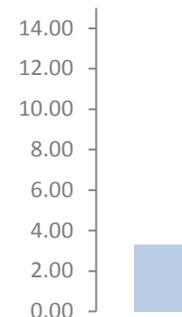
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MCOs

Integration



Trend – 3.3%

Quality



- High quality data used to manage program
- All MCOs accredited by National Committee for Quality Assurance
- Standardized quality metrics reported and used to track progress and compare to national benchmarks
- Satisfaction rating – 93%