

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: TENNESSEE

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Citation	Condition of Requirement
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1906 of the Act

State Method on Cost Effectiveness of  
Employer-Based Group Health Plans

I. The State of Tennessee uses two (2) methods to determine the likely cost effectiveness of a group health plan:

(1) Cost effectiveness based on average expenditure projection

The likely cost effectiveness of a health insurance policy to Medicaid may be determined by comparing the annualized premium, deductible, and copayments, plus the administrative cost of analysis and processing by the State against the average Medicaid expenditure for a recipient in the recipient's eligibility classification for types of service(s) covered under the policy. The premium shall be paid even if the policy covers other non-Medicaid person(s).

(2) Cost effectiveness based on actual expenditures

The likely cost effectiveness of health insurance may be established by documentation of actual expenditures (Explanation of Benefits) from the insurer which, based upon a recipient's existing condition, are likely to continue and that exceed the annualized cost of the policy as described in (1) above.

II. Policies with coverage limitations

Health insurance policies which are not considered to be cost effective, based upon the limited nature of their coverage, are accident, indemnity, Medicare supplemental and surgical policies. These policies therefore will not be evaluated. Dread disease and cancer policies may be cost effective if documented by insurance benefits which can be expected to be ongoing and when determined to be cost effective as described in I.

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