



TennCare Oversight Committee Presentation

Darin Gordon, Deputy Commissioner

Patti Killingsworth, Chief of Long-Term Care

Scott Pierce, Chief Financial Officer

April 19, 2010



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- **CHOICES in Long-Term Care**

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- Budget Update

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- National Health Reform



CHOICES Recap

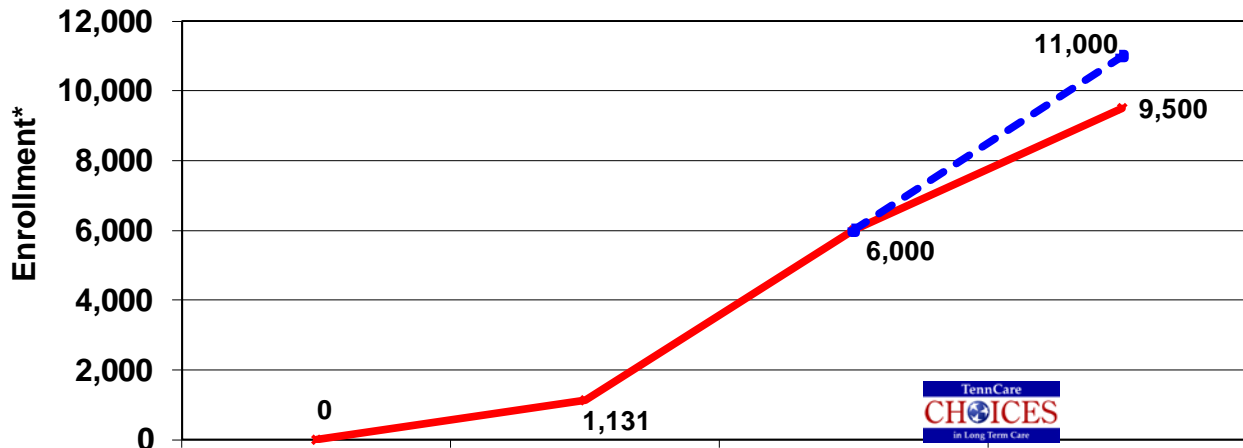


- TennCare Choices in Long-Term Care (LTC)
 - Implements key provisions of the Long-Term Care Community Choices Act of 2008.
 - Integrates TennCare nursing facility (NF) services and Home and Community Based Services (HCBS) for the elderly and adults with physical disabilities into the existing managed care system.
- Program Objectives:
 - 1) Decrease fragmentation and improve coordination of care.
 - 2) Increase options and choices for those who need LTC.
 - 3) Expand access to HCBS so that more Tennesseans who need LTC can receive care in their homes and communities.
 - 4) Rebalance LTC funding allowing the state to serve more people using existing LTC funds.



Progress in Balancing TennCare LTC Enrollment

HCBS Enrollment



- **Where are we?**
- On March 1, the initial enrollment target for CHOICES was set at 7,500 for HCBS.

- **Where are we going?**
- The HCBS enrollment target will increase to 9,500 on July 1, 2010.
- We have the potential to serve as many as 11,000 members now that program slots can be re-filled as soon as they become available, nearly doubling the number of people receiving HCBS in the first year of the CHOICES program.

No state-wide HCBS alternative to NFs available before 2003.

2003
 CMS approves E/D HCBS waiver and enrollment begins in 2004.

2006
 Slow growth in HCBS – enrollment reaches 1,131 after two years.

2009
 Enrollment hits 6,000 – a 430% increase in 3 years.

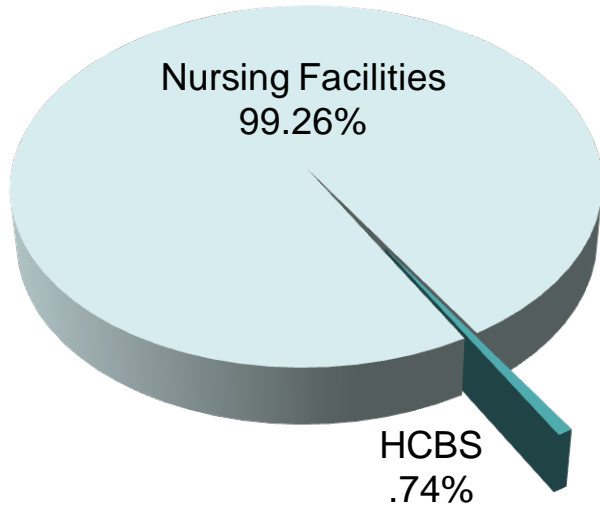
2011
 CHOICES is implemented statewide with an enrollment target of 9,500 & the potential to serve as many as 11,000 people the first year.

* Does not include the PACE program which serves 325 people almost exclusively in HCBS, and other limited waiver programs no longer in operation.



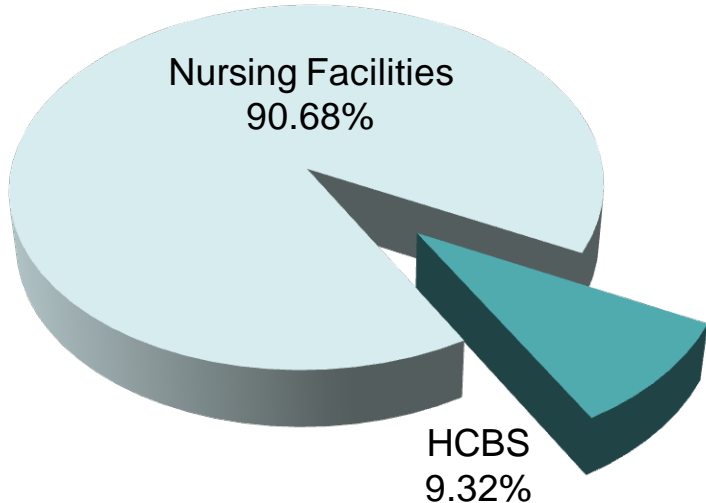
Progress in Balancing TennCare LTC Funding

LTC Actual Expenditures FY 1999



FY 1999
< 1%
HCBS

LTC Actual Expenditures FY 2009



FY 2009
~ 10%
HCBS

- Progress:
- Improved from offering almost no HCBS to HCBS comprising nearly 10 percent of LTC funding.
- We were once dead last in the country in HCBS expenditures for the elderly and adults with disabilities, but are now trending rapidly in the right direction.
- Goal:
- A more balanced long-term care system depending on the needs and preferences of the people receiving LTC services.



Fulfilling the Promise of the Long-Term Care Community Choices Act of 2008

- TennCare CHOICES in Long-Term Care was successfully implemented in Middle TN March 1, 2010.
 - Continuity of care provisions helped to ensure the transition was as seamless as possible.
 - 8,624 enrollees were transitioned to the new program. This includes 7,145 NF residents and 1,479 HCBS waiver participants.
- More Tennesseans are already receiving HCBS since March 1.
 - Streamlining eligibility processes and timelines help members receive services faster.
 - Approximately 450 new Tennesseans have enrolled since CHOICES was implemented in Middle TN.
- We are now looking ahead to the implementation of CHOICES in East and West TN and continuing to offer more CHOICES to Tennesseans in need of long-term care.



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- **Budget Update**

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- National Health Reform



Current Proposed Reductions

Total FY 2011 Reductions	
State \$175.4m	Total \$499.3m
Total FY 2010 Reductions Plus FY 2011 Reductions*	
State \$430m	Total \$1.22B

The total FY 2010 and FY 2011 budget reductions include approximately \$54.9m (\$33m state) in reductions already implemented in FY 2010.

- Most of the FY 2011 budget reductions limit certain benefits for non-pregnant, non-long-term care eligible adults.
- The majority of the FY 2010 budget reductions were “bought back” using non-recurring ARRA funds and will be implemented along with the proposed FY 2011 reductions at the start of FY 2011 (7/1/2010) in the absence of any additional funding.
- When reductions, reallocations and other adjustments are included, the FY 2011 proposed budget is reduced by \$200.7m state dollars. This will occur at the same time we expect a 4.5% enrollment growth due to the economic downturn.
- Benefit changes require CMS approval.

*A complete list of FY 2010 and FY 2011 reductions is available on page a1.



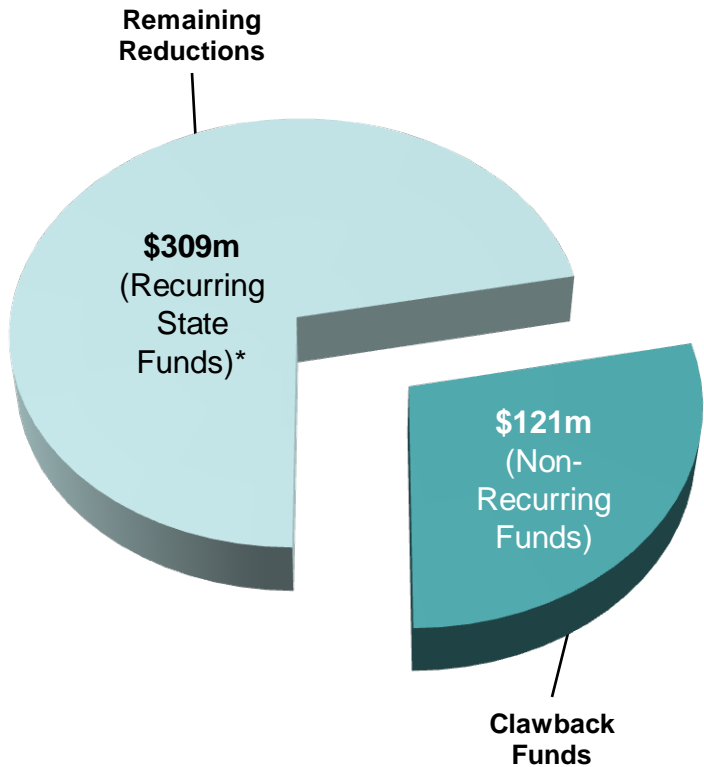
Status of Benefit Limit Waiver Amendment

- TennCare sent the request to CMS on February 3, 2010, following the required notice period.
- The amendment would put into effect the benefit changes proposed in the FY 2011 budget. TennCare has asked that the changes be effective on July 1, 2010.
- CMS officials have communicated to Medicaid programs that they understand the need for a timely decision due to budget constraints.
- TennCare and CMS officials communicate weekly to address questions and provide details about the amendment to ensure progress.
- We are optimistic that CMS will approve the amendment before the July 1 deadline. Officials are narrowing the discussion to the structure of a few components.
- TennCare is moving forward as though all proposed cuts will be implemented July 1, 2010.
- However, two possible funding sources may offset some of the reductions.



Clawback

Total FY 2010 and FY 2011 Reductions (\$430m)



Part D Clawback

- The Part D clawback is money states pay to the federal government to help offset costs the federal government incurs by covering the prescription benefit for enrollees who have both Medicare and Medicaid.
- The states and CMS disagreed on how ARRA impacted the Part D clawback calculation.
- On Feb. 19, 2010, TennCare received word that CMS had revised the way the federal clawback is calculated. This new interpretation means TennCare will pay approximately \$121m less in clawback payments.
- These non-recurring funds will help temporarily delay some of the proposed reductions, but cannot offset all cuts.

*Includes reductions already implemented in FY 2010



Impact of Clawback Alone

All amounts are based on FY 2011 \$'s

Items Temporarily Funded By Clawback	Total Outlay	Clawback*
Postpone the implementation of the ADL change until end of ARRA period (half year)	\$ (23,562,000)	\$ (6,910,000)
Temporarily removing the cost of transplant hospitalizations from the 10k cap	(5,635,600)	(1,652,800)
2.9% of 7% Rate reduction bought back (eff 7/1/2010)	(366,890,300)	(44,597,800)
State supplemental hospital grant	(10,000,000)	(10,000,000)
Postpone the elimination of matched grant to Meharry	(10,000,000)	(2,932,700)
Postpone Limit to 8 non-emergency outpatient visits per year	(28,472,000)	(8,350,000)
Postpone the \$4 pricing on widely available generic drugs	(16,502,100)	(4,839,600)
Postpone implementation of \$2 copay on non-emergency transportation	(3,829,300)	(1,123,000)
Postpone changing MAC pricing to AWP - 82%	(12,000,000)	(3,519,200)
Postpone Limit of 8 physician office procedures per year	(38,181,000)	(11,197,300)
Postpone 8 lab x/ray occasions of service per year	(60,288,900)	(17,680,900)
Postpone Eliminate reimbursement for OT/PT/ST	(9,900,900)	(2,903,600)
Reduction in growth due to benefit limits	(19,928,300)	(5,844,400)
Total		\$(121,551,300)

Significant Items Unfunded By Clawback**	Total Reduction	Unfunded State \$
4.1% of 7% Rate reduction (eff 7/1/2010)	\$ (215,561,300)	\$ (63,217,700)
\$10,000 annual cap per enrollee on inpatient hospital (excludes transplants)	(144,083,600)	(42,255,300)
Eliminate Essential Access Hospital Payments	(100,000,000)	(34,220,000)
Establish a provider reimbursement ceiling from the MCOs of 100% of Medicare	(52,104,900)	(15,280,800)
Eliminate Graduate Medical Education program	(50,000,000)	(14,663,500)
Eliminate Critical Access Hospital Payments	(10,000,000)	(3,422,000)
Meharry (state only)	(3,000,000)	(3,000,000)

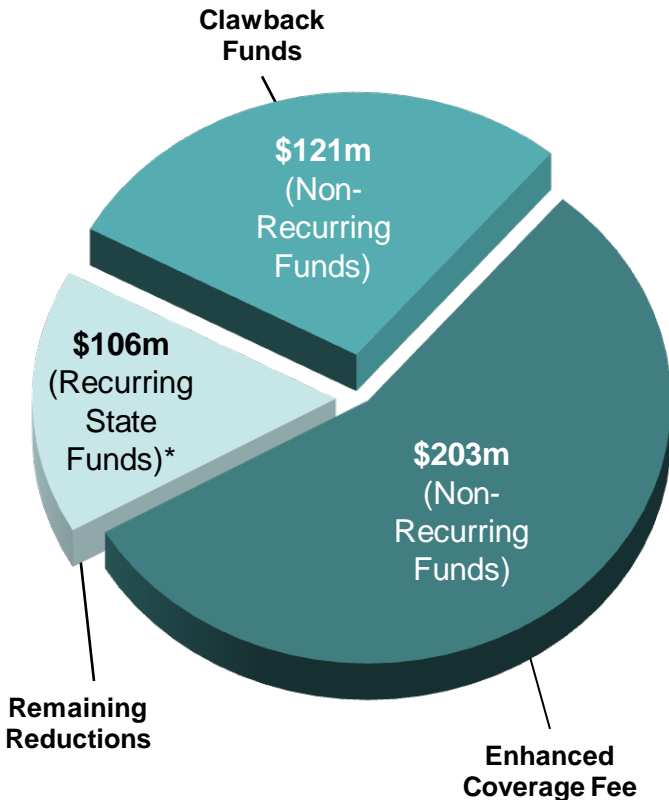
*Clawback items are non-recurring

**Items shown as unfunded in the clawback proposal are a sample and not representative of all proposed FY 2010-2011 reductions



Clawback and Hospital Fee

Total FY 2010 and FY 2011
Reductions (\$430m)



Hospital Enhanced Coverage Fee (ECF)

- The proposal for use of the \$121m in federal clawback payment savings would change if Hospital Enhanced Coverage Fee (SB3528/HB3310) passes.
- The bill proposes to use the funding to address TennCare reductions by creating a federally matched fee that hospitals would pay.
- If passed, the funds would be used to offset or delay some of the FY 2011 reductions.

*Includes reductions already implemented in FY 2010



Impact of Clawback and ECF

Enhanced Coverage Fee

Clawback

Unfunded

Items*	Total \$	FY2011 State \$		
		ECF	Clawback	Unfunded
Critical Access	\$10,000,000	\$3,422,000		
Essential Access	100,000,000	34,220,000		
Graduate Medical Education Grants	50,000,000	14,663,500		
\$10,000 Cap on Inpatient Benefit Limit	149,719,200	42,255,300		
8 Lab/xray Benefit Limit	60,288,900	17,680,900		
Hospital Rate Ceiling at 100% Medicare	52,104,900	15,280,800		
8 Office Visits Benefit Limit	38,181,000	11,197,300		
8 Outpatient Visits Benefit Limit	28,472,000	8,350,000		
Reduction in Growth from Benefit Limits	19,928,300	5,844,400		
Medicare Part A	35,550,400	10,425,900		
PT/OT/ST Elimination	9,900,900	2,903,600		
Open Standard Spend Down up to 7,000 enrollees	32,727,300	9,597,900		
DSH Match**	39,752,300	13,603,200		
Critical Access Additional Funds (State Only)**	6,000,000	6,000,000		
1% of the 7% Rate reduction for hospitals & physicians	26,589,000	7,797,700		
6% of the 7% Rate reduction – all providers	314,477,400		\$92,226,800	
Meharry Grant (Matched)	10,000,000		2,932,700	
ADL Change (Half Year)	23,562,000		6,910,000	
\$2 Co-Pay on Non-Emergency Transportation	3,829,300		1,123,000	
\$4 Pricing on Widely Accessible Drugs	16,502,100		4,839,600	
MAC Pricing	12,000,000		3,519,200	
Supplemental Grants to MED/METRO/Jellico**	10,000,000		10,000,000	
1% of the 7% Rate reduction for non-hospitals/non-phys.	25,824,000			\$7,573,400
Loss of Supplemental Rebates (est.)**	16,218,000			5,549,800
ADL Change (Half Year)	23,562,000			6,910,000
Meharry Grant (State Only)	3,000,000			3,000,000
Single Source Agents for Some Pharmacy	3,000,000			1,026,600
Posterior Fillings	1,250,000			427,800
Administrative Reductions	7,635,400			1,985,000
DME Contracting	10,036,200			2,943,300
Total		\$203,242,700	\$121,551,300	\$29,415,900

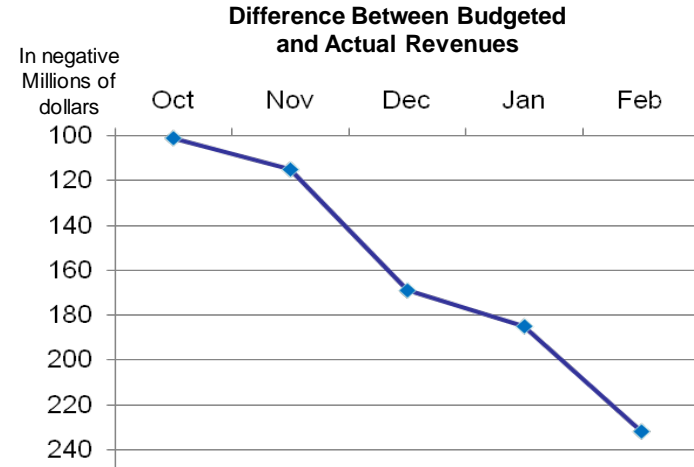
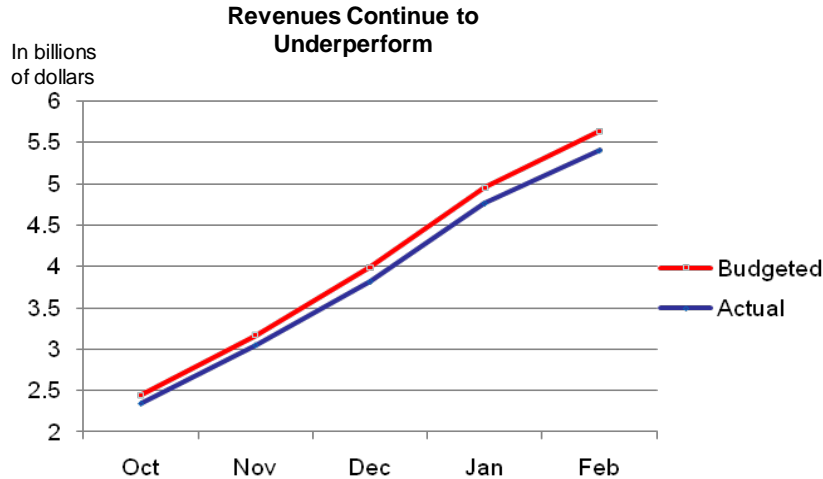
*Other agencies and reductions that have already been implemented are not included.

**Item not included in FY 2010 and FY 2011 reduction plans.

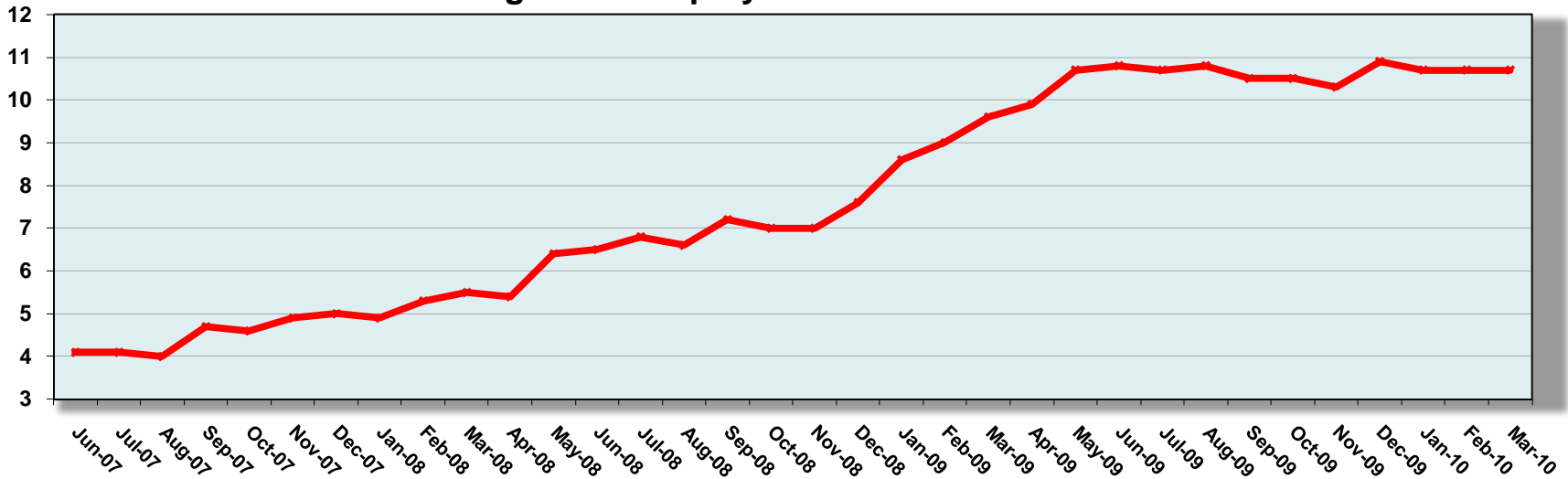


Economic Realities

Year-to-Date Revenues



TN Percentage of Unemployment June 2007 to March 2010





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- **National Health Reform**



National Health Reform

- On March 23, 2010 the President signed the health reform bill into law which will provide more health insurance options for individuals. The accompanying reconciliation bill was signed into law one week later.
- The law changes many aspects of health care in the U.S. including:
 - Required insurance coverage for all individuals
 - New rules for insurance providers
 - The creation of a health insurance exchange
 - Broad changes to Medicaid and CHIP programs
- While the law provides a detailed outline of the changes ahead, the federal government must release policies, regulations and guidelines before final details are known.
- What we are able to provide now is our current analysis and interpretation of the bill as-passed using information from the CBO, the federal government, Kaiser, and other state Medicaid programs as well as our own internal data.



Health Reform's Most Notable Medicaid Provisions

- Some changes impacting Medicaid programs will take place in the next few years, however most do not take effect until 2014.
 - Changes that take place before 2014:
 - Starting immediately, Maintenance of Effort (MOE) requirements take effect meaning Medicaid agencies must not make eligibility standards, methodologies or procedures more restrictive than they were when the bill was signed into law.
 - Starting retroactively to Jan. 1, 2010, the way pharmacy rebates are calculated will change increasing the federal government's share of the rebates.
 - Starting in 2011, all Medicaid agencies must cover smoking cessation services for pregnant women.
 - Starting in 2013, Medicaid agencies must pay 100% Medicare for primary care physician services. The federal government will pay 100% of the cost incurred by the states for the first two years.
 - Changes that take place after Jan. 1, 2014:
 - Anyone with a household income below 133% poverty will qualify for Medicaid coverage January 1, 2014.
 - The law provides a 100% federal match on newly eligible enrollees during the first three years, then the next consecutive years at 95%, 94%, 93% and 90% thereafter.
 - Enrollees who would have qualified under current eligibility requirements will be funded at the regular match rate - 65%.
 - Some enrollees who qualify in optional Medicaid categories and have income above 133% poverty may transition to the newly created Insurance Exchange.
 - Required coverage of benzodiazepines, barbiturates, and tobacco cessation products for all enrollees.
 - CHIP members in households between 100% and 133% poverty will transition to Medicaid.
 - Medicaid agencies must cover foster children up to age 26.



Appendix



Total FY 2010 and FY 2011 Reductions

FY 2009-2010 Reductions				FY 2010-2011 Reductions			
FY 2009-2010	State	Total	Implementation Date	FY 2010-2011	State	Total	Implementation Date
Only pay NFs after PASRR completion	(13,761,800)	(39,600,000)	7/1/2009	In-Patient Cap on Adults (\$10,000 per year)	(51,233,900)	(149,719,200)	7/1/2010
Postpone Opening of Medically Needy	(11,373,400)	(32,727,300)	7/1/2009	Limit Lab/Xray Procedures (8 per year)	(20,630,900)	(60,288,900)	7/1/2010
Shared Health Contract	(6,000,000)	(12,000,000)	7/1/2009	Hospital Reimbursement Ceiling (100% Medicare)	(17,830,300)	(52,104,900)	7/1/2010
Medstat Contract	(600,000)	(1,200,000)	7/1/2009	DIDS Reductions	(14,419,300)	(41,491,900)	7/1/2010
Auto-Inflators in Provider Contracts	(521,300)	(1,500,000)	7/1/2009	Value of 7% Provider Cuts at FY11 Levels	(14,074,200)	(41,128,500)	7/1/2010
Electronic Payment and Remittance	(500,000)	(1,000,000)	7/1/2009	Limit Office Visits (8 per year)	(13,065,500)	(38,181,000)	7/1/2010
F&A OIG Reductions	(199,600)	(399,200)	7/1/2009	Limit Out-Patient Services (8 per year)	(9,743,100)	(28,472,000)	7/1/2010
UT Pharmacy Contract	(97,800)	(195,600)	7/1/2009	Reduction in Growth Cost from Ben. Limits	(6,819,500)	(19,928,300)	7/1/2010
Provider Reimbursement and Co-Pay	(75,990,100)	(218,663,900)	7/1/2010	\$4 Pricing on Widely Available Generics	(5,647,000)	(16,502,100)	7/1/2010
Eliminate Essential Access Payments	(34,752,000)	(100,000,000)	7/1/2010	Pharmacy Pricing - Reduce MAC Pricing	(4,106,400)	(12,000,000)	7/1/2010
Nursing Home Rates	(22,857,900)	(65,774,400)	7/1/2010	Modified DME Contracting	(3,434,400)	(10,036,200)	7/1/2010
Eliminate Graduate Medical Ed. Grant	(17,376,000)	(50,000,000)	7/1/2010	Eliminate Certain Therapies (PT/OT/ST)	(3,388,100)	(9,900,900)	7/1/2010
LTC Eligibility Criteria	(16,376,500)	(47,124,000)	7/1/2010	Increased Drug Rebate	(2,737,600)	-	7/1/2010
DIDS Reductions	(12,675,300)	(37,211,300)	7/1/2010	Eliminate Meharry Grant	(1,711,000)	(5,000,000)	7/1/2010
Medicare Part A	(12,354,500)	(35,550,400)	7/1/2010	\$2 Co-Pay on Non-Emergency Transport	(1,310,400)	(3,829,300)	7/1/2010
MCO Admin Rate	(7,684,400)	(22,112,100)	7/1/2010	DCS Reductions	(1,230,200)	(3,319,600)	7/1/2010
Eliminate Meharry Grants	(4,737,600)	(8,000,000)	7/1/2010	Single Source for Selected Rx Supplies	(1,026,600)	(3,000,000)	7/1/2010
DCS Reductions	(4,034,800)	(10,801,900)	7/1/2010	Increased Revenue from Data Sharing	(900,000)	-	7/1/2010
Dental Rates	(3,939,200)	(11,335,300)	7/1/2010	GOCCC Reductions	(450,600)	(450,600)	7/1/2010
Eliminate Critical Access Payments	(3,475,200)	(10,000,000)	7/1/2010	Change Rate For Composite Posterior Fillings	(427,800)	(1,250,000)	7/1/2010
Private ICF-MR Rate	(2,432,600)	(7,000,000)	7/1/2010	Medicare Outreach	(410,600)	(1,199,900)	7/1/2010
HCBS Waiver Administration	(944,900)	(1,889,700)	7/1/2010	Administrative Contract Reduction	(234,100)	(468,100)	7/1/2010
GOCCC Reductions	(866,600)	(866,600)	7/1/2010	F&A OIG Reductions	(225,700)	(451,400)	7/1/2010
Information Systems	(458,200)	(458,200)	7/1/2010	DHS Reductions	(182,200)	(364,400)	7/1/2010
PACE Rate	(304,500)	(876,100)	7/1/2010	Commerce & Insurance Reductions	(127,900)	(255,800)	7/1/2010
Eliminate Grant to Memphis City Schools	(250,000)	(500,000)	7/1/2010	Total	(175,367,300)	(499,343,000)	
Total	(254,564,200)	(720,909,800)					

Total State Reductions
\$429,931,500

Total State and Federal Reductions
\$1,220,252,800

Amounts in FY 2010 reflect recurring state savings