Fiscal Year 2009 Budget Recommendations

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Presented 2008

TENNCARE PROGRAM LANDSCAPE

Management Objectives

- Present third consecutive lowest budget improvement
- Complete integration and return to full financial risk for all MCOs
- On-going implementation of Standard Spend Down
- Continue focus on prompt audit-finding resolution

Financial Realities

- Federal partners cost-shifting to state Medicaid programs
- Countercyclical nature of Medicaid given current economic outlook
- Healthcare cost trends will increase future Medicaid budgets

TOTAL EXPENDITURES FOR FY 2000-2007

- **TennCare managed operations for a near-flat growth rate from 2006 to 2007**
- **Controlled growth trend must be maintained for future program stability**

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Expenditures	$4,538,526,200	$5,430,806,600	$6,105,650,500	$6,864,485,100	$7,631,268,200	$8,569,292,200	$6,918,716,800	$7,092,733,800

TOTAL PHARMACY EXPENDITURES

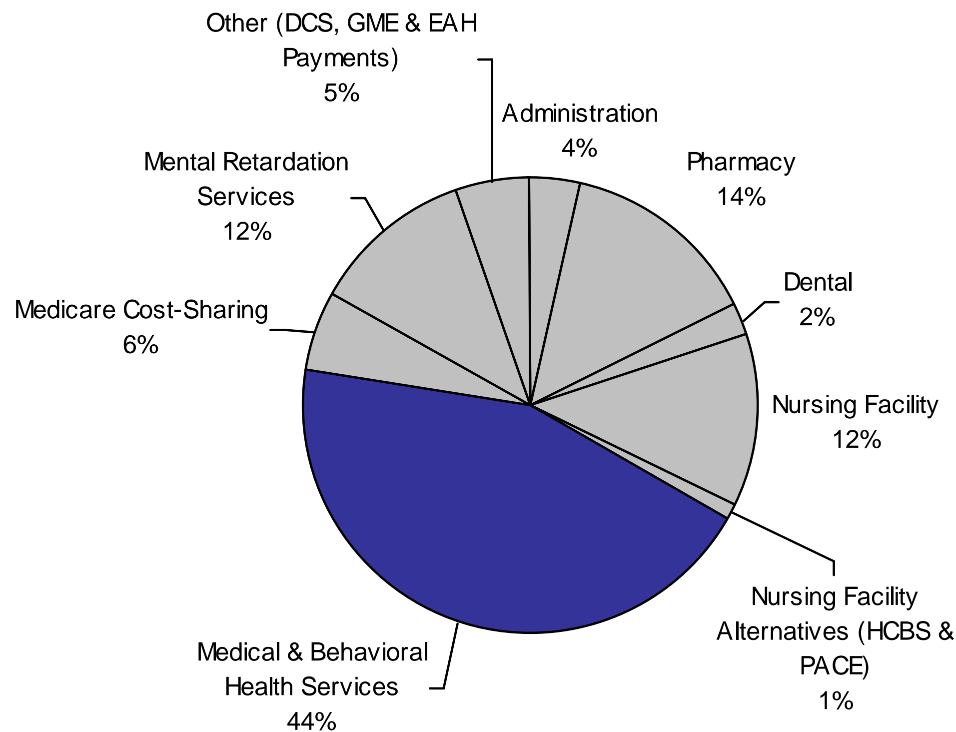
- **Pharmacy was former largest program cost-driver and now is at more reasonable levels**
- **Remainder of Medicare Part D accounting change a major factor in FY06 to FY07 expenditure drop**

Fiscal Year	Total Pharmacy Expenditures
FY 02	$1,366,922,000
FY 03	$1,713,407,600
FY 04	$2,161,743,400
FY 05	$2,446,104,400
FY 06	$1,215,221,700
FY 07	$869,134,000

$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$0

2009 RECOMMENDED BUDGET EXPENDITURES BY CATEGORY

- Pharmacy expenditures a more reasonable percentage of program
- Largest percentage of spending is on medical and behavioral services
- Home Health & PDN included in the medical and behavioral health services category



Total Expenditures (State and Federal)

Medical & Behavioral Health Services	**$3,332,657,100**
Pharmacy	**1,074,448,100**
Nursing Facility	**939,634,200**
Nursing Facility Alternatives	
– **HCBS Waiver**	**74,477,400**
– **PACE Program**	**12,515,000**
Mental Retardation	**882,575,700**
Medicare Cost-Sharing	**418,550,400**
Other (DCS, GME & EAH Payments)	**403,908,900**
Administration	**271,554,200**
Dental	**160,670,600**
Total	**$7,570,991,600**

FASTEST-GROWING PROGRAM COST DRIVER

- **Unsustainable 53% annual growth rate and lack of rational benefit structure is comparable to previous TennCare pharmacy program**
- **At current trend rate, HH/PDN will require nearly $300 million new dollars (total)**

Total Spending on Home Health & Private Duty Nursing (in millions)

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08*	FY 09*
Total	$ 18	$ 20	$ 25	$ 32	$ 54	$ 101	$ 174	$ 243	$ 320	$ 496
Adults Only	$ 10	$ 10	$ 10	$ 12	$ 23	$ 60	$ 111	$ 163	$ 257	$ 406

* Projected expenditures at current growth rate

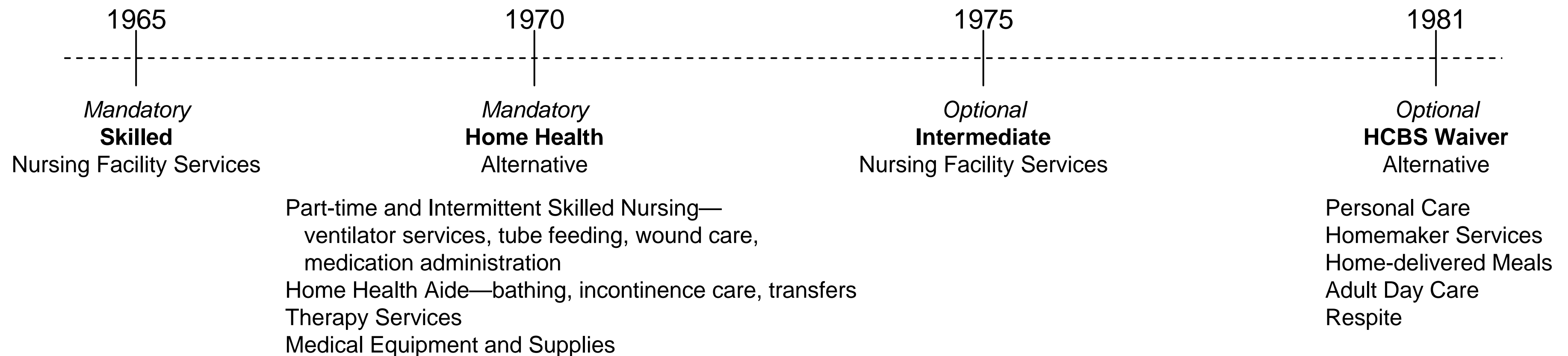
HOME HEALTH & PRIVATE DUTY NURSING SERVICES

- Most significant spending growth in HH/PDN attributed to 65+ population
- Expenditures skyrocketed from $645K to $81M in only 5 years
- Costs went from 3% of total home health/PDN expenditures to 33% in 2007

Home Health and PDN Spending Growth ages 65 and older

Fiscal Year	Spending
FY 99	$454,000
FY 00	$546,000
FY 01	$373,000
FY 02	$645,000
FY 03	$861,000
FY 04	$2,928,000
FY 05	$22,212,000
FY 06	$52,212,000
FY 07	$81,340,000

EVOLUTION OF MEDICAID LONG TERM CARE



Home Health/Private Duty Nursing Services

- Intended to offer a cost-effective alternative to institutionalization
- The "de facto" community care benefit in Tennessee (as the HCBS Waiver Program is maturing)
- Ceases to be a cost-effective alternative to institutionalization when HH/PDN supplants family and other caregivers and becomes the primary or even sole source of an individual's support
- Uncontrolled HH and PDN growth limits expansion of lower cost HCBS alternatives

LONG TERM CARE CONTINUUM

Community				Institution
Independent Person →	Assistance from Family/Friends →	Assistance from Family Friends supplemented with HH/PDN	and/or HCBS Waiver →	Nursing Home
Relative Per Person Cost		$-$$$$	$	$$$

HOME HEALTH AND PDN STATE COMPARISON

- **Tennessee's Home Health and PDN coverage policy is an outlier compared with peer Medicaid programs**
- **Most states do not offer PDN to adults and place significant limits on HH benefit for adults**
- **Tennessee's Pre-TennCare Medicaid program used a Home Health structure that included 60 visits per year and no adult PDN benefit.**

No PDN Benefit for Adults

Adult PDN with Significant Limits

Unlimited PDN

MO
No Adult PDN
100 HH visits/yr

KY
No Adult PDN
Limited Home Health****

WV
No Adult PDN
124 HH visits/yr

VA
No Adult PDN
HH nursing visits beyond 5 only with PA**
32 HH aide visits/yr

AR
Limited Adult PDN*
50 HH visits/yr

TN
Unlimited Adult PDN and HH

NC
Limited Home Health***

SC
No Adult PDN
75 HH visits/yr

GA
No Adult PDN
50 HH visits/yr

AL
No Adult PDN
104 HH visits/yr with less than 2 aide visits/week

MS
No Adult PDN
25 HH visits/yr

LA
No Adult PDN
50 HH visits/yr

FL
No Adult PDN
4 HH visits/day w/60 lifetime limit

* Limited to ventilator dependent individuals and those with functioning tracheotomy requiring suctioning and oxygen supplementation

** Prior Authorization required for skilled nursing visits which exceed 5 per year

*** HH covered on a part-time or intermittent basis not to exceed 8 hrs/day and 34 hrs/week; aide services covered only if a skilled service is required

**** Kentucky has 4 separate Medicaid benefit plans. Comprehensive Choices, for persons who are elderly and/or disabled **and** who meet Nursing Facility level of care, covers no more than 2 intermittent skilled nursing visits per day. Home Health Aide services are available as separate personal care and housekeeping services (up to 4 hours per week) through a 1915c waiver program where services cannot exceed the cost of institutional care. All services must be prior authorized.

SOLUTION TO HOME HEALTH/PDN COST DRIVER

Goals

- Continue to cover home health and PDN services
- Build a rational benefit structure that offers as much flexibility as possible, while also controlling expenditure growth
- Utilize more cost-effective HCBS waiver services, as appropriate, to provide in-home care

Strategies

- Apply existing HCBS cost-effectiveness standard to Home Health and PDN services
- Exempt all children and all ventilator-dependent adults from benefit structure changes
- Utilize part of savings to expand HCBS capacity (i.e., "slots") and infrastructure to support increased demand

LONG TERM CARE TRANSFORMATION

Re-organize Fragmented LTC System

- Access to services scattered across multiple points of entry
- Poor coordination of different types of acute and LTC services
- No comprehensive quality strategy across entire continuum of LTC

Re-focus Limited Service Options

- Non-traditional LTC options (HCBS) extremely limited; creates over-reliance on nursing facilities and costly private duty nursing
- Service options do not always match level of need
- Lack of individual choice or decision-making ability

Re-balance Inefficient use of Limited Resource

- System heavily dependent on most costly services, even though lower cost alternatives better meet individual needs
- Current system supplants existing family and other caregivers
- Reimbursement not based on need; misaligned incentives
- Extremely limited new recurring funds

RECOMMENDED IMPROVEMENTS AND OFFSETS

FY 2009 TennCare Budget Request	State	Federal	Total Dollars
Home and Community Based Services			
Additional 2300 slots in the Statewide HCBS program for the elderly and disabled	$10,127,900	$18,113,300	$28,241,200
Electronic visit verification system for Statewide HCBS waiver program	$933,400	$933,400	$1,866,800
Equalize rates in the Statewide HCBS program for elderly and disabled with the State OPTIONS program for homemaker, personal care, and home delivered meals	$944,000	$1,688,300	$2,632,300
TennCare Select Pediatric screening rates			
Pediatric Evaluation and Management codes in Select: increase Select rates on CPT codes 99212, 99213, 99214, and 99215	$528,500	$945,200	$1,473,700
Other State Agency Programs	$7,196,600	$11,875,500	$19,072,100
Adult Home Health/PDN Benefit structure			
Cost Effectiveness Test - Adults cannot exceed institutional care cost for Home Health/PDN each month. All children and ventilator-dependent adults are exempt.	($31,501,100)	($56,338,700)	($87,839,800)
Base Budget Offsets			
Crossover Reimbursement Methodology Change - Ambulance	($4,090,500)	($7,315,700)	($11,406,200)
Crossover Reimbursement Methodology Change - DME	($8,566,800)	($15,321,300)	($23,888,100)
Eliminate "% of Billed Charges" reimbursement method in MCOs	($1,793,100)	($3,206,900)	($5,000,000)

CONTINUE PROGRAM VIGILANCE

Facing Challenges

- Control future cost drivers now
- Monitor CMS efforts to mitigate federal budget exposure
- Manage resource diversion due to existing lawsuits

Fulfilling Commitments

- Maintain program's financial stability
- Ensure day-to-day operations promote program success
- Focus on TennCare's core priorities