


TN Division of Health Care Finance & Administration

2017 HCFA BUDGET PRESENTATION

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Improving Lives of Tennesseans

1,469,900

More than 1.4 million Tennesseans are enrolled in the program

That's more than **20%** of the state's population

53%
TennCare pays for more than 50 percent of births in the state

&

2,534,700
Mental health & substance abuse counseling visits

2,347,500
Outpatient visits

544,900
Children dental check-ups

310,200
Receive Medicare assistance

2,250
Prosthetics

2,639,300
Prescriptions to treat diabetes, heart disease, and asthma

762,900
Inpatient days

455,000
Well-child visits

41,400
Treated for cancer

78
Transplants

Provides health insurance to approximately **50%** of the state's children

All members are enrolled in one of 3 health plans which consistently ranked in the top **50%** nationwide.

HCFA Successes - Quality

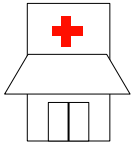
2015 HEDIS QUALITY RESULTS

- Out of 33 HEDIS measures tracked since 2007, **85% have shown improvement over time**. These measures include access and availability, prevention and screening, and effectiveness of care.
- **47 measures** have shown improvement from 2014-2015.
- **Double digit increase** in screening and counseling related to obesity and physical activity in children and adults.

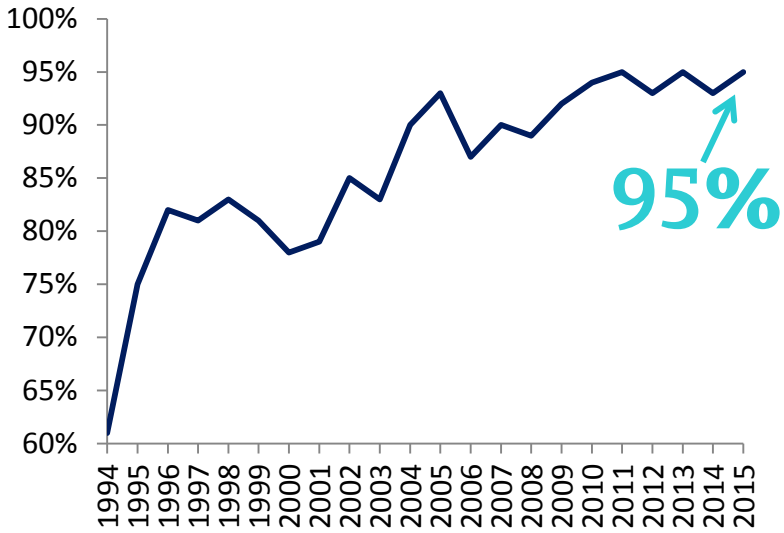
2015 TENNCARE SATISFACTION RESULTS

UT conducts an annual survey of TennCare members.

Satisfaction has remained **above 90% for the past 7 years**.



94% of respondents said they initially sought care at a doctor's office or clinic rather than a hospital.



GOVERNING

THE STATES AND LOCALITIES

FINANCE | HEALTH | INFRASTRUCTURE | MANAGEMENT | ELECTIONS | POLITICS | PUBLIC SAFETY | URBA

HEALTH & HUMAN SERVICES

Medicaid Has Great Responsibility Without Great Power

Since its inception 50 years ago, Medicaid has become one of the nation's biggest government programs. But most states don't treat it as such.

BY MATTIE QUINN | OCTOBER 6, 2015

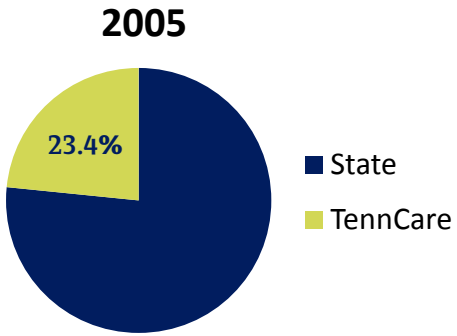
"TennCare just has [a] really well-run system right now." – Matt Salo, Executive Director of the National Association of Medicaid Directors (NAMD). From Governing Magazine Oct. 6, 2015

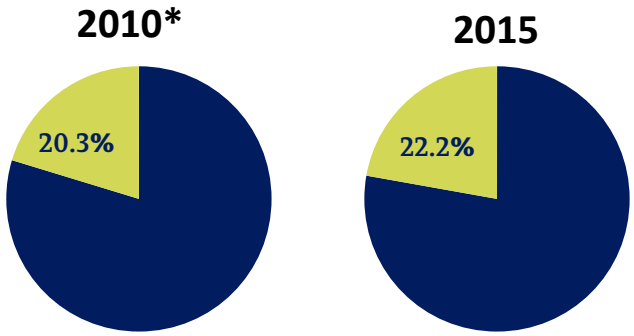
HCFA Successes - Fiscal

TennCare medical inflation trend has remained well below trends for other Medicaid agencies and Commercial plans for years.

TennCare Appropriations

For the past 10 years we've consistently remained approximately 20% of state appropriations.





Change in State Medicaid Spending as a Share of Own-Source Revenue, 2000 and 2013*

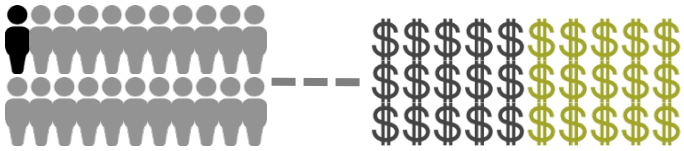
* So as not to under-report TennCare Appropriations, 2009, 2010 & 2011 were increased to account for ARRA. The increases for these years were taken from the 2011 Governor's Recommended Budget.

*Own-source revenue is derived from the U.S. Census Bureau's "general revenue" minus federal funds to states

http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind7

Opportunities to Improve delivery of IDD Services

Cost:



3% of TennCare members

Account for **50%** of total program costs

Tennessee spends nearly **2x** the national average per person for this population

CHOICES Program

$1.2 billion

Serves 30,300 people who are elderly or have physical disabilities in TennCare CHOICES

ID Services

$936 million

Serves just 8,900* people who have intellectual disabilities

That's **$40,000** per person

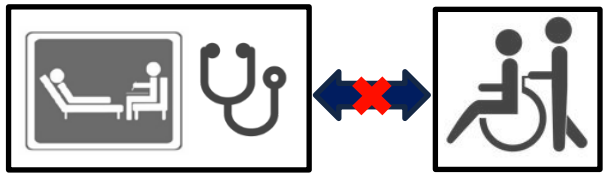
VS

$106,000 per person

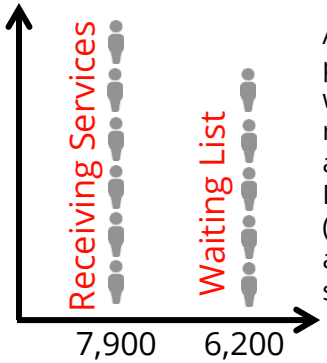
*Includes HCBS Waiver Services and Intermediate Care Facilities for Individuals with Intellectual Disabilities

Fragmentation:

Little coordination between physical and behavioral health services and long term services and supports (LTSS)



Increased Demand for Services:

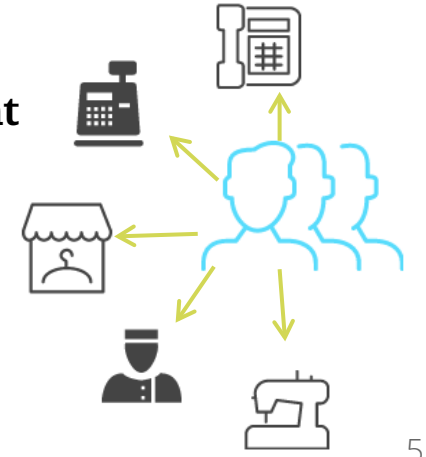


Almost as many people on the waiting list to receive Home and Community Based Services (HCBS) as those actually receiving services

Some people with developmental disabilities aren't receiving HCBS

Insufficient Employment Opportunities:

Significant gap between people with ID who want to work and those who are actually working



Employment and Community First CHOICES

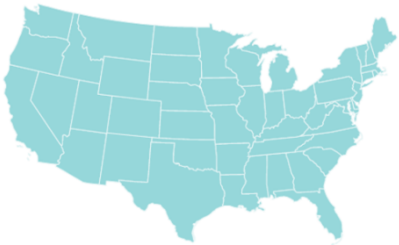
Better coordination of care:

Currently physical and behavioral health services for people with ID are part of managed care but their **long term services and supports are carved out**.

Having one entity responsible for all of a person's needs allows for **more efficient**, and **higher quality** care:

- Reduce avoidable ER/ inpatient utilization
- More appropriate use of psychotropic medications

Tiered benefits based on the needs of persons served:



Bring per person spending for IDD services in line with the rest of the country.

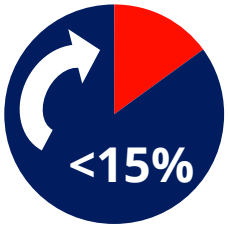
Allow **more people to be served.**

Serve more people with intellectual disabilities on the waiting list **<u>before</u> they are in crisis.**

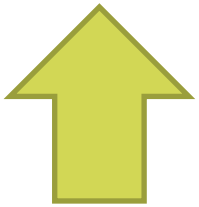
Begin to make services available to people with developmental disabilities who today are not receiving services.

Improved outcomes and quality of life:

The majority of individuals with IDD want to work, but less than 15% in Tennessee are employed in a job in the community, earning at least minimum wage.



Tennessee would become the first state in the country to develop an integrated program where employment and independent living is the first and preferred option.

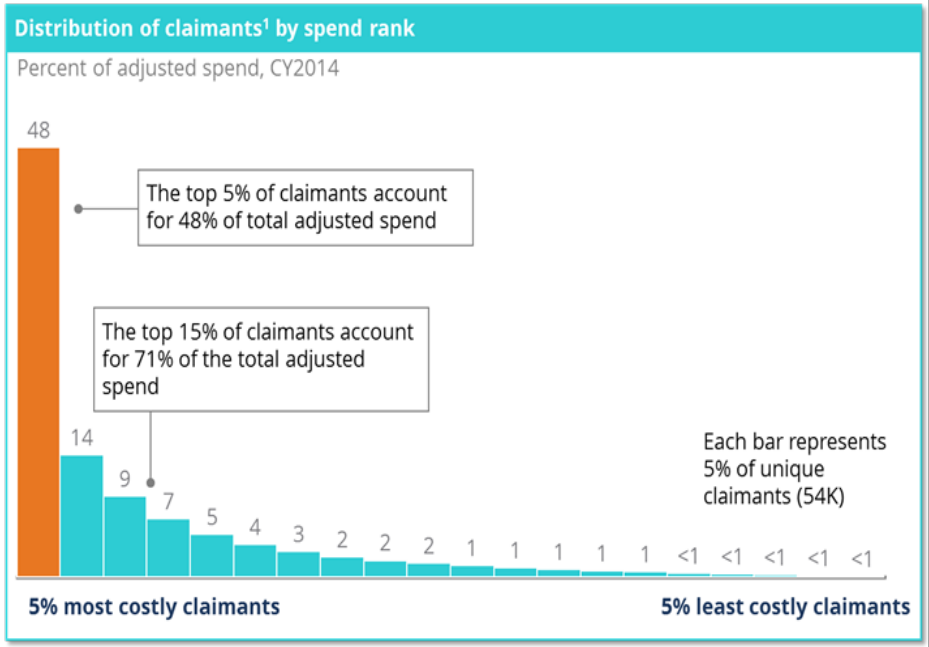


Improve employment, health and quality of life outcomes; reduce reliance on public benefits.

Primary Care Transformation

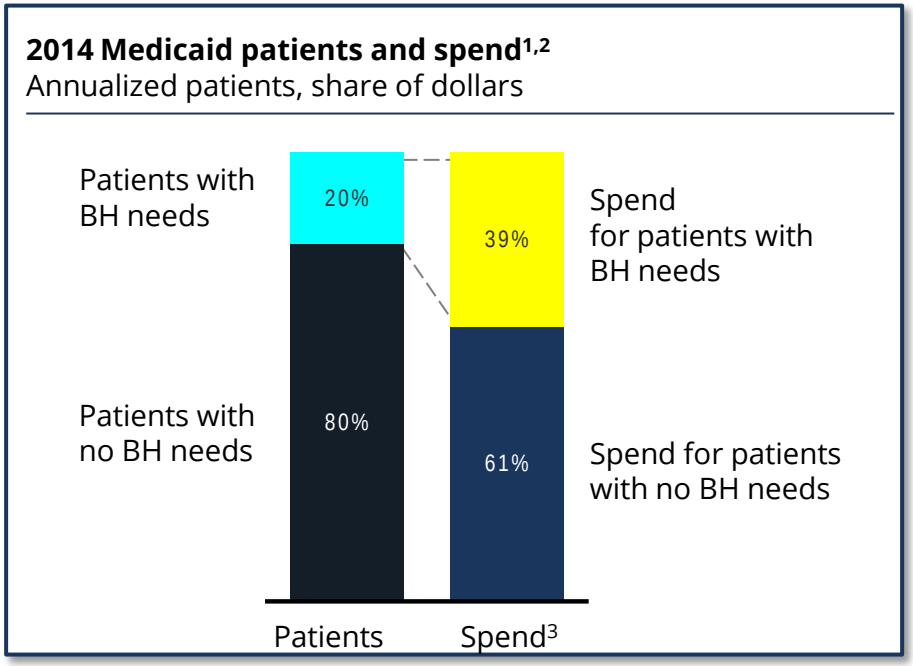
Patient Centered Medical Homes (PCMH)
for all TennCare members

- Prevention and chronic disease management
- Avoiding episode events when appropriate
- The highest cost 5% of TennCare members account for nearly half of total adjusted spend (physical and behavioral health only)
- Members in the highest cost 5% were also in that category the previous year 43% of the time.



Health Homes
for TennCare members with Severe Mental Illness

- Behavioral and physical health services integration
- Individuals with behavioral health needs make up only 20% of the TennCare population, but 39% of the total spend.



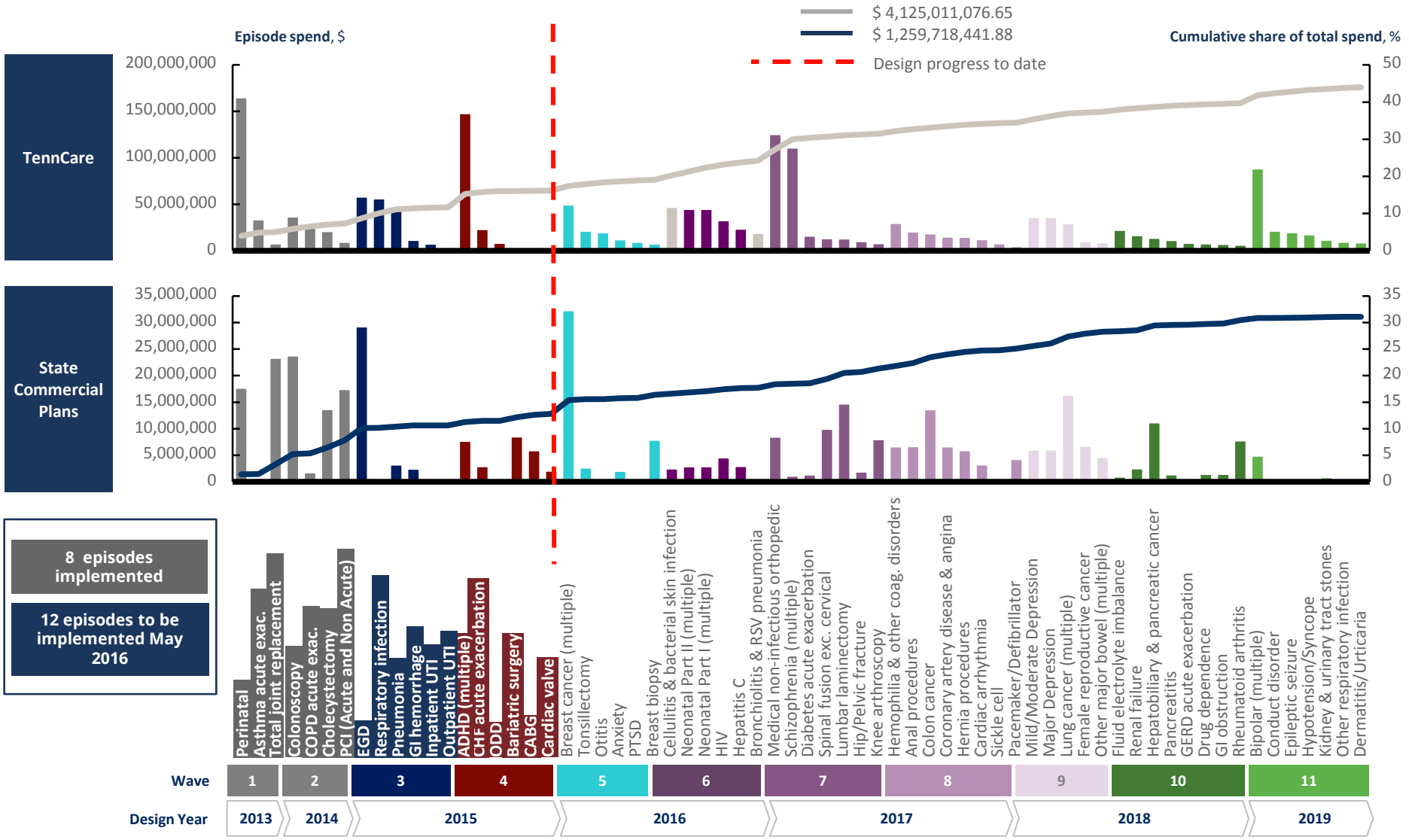
1 Distribution of unique claimants shown, excluding members without claims.
Note: Does not include crossover and dental claims, supplemental payments, intellectual disability services, Medicare services, CoverKids, payments to DCS, DME, vision, transportation, nursing home, long-term care and home health, as well as members who are dual eligible or have third party liability. Top 5% members selected from claimants only (unique claimant basis).

2 Most inclusive definition of patients with BH needs used here of members who are diagnosed and receiving care, diagnosed but not receiving care, and receiving care but undiagnosed. Behavioral health spend defined as all spend with a BH primary diagnosis or BH-specific procedure, revenue, or HIC3 pharmacy code.

3 Excludes claims billed through the Department of Children's Services

SOURCE: TN 2011-2014 claims data

Episodes of Care: 75 in 5 years

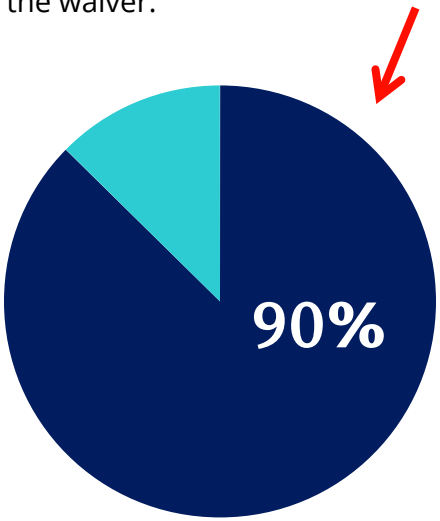


Source: TennCare and State Commercial Plans claims data, episode diagnostic model, team analysis

TennCare Waiver Renewal

Waiver Renewal Process

- TennCare operates under an 1115 waiver. This is a waiver granted by the federal government to operate a Medicaid program in a different manner than what is outlined in a traditional "state plan" program.
- Essentially the federal government is "waiving" some of the requirements in the state plan.
- In Tennessee, this allows TennCare to operate under a managed care model among other things.
- More than 90% of TennCare's funding is governed by the waiver.



Where We Are

- The TennCare Demonstration expires on

- We submitted a five-year extension request December 22, 2015.
- We are asking to continue the waiver as it exists today.
- A review of funding pools occurs during this process. Nationally there has been discussion around the need for supplemental hospital pool funding. We expect these types of discussions to occur during our waiver renewal process.

Public Notice

- Prior to submission to the federal government, TennCare conducted a 30-day public notice period which included:
  - Information on the TennCare website
  - Public notice in local newspapers
  - Two public hearings in November

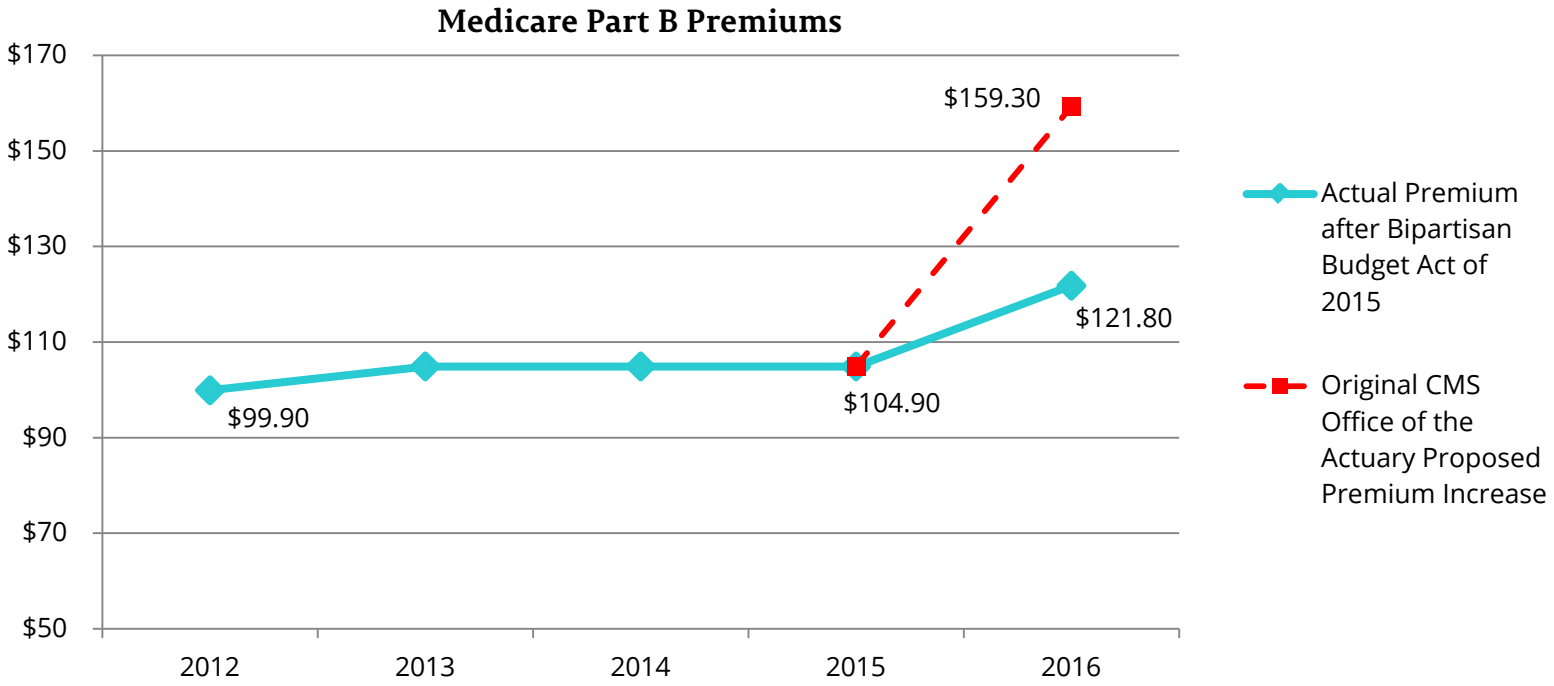
Medicare Cost Increases Impacting TennCare

Medicare Part B

- CMS' Office of the Actuary issued the annual Medicare Trustees Report on July 22, 2015.
- In this report, the monthly premiums for Part B paid by states for dual eligible members were estimated to increase from an average of $104.90 in CY2015 to an average of $159.30.
- The Bipartisan Budget Act of 2015 provided some relief to states by loaning general fund revenues to the Medicare trust fund. The new monthly premium for CY2016 paid by states is anticipated to be $121.80.
- In addition to the premium increase, we have seen an average monthly increase in enrollees for which we must pay Part B premiums which is attributable to the aging of the general population.

Medicare Part D

- The law required states to help pay for this benefit for dual eligible enrollees from the perceived Medicaid savings that would occur when Part D was implemented in 2006. It is also known as the Clawback.
- Notification was received in mid-April 2015 that the payment rates would increase by 11.76%, one of the highest adjusted percentage increases since the inception of the program.
- Factors leading to such an unprecedented increase include high cost specialty drugs as well as increased costs for generics which are being seen across all payment structures - Medicare, Medicaid and commercial insurance plans.
- In addition to the rate increase, we have seen an average monthly increase in enrollees for which we are charged the Clawback payment.



2017 Proposed Reductions and Cost Increases

Increased Revenue	State	Total
Increased Revenue from CoverKids Fed. Match	$54,732,000	$0
Increased Revenue from Targeted Use of AccessTN Reserves	3,848,700	0
Health Homes – Enhanced Fed. Match	5,000,000	0
Guaranteed Net Unit Pricing (GNUP) Pharmacy Contracts	2,248,000	0
TOTAL	**$65,828,700**	**$0**

Federally Req. Cost Increases	State	Total
Medicare Services	$77,749,200	$136,668,000
FMAP Rate Change	3,921,400	0
TOTAL	**$81,670,600**	**$136,668,000**

New Initiative	State	Total
Employment and Community First (ECF) CHOICES Program (including 8 positions)	$19,040,400	$54,282,200

Reductions	State	Total
Payment and Delivery System Reform	$3,501,600	$10,000,000
Retroactive Payment Approach	1,089,300	3,110,700
Specialty Drug Pricing – Internal Review	1,960,900	5,600,000
Prior Authorizations for Adult Stimulants	770,400	2,200,000
Value-Based Purchasing for Enhanced Respiratory Care	755,500	2,157,700
Allergy Immunotherapy Benefit Limits	938,000	2,678,800
TOTAL	**$9,015,700**	**$25,747,200**

Other Cost Increases	State	Total
Medical Inflation and Utilization	$64,264,100	$183,522,600
PC 430 Related to Aging Caregivers for ID Population	308,900	882,100
Buprenorphine Policy	1,590,300	4,541,600
Eligibility Systems Development	8,261,700	73,760,900
Eligibility Staffing & Operations	4,460,200	16,790,800
TOTAL	**$78,885,200**	**$279,498,000**

GRAND TOTAL (Revenue & Reductions)	**$74,844,400**	**$25,747,200**

GRAND TOTAL (Cost Increases)	**$179,596,200**	**$470,448,200**

HFCA Proposed Budget FY 2017*

$11.1 billion of ($3.5 billion state) of which
$10.85 billion is TennCare.

*Figures include hospital enhanced coverage fee and nursing home assessment which total $1.6 billion total ($556.9 million state) and proposed reductions and cost increases. Figures do not include cost increases from other state agencies funded by TennCare

Division of
Health Care
Finance & Administration

THANK YOU