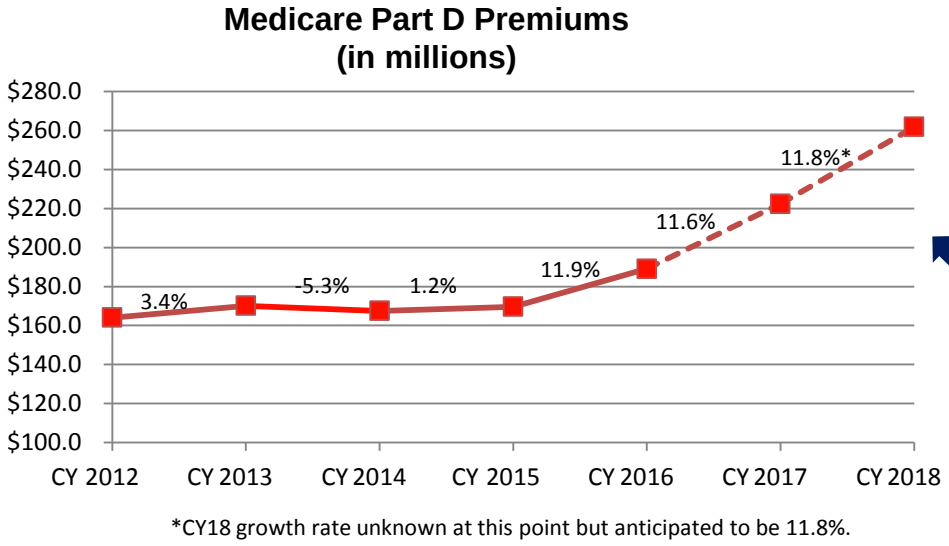
Division of
Health Care
Finance & Administration

FY2018 BUDGET PRESENTATION

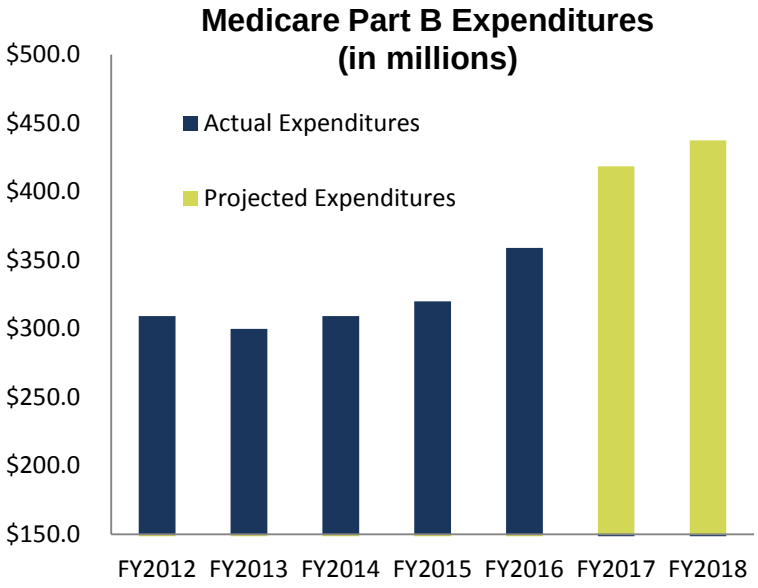
Dr. Wendy Long
Will Cromer
Gabe Roberts
William Aaron

2017 Legislative Session

FY 2018 Recommended Cost Increases



*CY18 growth rate unknown at this point but anticipated to be 11.8%.



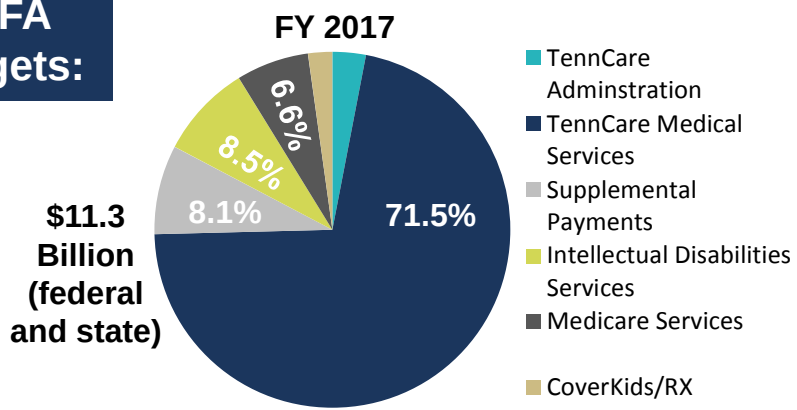
Cost Increases	State	Total
Medical Inflation and Utilization	$40,097,100	$116,578,300
Pharmacy	14,863,400	251,808,100
Medicare Services	72,494,600	126,517,900
Federally Qualified Health Centers	5,503,200	16,000,000
Employment and Community First CHOICES	11,641,400	33,846,100
Eligibility Systems Development (NR)	13,391,700	85,927,000
Staffing for Reverification and Eligibility Appeals	8,806,300	17,612,600
2% Rate Reduction Restoration	36,346,000	105,672,400
Pharmacy Restoration	6,079,500	17,675,500
Total	**$209,223,200**	**$771,637,900**

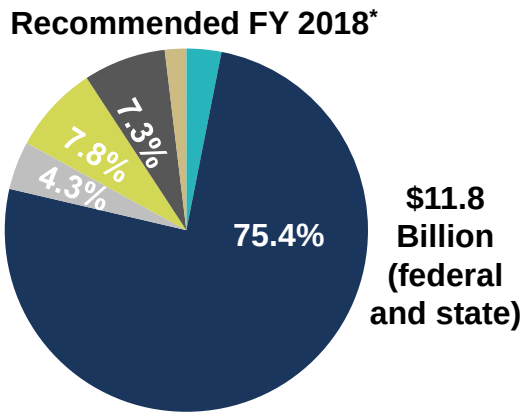
FY 2018 Recommended Reductions

Core Reductions	State	Total
AccessTN Reserves	$3,848,700	$3,848,700
CoverKids Savings	6,145,300	26,000,000
Provider Education on Opioids	1,750,800	5,000,000
Payment and Delivery System Reform	4,727,300	13,500,000
CoverRx Management	443,600	143,600
Diabetic Supplies Savings	202,700	579,000
Eliminate Paper Remittance Advices	526,300	1,052,600
Preferred Drug Strategy for Opioid Addiction	2,486,200	7,100,000
Estate Recovery Improved Processes	2,101,000	6,000,000
Automated Court Recording	500,000	1,000,000
Total	**$22,731,900**	**$64,223,900**

Non-recurring Reductions	State	Total
CoverKids Enhanced Federal Match	$48,979,800	$0
Annual FMAP Adjustment	50,290,500	0
Total	**$99,270,300**	$0
Grand Total	**$122,002,200**	**$64,223,900**

HCFA Budgets:





*Figures include hospital enhanced coverage fee and nursing home assessment which total $1.6 billion ($570 million state) and proposed reductions and cost increases. Figures do not include cost increases for reductions rom other state agencies funded by TennCare.

This is HCFA

Mission

Improving lives through high-quality cost-effective care.

Vision

A Healthier Tennessee.

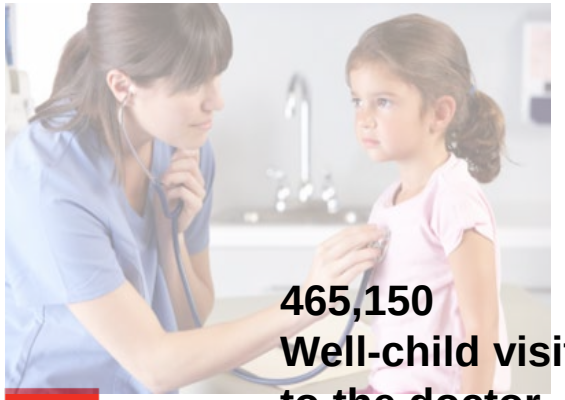
Who we serve:

1.5 million Tennesseans

39,500 receiving long term services and supports

More than 50 percent of Tennessee's births

How we serve:



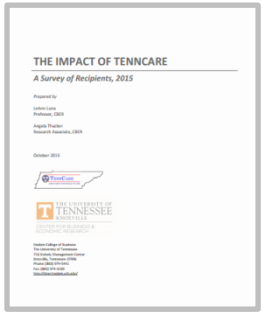
465,150 Well-child visits to the doctor

51,530 Tennesseans treated for cancer

2,877,460 Mental health and substance abuse counseling visits

HCFA Update – Quality and Trend

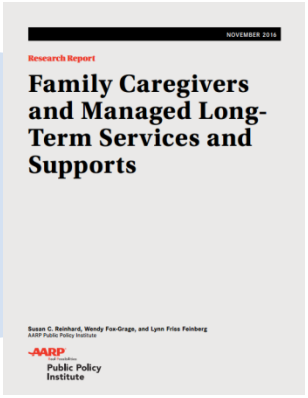
Quality


THE IMPACT OF TENNCARE

A Survey of Recipients, 2015

90% Our goal is to maintain at least a 90% satisfaction rate. We have scored a 90% or better on our annual TennCare satisfaction survey for the past 8 years. This is an independent survey conducted by the University of Tennessee on behalf of TennCare.

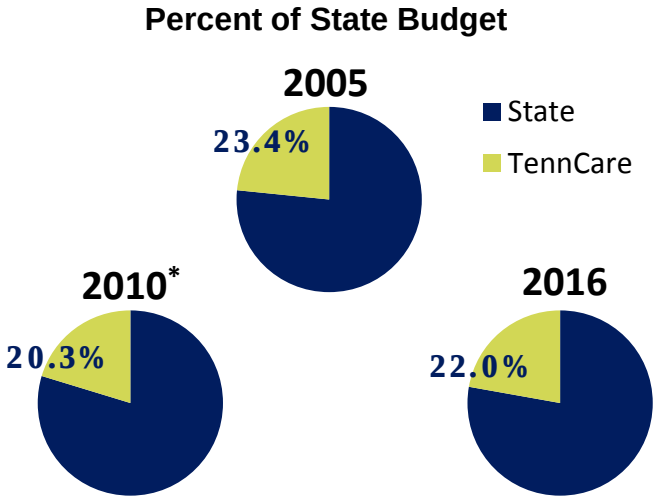
An AARP study on MLTSS found that "managed care can lead the way in advancing person- and family-centered care." The authors identify promising practices in four programs, including TennCare CHOICES, which require "the caregiver's role to be determined, health and well-being assessed, and training and other needs identified."

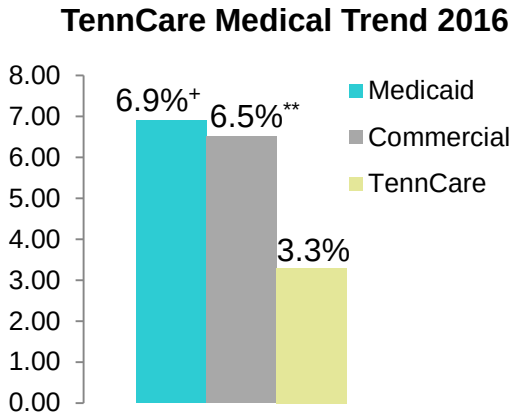


- All TennCare health plans are NCQA accredited and Tennessee was the first state to require this of its Medicaid health plans.
- TennCare has the 3rd highest quality scores among the 11 states in the Southeast region.^

^ Using non-weighted averages

Trend





- 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.

** PwC Health Research Institute

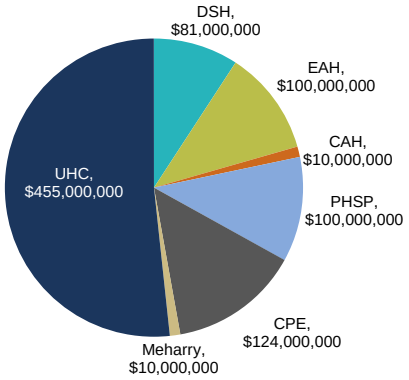
+ The Henry J. Kaiser Family Foundation

HCFA Update – Priorities

Tennessee Waiver Renewal

- Previous waiver expired June 30, 2016.
- CMS granted multiple short-term extensions while discussions continued.
- Final approval was granted in December 2016.
- This is a five year waiver that must remain in compliance with federal law.
- Biggest change in the new waiver is related to supplemental pool payments to hospitals.

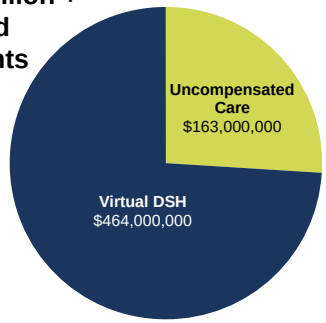
Current Pool Structure



$880 million

Future Pool Structure

$627 million + Directed Payments



Directed Payments

- Will allow continued payments to "classes" of hospitals.
- Tied to performance and utilization rather than unreimbursed costs.
- New structure and distribution method phased in over FY18 and FY19.

Tennessee Health Care Innovation Initiative

- **Episodes of care -** Results after the first year showed a reduction in costs of 3.4% in perinatal, 8.8% in asthma exacerbation, and 6.7% in total joint replacement (hips and knees). This results in savings of $11.1 million while maintaining quality.
- **Tennessee Health Link -** Program launched on December 1, 2016 and provides integrated and value-based behavioral and primary care services for people with Severe and Persistent Mental Illness (SPMI).
- **Patient-Centered Medical Homes (PCMH) –** TennCare's three MCOs launched a statewide aligned PCMH program starting with approximately 30 practices on January 1, 2017.
- **TN selected as Comprehensive Primary Care Plus region –** Tennessee is one of 14 states to receive federal funding to support continued transformation of primary care.

HCFA Update – Priorities

Employment and Community First CHOICES

- Provides supports for people with intellectual and developmental disabilities targeted to employment and independent community living.
- Greater integration and coordination of services to help improve employment, health, and quality of life outcomes.
- Higher quality, more efficient care reduces per member cost, allowing more individuals to be served and reducing the waiting list over time.

1700

Slots available in first year of enrollment

2200

Referrals received*

900

Approximately 900 members enrolled

*Referral list (including individuals on previous DIDD waiting list) is more than 6200

Opiates and Addiction Treatment

Pharmacy Benefit Design

- Prescription limit for most adults is 5 prescriptions per month (3 generic and 2 name brand).
- Limit on narcotics – one short-acting and one long-acting.
- Preferred Drug List (PDL)
- Controlled substances have prior authorization and specific clinical criteria requirements.
- CoverRx's covered drug list does not include any controlled substances.

Monitoring and Intervention

- Quarterly reports reviewing prescribing habits of top prescribers of controlled substances.
- Monthly reports on TennCare members with multiple controlled substance filled prescriptions or prescriptions with high doses.
- Pharmacy lock-in program
- Early refill prevention – controlled substance prescriptions must be at least 95 percent used before refilled.
- TennCare provides and reviews data on the number of cases of Neonatal Abstinence Syndrome (NAS) and cost impacts.
- Collaborating with TIPQC to provide increased access to voluntary long-acting reversible contraceptives (VRLACs) as part of strategy to reduce NAS cases.

Medication Assisted Therapy

- The Pharmacy Advisory Committee approve Bunavail as the preferred drug in October 2015.
- Bunavail has the same therapeutic qualities as Suboxone but cannot be abused and has lower street value.
- Significant decrease in buprenorphine claims following shirt to Bunavail as preferred drug.

HCFA Update – Priorities

Eligibility and Redetermination Update

Current Process

- Most individuals apply at and receive a determination from the federal marketplace.
- If the marketplace cannot make a determination, the application is referred to TennCare.
- LTSS applicants and discrete segments apply to and receive a determination from TennCare.
- Labor-intensive process that relies on ACCENT.
- Current process outlined in Mitigation Plan approved by CMS.

TEDS Implementation

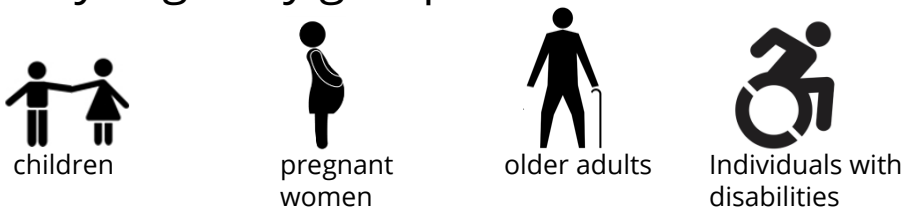
- All applicants may apply to TennCare.
- All determinations will be made by TennCare, even for applicants choosing to apply to the marketplace.
- Results in an eligibility process that is more automated and seamless.
- No reliance on ACCENT.

Redetermination Update

- Tennessee – like most other states – was granted a waiver in 2014 to suspend redetermination efforts during implementation of the many ACA–related Medicaid changes.
- TEDS will include redetermination capabilities. While TEDS is being built, TennCare has implemented a strategy to perform eligibility redeterminations utilizing a contracted vendor and additional state workers.
- TennCare saw an increase in enrollment since Jan. 1, 2014, due to a variety of reasons including eligible but not enrolled individuals coming onto the program and the temporary suspension of redeterminations.

Medicaid Regulations and Financing Today

- Federal government sets mandatory eligibility groups and benefits.
  - Eligibility group examples:



  - Benefits examples:

- States may elect to cover optional eligibility groups and benefits.
- Other federal regulations limit states' ability to control utilization and promote personal responsibility.
- Federal matching funds are provided on an open-ended basis.
- Nationwide FMAPs range from 50% to 75%.
- Tennessee's current FMAP is 64.983%.

Why the Push for a New Funding Model?

- **State Perspective**
  - Unfunded mandates – the federal government has steadily increased requirements on states in regard to populations and services that must be covered in Medicaid.
  - Federal government is not motivated to control spending – they print money.
  - Federal regulations block or severely limit states' ability to innovate and/or make changes designed to control costs or promote personal responsibility.
  - New funding models under consideration would increase state flexibility to run the Medicaid program in a manner consistent with state values and tailored to the state's population and needs.

- **Federal Perspective**
  - States see federal match as a limitless source of funds for state level priorities and initiatives.
  - States are motivated to maximize federal revenue and shift responsibility to the federal government for services more appropriately funded by state and local governments.
  - States have implemented provider assessments which shift costs from the states to the federal government.
  - New funding model would:
    - Properly incentivize states to control costs.
    - Be designed to limit annual cost increases, resulting in decreased drain on tax revenues over time.
    - Shift responsibility to the states for making the changes (cuts) associated with decreased funding.

TN

Alternative Medicaid Funding Proposals

Block Grants

- Lump sum grants to states on a predetermined formula.
- States spend funds on a specified range of activities.
- States typically do not provide matching funds, but could be subject to maintenance-of-effort requirement on existing spending.

Per Capita Caps

- Per member limits on federal payments to the states.
- Federal spending would increase based on the number of members.
- States would be responsible for any spending above the fixed per capita payment.
- States may be required to contribute state share to draw down federal funds.

American Health Care Act Per Capita Funding Model

- As proposed would change the funding for Medicaid programs, including TennCare, from a federal match model to a per capita allotment for each person enrolled beginning in FY2020.
- Per capita allotment would be based on TennCare spending during FY2016.
- States would receive different per capita amounts for certain categories including elderly, blind and disabled, children and adults.
- Any expenditures that exceed the allotment amount during a given fiscal year will be deducted from the federal Medicaid funding received the following fiscal year.

Alternative Medicaid Funding Proposals

- Alternative funding models shift more financial risk to states.
- In the absence of substantial relief from existing federal law, states would be "on the hook" for increases in expenditures that are outside state control.
- Greatest sources of risk:
  - Enrollment growth – associated with countercyclical nature of Medicaid
  - Expensive new technologies and drugs
  - Legal challenges
- Details will be very important
  - What flexibilities will be granted to states?
  - What requirements will remain?
  - What population groups will be included or carved out?
  - How will the base year of funding be calculated?
  - What growth factors will be included in the new methodology?
- With flexibility comes responsibility for difficult choices.

States are bound by:

Federal law (statutes, regulations and waivers)
Federal and state court orders
Federal partner guidance
State statute

Category	Enrollment	PMPY Cost
Children (under 21)	828,945	$2,071
Over 65	66,901	$14,669
Disabled Individuals	150,379	$13,235
Adults	452,491	$3,297

Division of
Health Care
Finance & Administration

THANK YOU