TennCare Quarterly Report

Submitted to the TennCare Oversight Committee and the Fiscal Review Committee

October 15, 2007

Status of TennCare Reforms and Improvements

Waiver extension. As reported previously, the TennCare waiver that was approved by the Centers for Medicare and Medicaid Services (CMS) in 2002 was scheduled to expire on June 30, 2007. The state spent many months between October 2006 and the end of the state fiscal year working with CMS staff in an attempt to negotiate a three-year extension of the waiver. The three-year extension was to begin on July 1, 2007.

On June 29, 2007, CMS sent the state a letter extending the 2002 waiver until July 13, 2007. Five subsequent extensions were granted, with respective end dates of August 15, August 31, September 14, September 30, and October 15. As of the end of the quarter, the extension remained unapproved.

A major issue for the state was a decision from CMS announced at the end of June to place a new cap on supplemental payments to hospitals. The initial cap proposed by CMS was around $480 million, which would have meant more than $386 million in foregone revenue for TennCare during the three-year extension period.

The state made earnest efforts to address this issue, initially requesting no cap since the state's expenditures under TennCare were already limited by a budget neutrality cap, and some supplemental hospital payments were already capped, making an additional "subcap" unnecessary. However, CMS/OMB was adamant that a new cap would be imposed despite the State's best efforts. The state then argued for a higher cap that was more representative of actual expenditures. These discussions continued during the six extension periods.

Standard Spend Down program. Since the three-year extension of the TennCare waiver remained unapproved, the state was unable to implement the Standard Spend Down, or SSD, program. This program, which has been described in previous Quarterly Reports, will allow TennCare to enroll 100,000 non-pregnant adults who meet the criteria usually associated with the Medically Needy program.

Annual beneficiary survey. Each year the Bureau of TennCare conducts a survey of Tennesseans to gather information on their insurance status and, for those who are TennCare enrollees, their satisfaction with their health care. This survey has been

conducted every year since 1993 by the Center for Business and Economic Research (CBER) at the University of Tennessee.

The 2007 survey was published in August. CBER reported that the uninsured rate for all Tennesseans declined to 10 percent in 2007, after a significant increase the previous year. The uninsurance rate for children was measured at 4.8 percent.

CBER reported that respondents who were TennCare eligibles continued to express satisfaction with their care. Ninety percent of TennCare enrollees said that they were either somewhat satisfied or very satisfied with their health care, an increase from 87 percent in 2006.

The survey found that the efforts to educate TennCare enrollees about the most cost-effective ways to get medical care appear to be paying off in fewer emergency room visits and more visits to doctors' offices. The number of TennCare enrollees seeking care at hospital emergency rooms in 2007 was the lowest level of any year since the survey started. Only 4 percent reported going to the hospital first, down from 7 percent in 2006 and 14 percent in 1993.

Recognition for healthcare technology innovation. In a report released on August 21, 2007, the U. S. Office of Inspector General for the Department of Health and Human Services found that the Bureau of TennCare is among the few state Medicaid agencies implementing electronic health initiatives. Of the 52 agencies surveyed, TennCare was one of only 12 found to be using innovative health information technology in its day-to-day operations. TennCare also was one of only five such state agencies that have developed e-prescribing initiatives for their providers.

TennCare, in partnership with Shared Health, has implemented a claims-based electronic health record (EHR) that contains diagnoses, procedure or visit information, and prescription histories. It contains non-claims information from other sources, such as lab results from participating labs and immunization records provided by the Department of Health. The TennCare EHR also allows providers to maintain other pertinent information such as vital signs, allergies, and documentation of early periodic screening, diagnosis, and treatment (EPSDT) screenings.

TennCare also offers e-prescribing to its providers through the secure TennCare EHR web portal. The e-prescribing application includes information about TennCare's drug formulary, dosing instructions, and side effects, and it offers a tool to alert providers about potential drug interactions based on a patient's prescription history or allergies. Such health information technology and health information exchange initiatives have been identified by the Governor and federal officials as having the potential to reduce health care costs that arise from inefficiency, medical errors, inappropriate care, and incomplete information.

Reduced audit findings. Each year TennCare receives an audit report from the Comptroller of the Treasury. The number of findings identified in these annual reports has been dropping significantly over the past five years, from 39 in FY 2002 to only four in the past fiscal year. Along with the decrease in the number of audit findings has been a decrease in the severity of the findings. The current findings deal more with technical aspects of the TennCare program rather than with structural flaws in its administration. The Bureau has also seen a reduction in repeat findings. These changes have come

about as the result of focused attention from Bureau leadership and mobilization of the organization to achieve important improvements and efficiencies.

RFP development. Work is underway on several Requests for Proposals, or RFPs. In mid-September the state issued an RFP for reprocurement of the TennCare Management Information System (TCMIS). The planned start date for the contract that results from the RFP is January 2008. The state is also working on developing an RFP for reprocurement of the Pharmacy Benefits Manager (PBM). Other RFPs are being prepared to recruit integrated medical and behavioral health plans in East and West Tennessee.

New contractor for medical appeals. A new contractor began work on the TennCare medical appeals. The new contractor, Keystone Peer Review Organization, or KePRO, replaced the outgoing contractor, Schaller-Anderson of Tennessee, in mid-September. KePRO is a Pennsylvania company that has operations in five other states.

Essential Access Hospital payments. The TennCare Bureau continued to make Essential Access Hospital payments during this period. Essential Access Hospital payments are payments from a pool of $100 million ($36,265,000 in state dollars) appropriated by the General Assembly.

The methodology for distributing these funds specifically considers each hospital's relative contribution to providing services to TennCare members, while also acknowledging differences in payer mix and hospitals' relative ability to make up TennCare losses. Data from the Hospital Joint Annual Report is used to determine hospitals' eligibility for these payments. Eligibility is determined each quarter based on each hospital's participation in TennCare. In order to receive a payment for the quarter, a hospital must be a contracted provider with TennCare Select and at least one other Managed Care Organization (MCO), and it must have contracted with TennCare Select for the entire quarter that the payment represents. Excluded from the Essential Access Hospital payments are Critical Access Hospitals, which receive cost-based reimbursement from the TennCare program and therefore do not have unreimbursed TennCare costs, and the five state mental health institutes.

The projected Essential Access Hospital payments for the first quarter of State Fiscal Year 2008 are shown in the following table.

Name of Hospital	2008 - Qtr. 1*	Total
Methodist Medical Center of Oak Ridge	141,455	141,455
Ridgeview Psychiatric Hospital and Center	67,301	67,301
Bedford County Medical Center	105,021	105,021
Blount Memorial Hospital	128,154	128,154
Bradley Memorial Hospital	139,682	139,682
Cleveland Community Hospital	113,630	113,630
St. Marys Medical Center of Campbell County	101,968	101,968
Jellico Community Hospital	113,902	113,902
Stones River Hospital	31,492	31,492
Baptist Memorial Hospital Huntingdon	28,201	28,201
McKenzie Regional Hospital	42,074	42,074
Sycamore Shoals Hospital	90,828	90,828

Name of Hospital	2008 - Qtr. 1*	Total
Claiborne County Hospital	104,018	104,018
Cumberland River Hospital	14,006	14,006
Baptist Hospital of Cocke County	176,179	176,179
United Regional Medical Center	45,416	45,416
Harton Regional Medical Center	76,714	76,714
Cumberland Medical Center	110,290	110,290
Southern Hills Medical Center	75,906	75,906
Tennessee Christian Medical Center	338,930	338,930
Metro Nashville General Hospital	993,725	993,725
Baptist Hospital	212,905	212,905
Vanderbilt University Hospital	2,743,042	2,743,042
Centennial Medical Center	220,878	220,878
Skyline Medical Center	86,095	86,095
Summit Medical Center	108,925	108,925
Baptist Womens Treatment Center	2,589	2,589
Decatur County General Hospital	25,446	25,446
Baptist Dekalb Hospital	27,146	27,146
Horizon Medical Center	73,519	73,519
Dyersburg Regional Medical Center	112,633	112,633
Methodist Healthcare Fayette	50,100	50,100
Jamestown Regional Medical Center	98,132	98,132
Emerald Hodgson Hospital	21,354	21,354
Southern Tennessee Medical Center	59,252	59,252
Milan General Hospital	23,858	23,858
Gibson General Hospital	40,884	40,884
Humboldt General Hospital	88,280	88,280
Hillside Hospital	77,557	77,557
Laughlin Memorial Hospital	88,736	88,736
Takoma Adventist Hospital	58,281	58,281
Morristown Hamblen Healthcare System	137,727	137,727
Lakeway Regional Hospital	115,674	115,674
Erlanger Medical Center	1,594,760	1,594,760
Erlanger North Hospital	23,710	23,710
Women's East Pavilion	12,383	12,383
Parkridge Medical Center	72,481	72,481
Parkridge East Hospital	115,498	115,498
Parkridge Valley Hospital	201,650	201,650
Bolivar General Hospital	54,151	54,151
Hardin County General Hospital	105,300	105,300
Wellmont Hawkins County Memorial Hospital	134,362	134,362
Haywood Park Community Hospital	30,443	30,443
Henderson County Community Hospital	25,212	25,212
Henry County Medical Center	88,073	88,073
Jefferson Memorial Hospital	56,620	56,620
Fort Sanders Regional Medical Center	256,022	256,022
Saint Mary's Health System	197,459	197,459
Baptist Hospital of East Tennessee	102,975	102,975

Name of Hospital	2008 - Qtr. 1*	Total
University of Tennessee Memorial Hospital	1,562,381	1,562,381
East Tennessee Childrens Hospital	368,681	368,681
Crockett Hospital	52,776	52,776
Lincoln Medical Center	45,015	45,015
Fort Sanders Loudon Medical Center	45,444	45,444
Woods Memorial Hospital	44,469	44,469
Athens Regional Medical Center	55,083	55,083
McNairy Regional Hospital	43,989	43,989
Jackson Madison County General Hospital	545,382	545,382
Regional Hospital of Jackson	105,266	105,266
Pathways of Tennessee	121,274	121,274
Grandview Medical Center	70,225	70,225
Maury Regional Hospital	170,726	170,726
Sweetwater Hospital Association	138,893	138,893
Gateway Medical Center	187,673	187,673
Baptist Memorial Hospital Union City	54,439	54,439
Livingston Regional Hospital	44,080	44,080
Cookeville Regional Medical Center	126,745	126,745
Roane Medical Center	56,711	56,711
Northcrest Medical Center	195,622	195,622
Middle Tennessee Medical Center	268,982	268,982
Baptist Treatment Center of Murfreesboro	2,255	2,255
Stonecrest Medical Center	79,891	79,891
Scott County Hospital	58,557	58,557
Fort Sanders Sevier Medical Center	134,101	134,101
Regional Medical Center (The Med)	4,900,894	4,900,894
Saint Jude Childrens Research	296,783	296,783
Methodist Healthcare South	258,257	258,257
Methodist University Healthcare	347,154	347,154
Methodist Healthcare North	174,346	174,346
Methodist Healthcare Lebonheur	881,319	881,319
Delta Medical Center	226,716	226,716
Saint Francis Hospital	341,043	341,043
Baptist Memorial Hospital for Women	84,384	84,384
Smith County Memorial Hospital	23,395	23,395
Wellmont Bristol Regional Medical Center	269,196	269,196
Wellmont Holston Valley Medical Center	229,563	229,563
Indian Path Medical Center	82,719	82,719
Indian Path Pavilion	50,060	50,060
Tennessee Christian Medical Center Portland	32,793	32,793
Sumner Regional Medical Center	155,629	155,629
Hendersonville Medical Center	49,297	49,297
Baptist Memorial Hospital Tipton	102,324	102,324
Unicoi County Memorial Hospital	29,807	29,807
River Park Hospital	49,174	49,174
North Side Hospital	66,129	66,129
Johnson City Specialty Hospital	12,839	12,839

Name of Hospital	2008 - Qtr. 1*	Total
Johnson City Medical Center Hospital	705,198	705,198
Woodridge Psychiatric Hospital	59,716	59,716
Wayne Medical Center	33,160	33,160
Volunteer Community Hospital	34,989	34,989
White County Community Hospital	30,717	30,717
University Medical Center	310,735	310,735
		25,000,000

* Projected 1st Qtr. EAH payments

Reverification Status

Efforts formerly directed at reverification during the past year were directed toward assessing the eligibility of TennCare Standard adults for Medicaid categories, since the TennCare Standard adult categories were terminated in 2005. Those TennCare Standard adults who were not found eligible in a Medicaid category were disenrolled, after having the opportunity to exercise all appeal rights.

We have now started a monthly process for TennCare Standard children who have turned 19 and who are therefore no longer eligible for TennCare Standard. Those who are not found eligible in an active Medicaid category are disenrolled.

Status of Filling Top Leadership Positions in the Bureau

An appointment that actually preceded the quarter was that of Roger Oren.

Roger Oren was appointed June 1, 2007, as Information Systems Director, Division of Information Systems, responsible for managing the application development component of the Bureau's facilities management contract. In addition he is responsible for management of applications that support over 2,000 users across several state agencies, including TennCare, the Department of Human Services, the Department of Children's Services, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, the Department of Health, the Office of the Inspector General and others. Mr. Oren has over 16 years management experience and possesses an MBA with a focus on Finance and International Business from Mercer University, an MS in Computer Science from University of New Haven, and is a certified Project Management Professional (PMP).

Number of Recipients on TennCare and Costs to the State

As of the end of the quarter, there were 1,223,213 enrollees on TennCare: 1,188,429 Medicaid eligibles and 34,784 Uninsureds and Uninsurables (Medically Eligibles).

During the third quarter of calendar 2007 (July through September), TennCare spent* $749,812,500 for managed care organization (MCO) services**, $73,564,600 for behavioral health organization (BHO) services, $37,467,000 for dental benefit manager

(DBM) services, and $107,441,000 for pharmacy benefits manager (PBM) services. The state's Medicare clawback payment was $38,222,400. (The "clawback" refers to the payment required under the Medicare program's new Part D pharmacy program. Pharmacy benefits for Medicaid/Medicare dual eligibles, which had formerly been provided by TennCare, were shifted to the Medicare program on January 1, 2006. The "clawback" payment is intended to be roughly the amount of state funds that the state Medicaid program would have paid if it had continued to pay for outpatient prescription drugs for persons dually eligible for Medicare and Medicaid.)

**These figures are as of Sept. 30 and are unaudited.*
***This figure includes Integrated Managed Care MCO expenditures.*

Viability of MCOs in the TennCare Program

Claims Payment Analysis

The prompt pay requirements of T.C.A. § 56-32-226(b) mandate that each health maintenance organization and behavioral health organization ensure that 90% of clean claims for payment for services delivered to a TennCare enrollee are paid within 30 calendar days of the receipt of such claims and 99.5% of all provider claims are processed within 60 calendar days of receipt. TennCare's contract with its Dental Benefit Manager requires that the DBM also process claims in accordance with this statutory standard.

TennCare's contract with its Pharmacy Benefits Manager requires that the PBM must pay 95% of all clean claims within 20 calendar days of receipt and the remaining 5% of clean claims within the following 10 calendar days.

TDCI requested data files of all TennCare processed claims from TennCare MCOs, BHOs, the DBM and the PBM for the months of May, June and July 2007. TDCI also requested data files of pended TennCare claims and a paid claims triangle from May 1, 2006 through July 31, 2007.

Except for Memphis Managed Care Corporation ("MMCC"), Unison Health Plan of Tennessee ("UHP"), and Windsor Health Plan ("WHP"), all MCOs, BHOs and the PBM were in compliance with the statutory prompt pay requirements for May, June and July 2007.

MMCC was out of compliance for June, processing only 83% of clean claims within 30 calendar days of receipt and only 90.2% of all claims within 60 calendar days of receipt. Because of its non-compliance, MMCC has been required to submit claims data files monthly until MMCC processes claims timely for three consecutive months. Tests of MMCC's monthly data file for August found that MMCC remained out of compliance, processing only 89% of clean claims within 30 calendar days of receipt and 91.2% of all claims within 60 calendar days of receipt. TDCI will levy an administrative penalty for MMCC's failure to timely process claims in accordance with the prompt pay statute.

UHP was out of compliance with the prompt pay requirements for the months of June and July. In June and July, UHP processed only 83% and 68%, respectively, of clean

claims within 30 calendar days of receipt. Because of its non-compliance, UHP has been required to submit monthly data files until UHP processes claims timely for three consecutive months. Tests of UHP's monthly data file for August found that UHP remained out of compliance, processing only 66% of clean claims within 30 calendar days of receipt. TDCI will levy an administrative penalty for UHP's failure to timely process claims in accordance with the prompt pay statute.

WHP was out of compliance with the prompt pay requirements for May, June and July, processing only 97.8%, 98.4% and 99.0%, respectively, of all claims within 60 calendar days of receipt. Because of its non-compliance and because it is currently winding down its TennCare operations, WHP is required to submit monthly claims data files for prompt pay analysis. Since WHP is only processing "run out" claims with dates of service prior to April 1, 2007, the volume of claims processed each month is significantly decreasing. As a result, TDCI has opted not to assess an administrative penalty for WHP's non-compliance with the prompt pay standards.

It should be noted that although UnitedHealthcare Plan of the River Valley (d/b/a "AmeriChoice") complied with the statutory prompt pay standards based on the total population of claims processed each month, the MCO's vision subcontractor, Spectera, did not process claims timely in May. Spectera processed only 99.4% of all vision claims within 60 calendar days of receipt. Because the number of vision claims processed monthly is so small compared to the total population of claims processed in a month, Spectera's non-compliance did not have a negative impact on the MCO's total processing results.

Furthermore, VSHP has two separate contracts with TennCare: BlueCare and TennCare Select. Although TennCare Select only processed 89% of clean claims within 30 calendar days of receipt, VSHP met the prompt pay requirements based on the total claims processed for that month.

Net Worth Requirement

As of June 30, 2007, TennCare MCOs/BHOs reported net worth as indicated in the table below. TDCI has not adjusted the net worth reported on the NAIC annual statements. TDCI's calculations for the net worth requirement reflect payments made for the calendar year ending December 31, 2006, including payments made under the "stabilization plan."

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
AMERIGROUP Tennessee 1	10,629,247	13,416,150	2,786,903
UnitedHealthcare Plan of the River Valley (d/b/a AmeriChoice)	17,339,431	194,473,869	177,134,438

1 AGP began operations on April 1, 2007. Pursuant to its contract with TennCare, AGP was required to establish an enhanced net worth balance of at least $10,629,247 prior to beginning its TennCare operations. AGP must maintain this enhanced net worth balance until it has been in operation for a full calendar year (through December 2008.) At that point, its net worth balance will be determined by the formula set forth in the HMO statute.

Memphis Managed Care	8,777,597	31,435,294	22,657,697
Preferred Health Partnership	6,583,291	33,750,820	27,167,529
UAHC Health Plan	7,230,835	11,494,504	4,263,669

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
Unison Health Plan	3,746,386	5,617,361	1,870,975
Volunteer (BlueCare & Select)	25,703,132	31,227,218	5,524,086
Windsor Health Plan	6,291,309	8,943,113	2,651,804
Premier Behavioral Systems	7,026,272	35,108,223	28,081,951
Tennessee Behavioral Health	6,606,592	21,268,097	14,661,505

FINANCIAL ISSUES:

Xantus Healthplan of Tennessee, Inc. (Xantus)

No change.

Tennessee Coordinated Care Network d/b/a Access MedPlus (TCCN)

On August 24, 2007, the TCCN Liquidation issued its final distribution of $11,851,429 to providers in accordance with the Court-approved final distribution plan. This final distribution results in providers receiving payments totaling $51,419,622 on total debt of $76,095,315, or approximately 68 cents on every dollar owed to providers.

Universal Care of Tennessee (Universal)

No change.

Success of Fraud Detection and Prevention

The Office of Inspector General (OIG) was established three years ago (July 1, 2004). The mission of the OIG is: *To identify, investigate, and prosecute persons who commit fraud or abuse against the TennCare program.* The OIG staff receives case information from a variety of sources including: local law enforcement, the Tennessee Bureau of Investigation (TBI), the TennCare Bureau, Health Related Boards (HRB), the Department of Human Services (DHS), other state agencies, health care providers, Managed Care Contractors (MCC), OIG data mining, and the general public via the OIG web site, faxes, letters, and phone calls to the OIG hotline. The statistics for the first quarter of the 2007 - 2008 fiscal year are as follows:

***NOTE**: Included are the fiscal year totals (FYT) and the grand totals to date -- since the OIG was created (July 2004)*

Summary of Enrollee Cases

	Quarter	FYT	Grand Total
Cases Received	7,298	7,298	83,517
Cases Closed*	6,914	6,914	83,479

Cases are closed when there is inadequate information provided to investigate the complaint, the information has been researched and determined to be unfounded, the case was referred to another agency (as per appropriate jurisdiction), or prosecuted by the OIG and closed. This number also includes reports the OIG runs for the TennCare Bureau regarding potential fraud or abuse.

Summary of Enrollee Abuse Cases

	Quarter	T[2]
Abuse Cases Received	6,336	22,941
Abuse Cases Closed	953	6,736
Abuse Cases Referred [1]	5,383	17,032

[1] Abuse cases may be referred to the appropriate Managed Care Organization (MCO), the TennCare Bureau, or DHS for further review.

[2] Totals are for the last 15 months (five quarterly reports)

Summary of Provider Cases

	Quarter	FYT	Grand Total
Cases opened	57	57	993
Cases closed	35	35	801
Cases referred to TBI*	43	43	117
Cases referred to HRBs**	6	6	79

***The OIG refers **provider cases** to the TBI Medicaid Fraud Unit (as per state and federal law) and will assist with these investigations as requested.*

***Health Related Boards*

Summary of Arrests & Convictions

	Quarter	FYT	Grand Total
Arrests	66	66	522
Convictions	16	16	172
Diversions*	8	8	69

Note: *Special Agents were not in the field making arrests until February 2005.*

***Judicial Diversion**: A guilty plea or verdict subject to expungement following successful completion of probation. Tennessee Code Annotated § 40-35-313*

***Pre-trial Diversion**: Prosecution was suspended and if probation is successfully completed, the charge will be dismissed. Tennessee Code Annotated § 40-15-105*

Court Fines & Costs Imposed

	QUARTER	FYT	GRAND TOTAL
Fines	**$5,000**	**$5,000**	**$67,891.50**
Court Costs & Taxes	**$2,736**	**$2,736**	**$36,459.11**
Drug Funds	**$260.50**	**$260.50**	**$4,125.00**
Restitution (ordered)	**$62,407.65**	**$62,407.65**	**$868,971.83**

There is an aggressive push to pursue enrollees who have committed fraud or abuse against the TennCare program. The primary criminal case types are: drug cases (drug diversion, drug seekers, and forged prescriptions), reporting a false income, access to insurance, and living outside of the State of Tennessee.

Arrest Categories

Drug Diversion/Forged Prescription	345
Access to Insurance	54
Operation Falcon III	32
Operation Falcon IV	16
False Income	27
Ineligible Person Using Card	17
Living Out Of State	10
Asset Diversion	7
Theft of Services	7
ID Theft	5
TennCare Fraud	2
GRAND TOTAL	**522**

TennCare Referrals & Recoupments

	Quarter	FYT	Grand Total
Pharmacy Lock-in **1**	22	22	906
Recoupment **2**	$120,144.60	$120,144.60	$1,101,029.82
Recommended TennCare Terminations **3**	5,054	5,054	26,172
Potential Savings **4**	$16,678,200	$16,678,200	$95,583,277

Footnotes for the *TennCare Referral and Recoupments* table

1 The total in the last column is for the time period of September 2004 through September 30, 2007. Pharmacy lock-in referrals are sent to the TennCare Bureau for consideration.

2 The total in the last column reflects dollars collected by the OIG and sent to the TennCare Bureau from February 15, 2005, (when a Fiscal Manager and an attorney joined the OIG staff to facilitate and document this process) through September 30, 2007.

3 Enrollee recommendations sent to the TennCare Bureau for consideration based on reports run from *file net* (i.e. Prisoner Report, State Wage Report, the Deceased Report, and the PARIS Report). Reports are run upon availability on *file net*.

4 There were 5,054 enrollee terminations recommended by the OIG to the TennCare Bureau for their review during the first quarter. The TennCare Bureau uses $3,592.32 as the average annual cost per enrollee for Medical, Pharmacy Services, BHO, and Dental, and $3,082.44 for Medical and Pharmacy Services -- (an average of $3,300 was used in calculating the total figure in the above table). [NOTE: Previous reports reflected the number $4,181.04 as the average annual cost per enrollee, as per the TennCare Bureau.]

Investigative Sources

	Quarter	FYT	Grand Total
OIG Hot Line	1,225	1,225	14,222

OIG Mail Tips	36	36	2,755
OIG Web Site	427	427	4,847
OIG Email Tips	258	258	2,090

Other Investigative Sources for this Quarter:

Data Mining	4,468
Fax	179
Cash for Tips	8
Law Enforcement	363
Other	135

Case Type for this Quarter (sample)

Drug Diversion	506
Drug Seeker	385
Other Insurance	382
Income/other Assets	363
Using someone's card	40
Out of State	4,382
Transfer of Assets	16
Abusing ER	86
Dr. Shopping	245

The OIG staff provided presentations or attended meetings for the following organizations/contacts during this quarter:

a Meetings with local law enforcement officials and other State Agencies: the Judicial Task Forces, District Attorneys, Sheriffs and Chiefs of Police; also: Commerce and Insurance, Consumer Affairs, United States Marshals, Office of Consulting Services, Office of Technical Services, Medstat, TBI Drug Diversion Task Force, Law Enforcement Committee (Brentwood), the East Tennessee Medicaid Fraud Investigation Group, the CID Regional Meeting - Hickman County, and the Judicial District Law Enforcement Coalition - LaFollette.

b. Training & Presentations:

*LEACT - Law Enforcement Accreditation Coalition of Tennessee, Memphis meeting
*FBI National Academy, Quantico, VA -- Special Agent John Morgan
*FBI National Academy Associates -- Nashville bi-monthly meeting
*National Association of Program Integrity Agencies, San Diego -- PHNC Manager Patsy Crook presented to this group
*TLEEDS - DIG David Griswold completed this law enforcement leadership training
*TGEI -- DIG Rob White is attending
*Attorney General's Office - presentation on using subpoenas
*Teleconference with Medstat and 25 other states
*Union County Sheriff's Department presentation
*Self-protection presentation to staff
*HIPAA & Confidentiality presentation to staff

*In-Service continued for the Special Agents as did educational requirements for the Attorneys, RNs, and the OIG CPA
*Medstat training - 2 staff members attended this entry level training in Franklin, Tennessee

The OIG staff continues to work with the state's contractor, Medstat, to develop the fraud and abuse detection software system. The OIG is working with this vendor to initiate proactive reports for identifying TennCare fraud. Targeted queries are generated on a routine basis. The goal behind these reports and queries is to assist with a successful OIG investigation and prosecution of individuals who have violated the law as it pertains to TennCare fraud.

Three employee vacancies occurred during this quarter due to one transfer to another State agency and two resignations (these employees took jobs in the private sector). There will be an evaluation of these vacancies.

Training continued for OIG personnel during this quarter. The Special Agents completed an annual In-Service training that includes POST required courses, new policies and procedures, all qualifications with approved weapons, a legal update, etc. All continuing education hours began for OIG "professional" staff members, i.e. attorneys, accountant, registered nurses, and information technology personnel. There was a required training class for the entire staff on "ethics". The Deputy Inspector General, CID, completed the TLEEDS class - a leadership class for Tennessee law enforcement executives. The Deputy Inspector General, PID, completed a high level investigative training class and was selected for the next TGMI class.

The OIG Legal Division has assisted OIG staff members by providing legal advice on issues including how to meet the requirements of various statutes and drafting and reviewing documents that have legal implications. The Legal Division facilitates the case preparation process and works closely with various District Attorneys toward a successful prosecution of OIG cases. They review all legal matters of the OIG and advise on pending legislative issues.

The Inspector General and the Deputy Inspector General over Criminal Investigations have continued visits to various Tennessee counties. In each jurisdiction visited, there is a courtesy call to the Sheriff and Chief of Police. The goal is to continue to solidify the collaboration between local law enforcement and the OIG. More visits are planned for the next quarter.

The OIG continues to maintain accredited status by complying with the standards of the Commission on Accreditation for Law Enforcement Agencies (CALEA). The OIG was accredited in November 2006. The State of Tennessee OIG is the only Inspector General agency to achieve law enforcement accreditation both nationally and internationally. A re-accreditation on-site and hearing will occur in during the 2009 - 2010 fiscal year.

An OIG Special Agent completed the summer session of the FBI National Academy in Quantico, Virginia. This is a very prestigious school that is often referred to as the "Harvard" of law enforcement. Tennessee only receives about twelve slots a year (for the entire state/every law enforcement agency) so the

competition in the law enforcement community is keen. With SA John Morgan's graduation, the OIG now has seven NA graduates.

The OIG Special Agents participated in *Falcon IV* - an arrest roundup headed by the United States Marshal's Service. As a result of this effort, the OIG Agents made sixteen arrests.

The new Doctor Shopping legislation (approved by the General Assembly June 2007) has generated a number of criminal investigations. The OIG mailed approximately 30,000 letters notifying licensed medical providers in the state about this new law. A new OIG poster was designed, approved, printed, and mailed to state providers stating, "Doctor Shopping is a Crime". Positive feedback has been received regarding the letters, the posters, and the new law.

Plans for next quarter:

a. Continue to exchange information with local, state, and federal government agencies.
b. Continue to work with Medstat to improve reports that would assist with the data mining function of the OIG.
c. Provide presentations and training for interested parties regarding TennCare fraud and the role of the OIG.
d. Continue staff training and develop best practices.
e. Continue to track the pay incentive program for tips that lead to a successful conviction for TennCare fraud. This program is a result of legislation from the 104th General Assembly and is a law.
f. Begin to receive and review information for possible fraud and abuse of the programs: CoverTn, Cover Kids, CoverRX, and Access Tennessee -- as they link to TennCare cases.
g. Continue the process for re-accreditation (a three year process). The OIG was accredited in November 2006.
h. Continue using the newly created Doctor Shopping Law on investigations regarding suspected chronic abusers of the TennCare program.