



Division of
**Health Care
Finance & Administration**

TennCare

TennCare

Fiscal Year 2015-2016 Annual Report



Overview and History of TennCare

TennCare is the state of Tennessee's Medicaid program that provides health care for approximately 1.5 million Tennesseans and operates with an annual budget of approximately \$11.3 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.

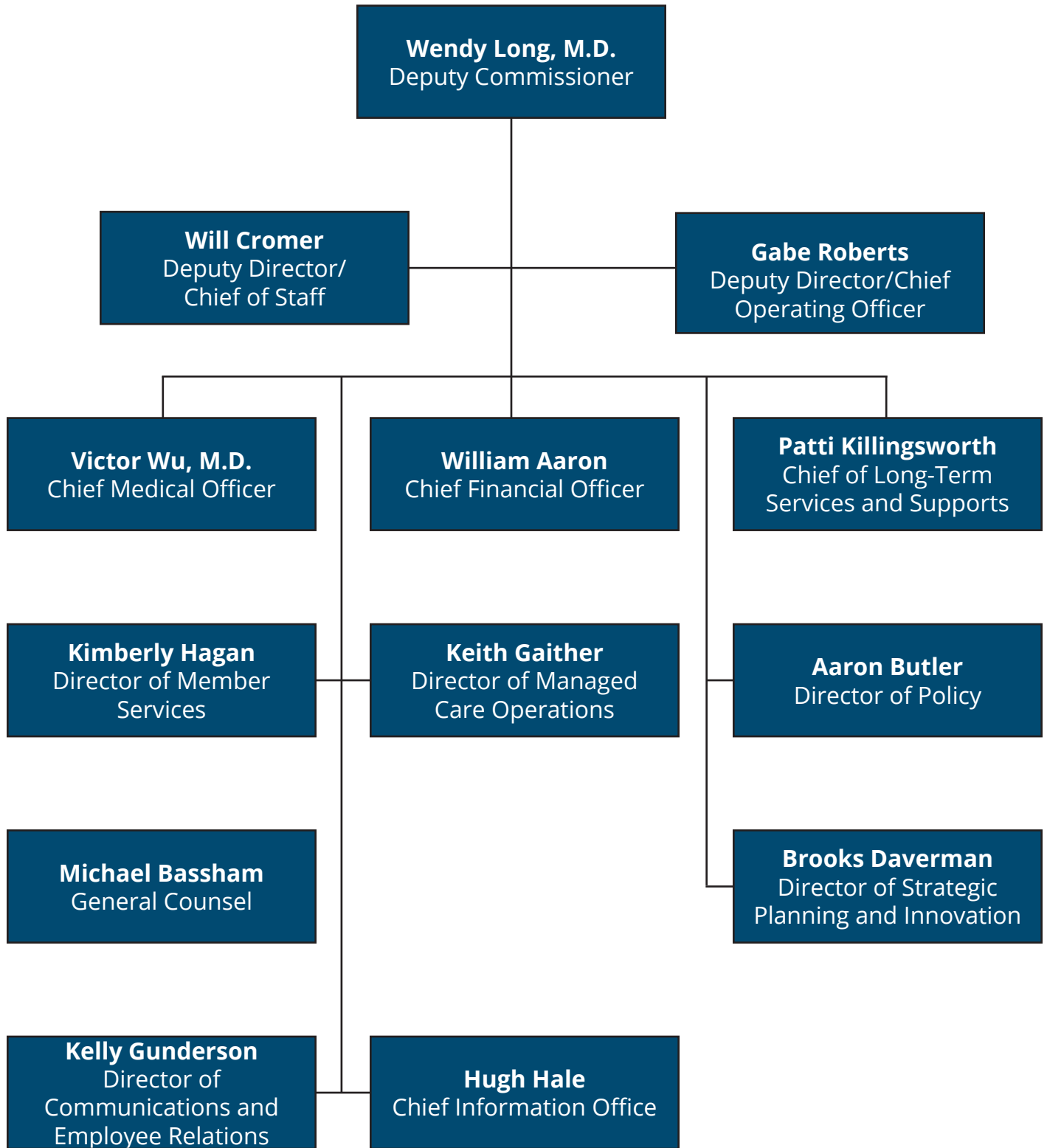
TennCare is one of the oldest Medicaid managed care programs in the country, having begun on January 1, 1994. It is the only program in the nation to enroll the entire state's Medicaid population in managed care. The TennCare program operates under a Section 1115 waiver from the Centers for Medicare 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) 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

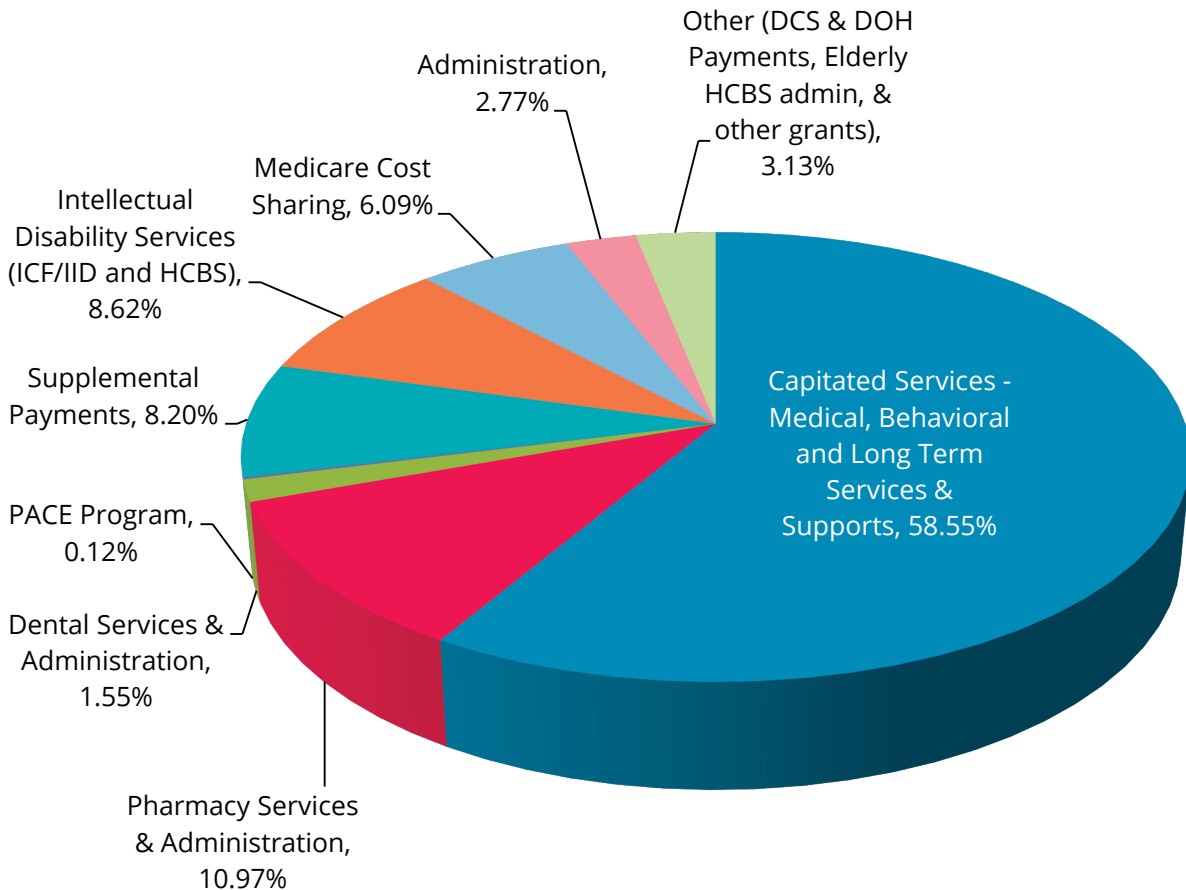


The data for this annual report covers July 1, 2015-June 30, 2016

FY 16 Expenditures by Category

Capitated Services - Medical, Behavioral and Long Term Services & Supports ¹	\$6,428,071,600
Pharmacy Services & Administration	1,204,152,000
Dental Services & Administration	170,302,500
PACE Program	12,762,600
Supplemental Payments	900,304,000
Intellectual Disability Services (ICF/IID and HCBS)	946,050,900
Medicare Cost Sharing ²	668,205,200
Administration ³	304,514,600
Other (DCS & DOH Payments, Elderly HCBS admin, & other grants)	<u>343,763,600</u>
Total	\$ 10,978,127,000

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.



Enrollment and Program Expenditures

Enrollment by Eligibility Race and Age

Enrollment on January 1, 2016

Race	0 to 20	21 to 64	65 +	Grand Total
Black	200,670	112,297	13,458	326,425
Hispanic	57,368	4,217	475	62,060
Other	245,029	203,753	11,797	460,579
White	341,652	234,148	42,167	617,967
Grand Total	844,719	554,415	67,897	1,467,031

CHOICES Enrollment

Category of Service	Number of Recipients (6/30/15)	Number of Recipients (6/30/16)	% Change
Home and Community Based Services	13,047	12,474	-4%
Nursing Facility Services	17,267	17,186	0%

Medical Services¹

Providers with Paid Claims	FY16 Recipients	Expenditures Per Recipient	FY16 Expenditures ¹
18,658	1,241,756	\$2,990.07	\$3,712,931,428

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 SFY16.

Mental Health Clinics and Institutional Services

Providers with Paid Claims	FY15 Recipients	Expenditures Per Recipient	FY16 Expenditures ^{1, 2}
5,727	267,663	\$1,613.23	\$431,802,885

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 SFY16.

Pharmacy Services

Services Delivered through Pharmacy Benefits Manager (PBM)

Providers with Paid Claims	FY16 Recipients	Expenditures Per Recipient	FY16 Expenditures ¹
11,612	1,089,768	\$1,104.96	1,204,152,000

1. Amount includes administrative costs paid to the PBM.

Dental Services

Services Delivered through the Dental Benefits Manager (DBM)

Providers with Paid Claims	FY16 Recipients	Expenditures Per Recipient	FY16 Expenditures ¹
1,213	437,072	\$389.64	\$170,302,500

1. Amount includes administrative costs but does not include Health Department Dental Program cost of \$6,652,300 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-16	Estimated 2016 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Anderson	16,499	77,667	21.2%	\$121,292,963	\$7,352
Bedford	13,074	49,737	26.3%	\$65,815,268	\$5,034
Benton	4,184	16,672	25.1%	\$30,220,674	\$7,223
Bledsoe	3,283	13,273	24.7%	\$17,257,843	\$5,257
Blount	22,755	133,236	17.1%	\$142,168,286	\$6,248
Bradley	22,336	105,549	21.2%	\$134,191,167	\$6,008
Campbell	13,258	41,464	32.0%	\$91,280,184	\$6,885
Cannon	3,099	14,464	21.4%	\$20,249,569	\$6,534
Carroll	7,842	28,734	27.3%	\$53,619,151	\$6,837
Carter	13,332	59,537	22.4%	\$88,941,484	\$6,671
Cheatham	7,611	40,798	18.7%	\$52,766,409	\$6,933
Chester	3,992	18,260	21.9%	\$19,459,688	\$4,875
Claiborne	9,299	33,800	27.5%	\$56,285,963	\$6,053
Clay	2,218	7,879	28.2%	\$14,481,424	\$6,529
Cocke	11,622	36,976	31.4%	\$73,101,621	\$6,290
Coffee	13,663	55,932	24.4%	\$80,396,490	\$5,884
Crockett	4,062	14,884	27.3%	\$25,685,370	\$6,323
Cumberland	12,866	61,910	20.8%	\$78,329,051	\$6,088
Davidson	145,994	680,427	21.5%	\$863,570,867	\$5,915
Decatur	2,975	11,963	24.9%	\$23,502,803	\$7,900
DeKalb	5,427	19,644	27.6%	\$32,881,260	\$6,059
Dickson	11,276	53,684	21.0%	\$77,039,109	\$6,832
Dyer	10,976	39,306	27.9%	\$64,530,643	\$5,879
Fayette	7,048	44,637	15.8%	\$37,517,588	\$5,323
Fentress	6,243	18,823	33.2%	\$43,611,115	\$6,986
Franklin	8,097	42,097	19.2%	\$54,121,110	\$6,684
Gibson	13,658	51,394	26.6%	\$101,970,244	\$7,466
Giles	6,484	30,272	21.4%	\$43,496,283	\$6,708
Grainger	6,129	23,890	25.7%	\$33,927,160	\$5,536
Greene ²	15,696	72,512	21.6%	\$198,168,816	\$12,625
Grundy	4,863	13,963	34.8%	\$30,621,871	\$6,297
Hamblen	16,361	65,332	25.0%	\$99,034,770	\$6,053
Hamilton	68,369	356,156	19.2%	\$431,029,902	\$6,304
Hancock	2,383	6,951	34.3%	\$15,236,445	\$6,394

TennCare Expenditures and Recipients by County

County	Enrollment on 1-Jan-16	Estimated 2016 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Hardeman	7,348	27,283	26.9%	\$52,287,894	\$7,116
Hardin	7,322	26,557	27.6%	\$48,228,946	\$6,587
Hawkins	13,967	58,771	23.8%	\$79,725,800	\$5,708
Haywood	5,947	18,410	32.3%	\$32,319,498	\$5,435
Henderson	7,300	29,349	24.9%	\$43,582,870	\$5,970
Henry	8,144	33,439	24.4%	\$47,587,681	\$5,843
Hickman	6,419	26,351	24.4%	\$36,607,581	\$5,703
Houston	2,023	8,869	22.8%	\$14,659,742	\$7,247
Humphreys	4,376	18,987	23.0%	\$31,259,749	\$7,143
Jackson	2,930	12,120	24.2%	\$17,706,089	\$6,043
Jefferson	12,681	55,714	22.8%	\$84,237,063	\$6,643
Johnson	4,563	18,793	24.3%	\$27,383,158	\$6,001
Knox	77,872	466,345	16.7%	\$517,079,104	\$6,640
Lake	2,280	8,299	27.5%	\$16,568,788	\$7,267
Lauderdale	8,150	28,658	28.4%	\$44,341,533	\$5,441
Lawrence	10,965	43,164	25.4%	\$68,835,786	\$6,278
Lewis	3,036	12,752	23.8%	\$21,049,915	\$6,933
Lincoln	7,669	34,695	22.1%	\$42,244,458	\$5,508
Loudon	9,285	54,261	17.1%	\$56,361,452	\$6,070
Macon	6,995	23,453	29.8%	\$39,940,374	\$5,710
Madison	25,095	103,234	24.3%	\$176,687,575	\$7,041
Marion	7,268	29,472	24.7%	\$61,873,788	\$8,513
Marshall	6,915	33,105	20.9%	\$40,705,855	\$5,887
Mauzy	18,708	88,337	21.2%	\$121,656,892	\$6,503
McMinn	12,599	54,449	23.1%	\$81,014,738	\$6,430
McNairy	7,855	27,179	28.9%	\$45,225,728	\$5,758
Meigs	3,260	12,221	26.7%	\$16,376,256	\$5,023
Monroe	12,011	47,980	25.0%	\$66,918,189	\$5,571
Montgomery	33,515	201,598	16.6%	\$177,092,768	\$5,284
Moore	845	6,795	12.4%	\$5,959,961	\$7,053
Morgan	4,926	23,402	21.0%	\$31,312,083	\$6,356
Obion	8,054	31,692	25.4%	\$45,731,345	\$5,678
Overton	5,299	23,460	22.6%	\$32,452,643	\$6,124
Perry	2,120	8,266	25.6%	\$12,822,015	\$6,048

TennCare Expenditures and Recipients by County

County	Enrollment on 1-Jan-16	Estimated 2016 Population	% of County on TennCare	Total Service Expenditure ¹	Expenditure per Member
Pickett	1,166	5,205	22.4%	\$7,976,952	\$6,841
Polk	4,198	17,442	24.1%	\$20,217,879	\$4,816
Putnam	17,378	79,658	21.8%	\$118,440,075	\$6,816
Rhea	9,267	33,934	27.3%	\$57,679,459	\$6,224
Roane	11,944	55,630	21.5%	\$93,413,388	\$7,821
Robertson	13,979	73,796	18.9%	\$81,395,363	\$5,823
Rutherford	50,034	314,543	15.9%	\$269,274,963	\$5,382
Scott	8,085	22,878	35.3%	\$50,418,135	\$6,236
Sequatchie	4,077	15,835	25.7%	\$21,460,381	\$5,264
Sevier	20,331	101,144	20.1%	\$105,318,996	\$5,180
Shelby	269,057	959,361	28.0%	\$1,380,508,928	\$5,131
Smith	4,389	20,207	21.7%	\$26,986,934	\$6,149
Stewart	3,034	14,011	21.7%	\$18,727,402	\$6,173
Sullivan	33,698	158,938	21.2%	\$203,916,125	\$6,051
Sumner	29,588	178,730	16.6%	\$164,309,617	\$5,553
Tipton	13,830	67,250	20.6%	\$69,425,876	\$5,020
Trousdale	2,098	8,402	25.0%	\$12,350,982	\$5,887
Unicoi	4,124	18,847	21.9%	\$31,291,072	\$7,588
Union	5,254	19,903	26.4%	\$33,205,278	\$6,320
Van Buren	1,389	5,651	24.6%	\$10,502,610	\$7,561
Warren	11,545	40,872	28.2%	\$74,825,634	\$6,481
Washington	24,342	133,817	18.2%	\$170,291,142	\$6,996
Wayne	3,436	17,428	19.7%	\$23,614,590	\$6,873
Weakley	7,569	36,066	21.0%	\$48,033,001	\$6,346
White	7,308	27,519	26.6%	\$44,497,862	\$6,089
Williamson	12,146	215,859	5.6%	\$70,634,735	\$5,815
Wilson	19,049	129,094	14.8%	\$119,854,936	\$6,292
Other ³	35,957			\$76,527,875	\$2,128
Total	1,502,988	6,811,303	22%	\$8,958,740,100	\$5,961

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 \$189,072,900. 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 2015-2016

Amendment 27: Employment and Community First CHOICES

Health Care Finance and Administration (HCFA) submitted to CMS on June 23, 2015, Amendment 27 detailing a new program named Employment and Community First CHOICES. Amendment 27 proposes to implement within its existing managed care demonstration an integrated managed long-term services and supports (MLTSS) program that is specifically geared toward promoting and supporting integrated, competitive employment and independent, integrated community living as the first and preferred option for individuals with intellectual and developmental disabilities (I/DD). The Center for Medicare and Medicaid Services (CMS) approved Amendment 27 on February 2, 2016. With federal approval of the Employment and Community First CHOICES program, the Bureau of TennCare will spend the next several months in preparations for implementation of the new program on July 1, 2016.

Amendment 28: Closure of Standard Spend Down Category

Amendment 28, which proposes to close the “Standard Spend Down” (SSD) eligibility category was submitted to CMS in August 2015. The Standard Spend Down category provides coverage to individuals who are not otherwise eligible for Medicaid but are aged, blind, disabled, or the caretaker relative of a Medicaid-eligible child and have enough unreimbursed medical bills to allow them to “spend down” to a low threshold. The size of the SSD population is approximately 800 individuals and enrollment in the category has been closed since 2013. CMS approved Amendment 28 on February 2, 2016. Current SSD enrollees will remain eligible in that

category until they are chosen for redetermination. As part of the redetermination process, TennCare will review SSD enrollees for eligibility in all open categories of TennCare coverage. Any individual found to qualify in another category will be transferred with no interruption in coverage. Individuals who do not qualify in another category will be disenrolled from TennCare and referred to Medicare and/or the Health Insurance Marketplace.

Application to Renew the TennCare Demonstration

Unlike traditional fee-for-service Medicaid programs, TennCare is a demonstration project meaning

TennCare must “demonstrate” that a managed care approach to health care can be used to extend coverage to certain people who would not otherwise be eligible for Medicaid without increasing expenditures or diminishing the quality of care. As part of the demonstration project, TennCare receives waivers of certain federal statutes and regulations in order to provide coverage. The current

demonstration agreement with CMS expires on June 30, 2016. In accordance with the Special Terms and Conditions (STCs) of the agreement, the Bureau of TennCare submitted an application to renew the demonstration to CMS on December 22, 2015. The request seeks an extension of the TennCare Demonstration through June 30, 2021. The Bureau of TennCare has received several short-term extensions from CMS while both parties continue to negotiate the details of a long-term extension.



Tennessee Health Care Innovation Initiative

In February 2013, Governor Haslam launched Tennessee's Health Care Innovation Initiative to change the way that health care is paid for in Tennessee. The desired direction is to move from paying for volume to paying for value by rewarding health care providers for certain outcomes such as high-quality and efficient treatment of medical conditions, and to help in maintaining people's health over time. Two of the most important strategies being used to reform health care payment approaches are primary care transformation and episodes of care.

Primary care transformation focuses on the role of the primary care provider in promoting the delivery of preventive services and managing chronic illnesses over time. The Initiative is developing an aligned model for multi-payer Patient Centered Medical Homes (PCMHs), Health Homes for TennCare members with serious and persistent mental illness, and a shared care coordination tool that includes hospital and emergency department admission, discharge, and transfer alerts for attributed providers.

Episodes of care focuses on the health care delivered in association with acute health care events, such as a surgical procedure or an inpatient hospitalization. Episodes encompass care delivered by multiple providers in relation to a specific health care event. Both of these strategies have benefitted from the input of Technical Advisory Groups (TAGs) composed of subject matter experts and clinicians.

Between October-December 2015 TAGs completed their reviews and provided advice on the fourth set ("Wave 4") of episodes of care, consisting of Attention Deficit Hyperactivity Disorder and Oppositional Defiant Disorder; Coronary Artery Bypass Graft and Valve Repair and Replacement; Acute Exacerbation of Congestive Heart Failure; and Bariatric Surgery. Furthermore, finalized TAG recommendations

concerning PCMHs and Health Homes are expected in early spring 2016, while the next round of recommendations related to episodes of care is expected in early summer 2016.

Departure of TennCare Director

On March 30, 2016, Governor Haslam announced that TennCare director and deputy commissioner of Health Care Finance and Administration Darin Gordon would enter the private sector at the end of June. Having taken on his role in 2006, Gordon is the longest serving TennCare director in state history but also the longest serving director in the country. During his tenure, TennCare gained national recognition as a model of an innovative Medicaid managed care program. Gordon led TennCare to maintain the lowest cost trend in its history, make significant improvements in a substantial number of quality measures, and gain national recognition for innovations in managed care and payment and delivery system reform. Prior to taking on

his current role, Gordon held key executive management positions within TennCare, first as the director of managed care programs and subsequently as chief financial officer. Gordon's last day with TennCare will be June 30.



Dr. Wendy Long, M.D. Becomes New Deputy Commissioner and Director of TennCare

On April 6, 2016, Governor Haslam announced that Dr. Wendy Long would succeed Darin Gordon as HCFA deputy commissioner and director of the Bureau of TennCare beginning on July 1. Prior to her tenure at HCFA, she held a variety of positions of increasing responsibility within the Tennessee Department of Health, including assistant commissioner and medical director for the Bureau of Health Services. Dr. Long has also served in several key roles at TennCare and HCFA, including interim TennCare director (from March 1998 to January 1999), medical director, chief medical officer, and most recently deputy director and chief of

staff. In the role of deputy director, she has provided leadership in all areas of operation, including oversight of contracts between TennCare and its network of managed care contractors. Dr. Long received her undergraduate and medical degrees from the Ohio State University and completed a preventive medicine residency and Master of Public Health program at the University of South Carolina.

Tennessee Eligibility Determination System

Tennessee Eligibility Determination System (TEDS) is the system that will be used by the state to process applications and identify persons who are eligible for TennCare and CoverKids. Instead of consolidating all aspects of the project under one vendor, the Bureau opted to procure three separate contracts to address the following functions:

- Technical advisory services;
- Strategic Program Management Office (SPMO) services;
- Systems integration services



By the end of 2015, two of the three contracts had been awarded and implemented.

KPMG, LLP, successfully bid on the technical advisory services contract, which went into effect on September 1, 2015. The contract for SPMO services was awarded to Public Consulting Group, Inc. and took effect on November 1, 2015. During the second quarter 2016, procurement of the third contract for systems integration services neared completion. The state issued a Request for Qualifications on April 1, 2016, and, by the end of the quarter, responses from vendors had been received and evaluated. The state plans to announce the successful bidder in July 2016.