TennCare Quarterly Report

Submitted to the Members of the General Assembly

October 14, 2011

Status of TennCare Reforms and Improvements

Standard Spend Down. The TennCare Standard Spend Down (SSD) eligibility category opened to new enrollment once again on September 12, 2011 (following previous rounds on October 4, 2010, and February 22, 2011). SSD is available through an amendment to the TennCare Waiver and is designed to serve a limited number of persons who are not otherwise eligible for Medicaid but who are aged, blind, disabled, or the caretaker relative of a Medicaid-eligible child and who have enough unreimbursed medical bills to allow them to "spend down" their income to a low level known as the Medically Needy Income Standard (MNIS). The MNIS for a family of three is $317 per month.

During the open enrollment period, the Department of Human Services (DHS) received 2,793 calls in just over one hour. As a result, 2,640 callers not already covered by TennCare were invited to apply for SSD. The deadline for submitting an application is October 21, 2011.

EHR Provider Incentive Program. The Electronic Health Record (EHR) Incentive Program makes first-year payments to Medicaid providers[1] who have adopted, implemented, or upgraded to certified EHR technology capable of meeting "meaningful use" (i.e., use that is measurable in both quantity and quality) standards. TennCare administers Tennessee's Medicaid EHR program, the vast majority of funding for which is provided by the federal government.[2] During the July-September quarter, Tennessee's EHR Incentive Program achieved milestones in the categories of provider registration and payment.

The registration of providers continues to exceed expectations. Although early estimates had placed the likely number of registrants for all of calendar year 2011 at 1,500, 1,781 providers[3] were registered by

[1] CMS allows two types of providers to participate in the Medicaid EHR Incentive Program: medical professionals (physicians, nurse practitioners, certified nurse midwives, dentists, and certain kinds of physician assistants) and hospitals (acute care hospitals and children's hospitals).

[2] The federal government covers 90% of administrative costs and 100% of the incentive payments.

[3] The registration total consists of 954 physicians, 636 nurse practitioners, 76 acute care hospitals, 38 physician assistants, 28 certified nurse midwives, and 49 dentists.

the conclusion of the quarter. Furthermore, Tennessee continued to lead the nation in the number of verified[4] registrants with 1,530, which was 284 greater than Texas, the state with the second highest total.[5]

In addition, the distribution of incentive payments accelerated exponentially this quarter. By the conclusion of the previous (April-June) quarter, the Bureau had approved or issued approximately $2.5 million in payments to a total of 45 providers (3 hospitals and 42 medical professionals). During the July-September quarter, by contrast, total payments of $12,726,390 were issued to 291 providers, including 8 hospitals, 138 physicians, 129 nurse practitioners, 10 nurse midwives, and 6 dentists.

Annual Beneficiary Survey. On September 30, 2011, TennCare submitted the results of the annual Beneficiary Survey to the Centers for Medicare and Medicaid Services (CMS).

The Beneficiary Survey (occasionally referred to as the "Patient Satisfaction Survey") records the impressions of Tennessee citizens—TennCare enrollees, individuals with private insurance, and uninsured individuals alike—on the quality of the health care they receive. The survey has been conducted by the University of Tennessee's Center for Business and Economic Research (CBER) since 1993 and, as a result, provides a valuable perspective on how Tennesseans have viewed health care issues and the TennCare program over time.

Although the findings of a single survey must be viewed in context of long-term trends, several results from 2011 are noteworthy:

- More respondents expressed satisfaction with care received through TennCare than ever before.
- The percentage of respondents characterizing care received through TennCare as "excellent"—both for themselves and for their children—is higher than at any other point in the last 15 years.
- The number of respondents classifying themselves as "uninsured" is at its lowest point since 2008.
- The percentage of respondents classifying their children as "uninsured" is at its lowest point in the last 13 years.

CBER's publication of the Beneficiary Survey report is scheduled to take place next quarter. Previous reports are available online at http://cber.bus.utk.edu/tncare.htm.

Expansion of Smoking Cessation Coverage. In response to Public Chapter No. 473 (House Bill No. 2139), TennCare removed its exclusion of smoking cessation products for non-pregnant adults, effective July 1, 2011. This benefit—previously covered only for pregnant women and individuals under the age of 21—encompassed both prescription products and prescribed over-the-counter products.

[4] Verification consists of making sure that a provider has a valid Medicaid identification number and Tennessee Health Care license, and has no sanctions.
[5] See https://portal.cms.hhs.gov/.

On September 1, following consultation with the Pharmacy Advisory Committee, TennCare announced its plans for enhancing the smoking cessation benefit even further. Effective October 1, 2011, the medication Chantix® would be reclassified from a "non-preferred agent" to a "preferred agent" and the prior authorization requirement would be removed from all items on the list of preferred agents that treat smoking behaviors.

John B. The *John B.* lawsuit addresses the adequacy of services provided by TennCare to children under the age of 21. Shortly after assuming responsibility for the case, Judge Thomas A. Wiseman, Jr. issued a Case Management Order, which identified current substantial compliance with the requirements of the consent decree as the primary issue to be resolved at trial. The Order also provided a schedule for discovery and set a trial date of October 31, 2011.

During the July-September quarter, most aspects of discovery concluded. One exception was the deposition of expert witnesses, the deadline for which had originally been established as September 15. Pursuant to a joint motion from the parties, however, Judge Wiseman ordered that the State be allowed to depose three of the Plaintiffs' experts after that date, provided that extension of the deadline would not delay the trial.

The case enters a crucial stage next quarter, with a pretrial conference scheduled for October 17, followed by the start of the trial two weeks later.

TennCare Call Center. On July 1, 2011, Tennessee Community Services Agency (TNCSA) assumed responsibility for the staffing and operation of TennCare's call center. The program—consisting of 16 operators and a supervisor—furnishes an array of services to providers, enrollees, and the general public, including:

- Answering questions about applying for TennCare
- Verification of enrollee eligibility for providers who inquire
- Registration of provider complaints against managed care contractors (MCCs)
- Responding to inquiries about the Electronic Health Records (EHR) program
- Status updates for claims payment and provider applications

Because the demands placed on the center are heavy (26,411 calls in August alone), plans have been made to add an additional seven operators in the near future. This enhancement will bring TNCSA's staffing levels roughly equal to that of the center run previously by Tennessee Rehabilitative Initiative in Correction (TRICOR). Additional information about TNCSA is available online at http://www.tncsa.com.

CFO Transition. For the past five years, Scott Pierce has served as TennCare's Assistant Commissioner and Chief Financial Officer. His decision to accept the position of Chief Executive Officer at Volunteer State Health Plan (VSHP) did not, however, leave a vacuum of leadership within the Bureau. Instead, Deputy Chief Financial Officer Casey Dungan was scheduled to fill the vacated post beginning on October 1.

Dungan, who began working with TennCare in September 2006, has a bachelor's degree from Duke University and a master's degree in Public Administration (with a concentration in Public Budgeting and

Finance) from the University of Georgia. His career with the State began in August 2000 with the Department of Finance and Administration's Division of Budget. Following a period of service from 2003 to 2006 in the City of Nashville's Office of Management and Budget, Dungan joined TennCare as a budget analyst. His role quickly expanded, however, to include the management of Managed Care Contractor (MCC) reimbursement, which consists not only of paying MCCs for the delivery of medical behavioral health, pharmacy, and dental services, but also of preparing reports on MCC expenditures. Finally, in his capacity as Deputy Chief Financial Officer, Dungan worked closely with the CFOs of TennCare's MCCs, as well as with the third party actuaries that establish the rates at which MCCs are reimbursed. The Bureau will draw extensively on this wealth of experience during the challenging economic times ahead.

Essential Access Hospital (EAH) 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 ($34,220,000 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 Essential Access Hospital payments for the first quarter of State Fiscal Year 2012 are shown in the table below.

Essential Access Hospital Payments for the Quarter

Hospital Name	County	EAH First Quarter FY 2012
Regional Medical Center at Memphis	Shelby County	$4,009,617
Vanderbilt University Hospital	Davidson County	$3,067,589
Erlanger Medical Center	Hamilton County	$1,780,356
Johnson City Medical Center (with Woodridge)	Washington County	$1,384,124
University of Tennessee Memorial Hospital	Knox County	$1,296,650
Metro Nashville General Hospital	Davidson County	$961,664
Methodist Healthcare - LeBonheur	Shelby County	$820,482
Jackson - Madison County General Hospital	Madison County	$683,819

Hospital Name	County	EAH First Quarter FY 2012
Parkridge Medical Center (with Parkridge Valley)	Hamilton County	$518,939
Parkwest Medical Center (with Peninsula)	Knox County	$451,752
East Tennessee Children's Hospital	Knox County	$429,518
Methodist Healthcare - South	Shelby County	$401,416
Methodist University Healthcare	Shelby County	$384,454
Saint Jude Children's Research Hospital	Shelby County	$350,321
Saint Francis Hospital	Shelby County	$325,971
Pathways of Tennessee	Madison County	$276,395
Centennial Medical Center	Davidson County	$272,322
Skyline Medical Center (with Madison Campus)	Davidson County	$268,215
Saint Mary's Medical Center	Knox County	$265,332
Wellmont Holston Valley Medical Center	Sullivan County	$260,937
Fort Sanders Regional Medical Center	Knox County	$236,951
Maury Regional Hospital	Maury County	$234,727
Delta Medical Center	Shelby County	$207,841
Methodist Healthcare - North	Shelby County	$205,311
University Medical Center	Wilson County	$187,484
Baptist Hospital	Davidson County	$186,988
Skyridge Medical Center	Bradley County	$184,617
Middle Tennessee Medical Center	Rutherford County	$182,399
Parkridge East Hospital	Hamilton County	$181,789
Wellmont Bristol Regional Medical Center	Sullivan County	$178,344
Gateway Medical Center	Montgomery County	$172,948
Ridgeview Psychiatric Hospital and Center	Anderson County	$167,170
Cookeville Regional Medical Center	Putnam County	$165,387
NorthCrest Medical Center	Robertson County	$142,941
Baptist Memorial Hospital for Women	Shelby County	$141,735
Morristown - Hamblen Healthcare System	Hamblen County	$138,953
Fort Sanders Sevier Medical Center	Sevier County	$135,878
Summit Medical Center	Davidson County	$130,181
Dyersburg Regional Medical Center	Dyer County	$122,834
Sumner Regional Medical Center	Sumner County	$118,904
Southern Hills Medical Center	Davidson County	$110,898
Jellico Community Hospital	Campbell County	$107,721
Methodist Medical Center of Oak Ridge	Anderson County	$106,284
Sweetwater Hospital Association	Monroe County	$106,089
Blount Memorial Hospital	Blount County	$99,879

Hospital Name	County	EAH First Quarter FY 2012
Horizon Medical Center	Dickson County	$99,199
Saint Mary's Medical Center of Campbell County	Campbell County	$97,663
StoneCrest Medical Center	Rutherford County	$97,457
Baptist Hospital of Cocke County	Cocke County	$96,445
Baptist Memorial Hospital - Tipton	Tipton County	$88,580
Bolivar General Hospital	Hardeman County	$88,347
Hardin Medical Center	Hardin County	$87,442
Franklin Woods Community Hospital	Washington County	$87,284
Wellmont Hawkins County Memorial Hospital	Hawkins County	$83,487
Jamestown Regional Medical Center	Fentress County	$81,329
Humboldt General Hospital	Gibson County	$80,658
Sycamore Shoals Hospital	Carter County	$77,231
Henry County Medical Center	Henry County	$76,486
Regional Hospital of Jackson	Madison County	$75,813
Cumberland Medical Center	Cumberland County	$75,301
Harton Regional Medical Center	Coffee County	$73,442
Roane Medical Center	Roane County	$68,150
Grandview Medical Center	Marion County	$67,956
Lakeway Regional Hospital	Hamblen County	$66,798
United Regional Medical Center	Coffee County	$66,111
Southern Tennessee Medical Center	Franklin County	$65,439
Heritage Medical Center	Bedford County	$64,187
Erlanger North Hospital	Hamilton County	$61,362
Baptist Memorial Hospital - Union City	Obion County	$58,749
Saint Mary's Jefferson Memorial Hospital, Inc.	Jefferson County	$58,054
Athens Regional Medical Center	McMinn County	$57,074
Takoma Regional Hospital	Greene County	$56,793
River Park Hospital	Warren County	$56,771
Community Behavioral Health	Shelby County	$56,435
Lincoln Medical Center	Lincoln County	$55,462
Skyridge Medical Center - West	Bradley County	$54,220
McNairy Regional Hospital	McNairy County	$52,094
Haywood Park Community Hospital	Haywood County	$47,062
Crockett Hospital	Lawrence County	$46,400
Livingston Regional Hospital	Overton County	$45,367
Claiborne County Hospital	Claiborne County	$40,805
Volunteer Community Hospital	Weakley County	$40,227
Hillside Hospital	Giles County	$34,781
Riverview Regional Medical Center - North	Smith County	$34,019

Hospital Name	County	EAH First Quarter FY 2012
Gibson General Hospital	Gibson County	$32,104
Wayne Medical Center	Wayne County	$30,442
Methodist Healthcare - Fayette	Fayette County	$30,043
McKenzie Regional Hospital	Carroll County	$24,007
White County Community Hospital	White County	$22,454
Baptist Memorial Hospital - Huntingdon	Carroll County	$21,689
Henderson County Community Hospital	Henderson County	$20,289
Portland Medical Center	Sumner County	$19,112
Emerald Hodgson Hospital	Franklin County	$15,254
TOTAL		$25,000,000

Number of Recipients on TennCare and Costs to the State

At the end of the period July 1, 2011, through September 30, 2011, there were 1,170,886 Medicaid eligibles and 28,755 Demonstration eligibles enrolled in TennCare, for a total of 1,199,641 persons.

Estimates of TennCare spending for the first quarter are summarized in the table below.

	1st Quarter*
Spending on MCO services**	$996,648,800
Spending on dental services	$42,339,400
Spending on pharmacy services	$180,841,300
Medicare "clawback"***	$25,575,600

**These figures are cash basis as of September 30 and are unaudited.*

***This figure includes Integrated Managed Care MCO expenditures.*

****The Medicare 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.*

Claims payment analysis. TennCare's prompt pay requirements may be summarized as shown below.

Entity	Standard	Authority
MCOs (non-CHOICES services)	90% of clean claims for payment for services delivered to TennCare enrollees are paid within 30 calendar days of the receipt of such claims. 99.5% of all provider claims are processed, and, if appropriate, paid within 60 calendar days of receipt.	T.C.A . § 56-32-126(b)
MCOs (CHOICES services)	90% of clean electronically submitted Nursing Facility and applicable Home and Community Based Services claims[6] are processed and paid with 14 calendar days of receipt. 99.5% of clean electronically submitted Nursing Facility and applicable Home and Community Based Services claims[7] are processed and paid within 21 calendar days of receipt.	TennCare contract
DBM	90% of clean claims for payment for services delivered to TennCare enrollees are processed, and, if appropriate, paid within 30 calendar days of the receipt of such claims. 99.5% of all provider claims are processed, and, if appropriate, paid within 60 calendar days of receipt.	TennCare contract and in accordance with T.C.A . § 56-32-126(b)
PBM	100% of all clean claims submitted by pharmacy providers are paid within 10 calendar days of receipt.	TennCare contract

The MCOs, the DBM, and the PBM are required to submit monthly claims data files of all TennCare claims processed to the Tennessee Department of Commerce and Insurance (TDCI) for verification of statutory and contractual prompt pay compliance. The plans are required to separate their claims data by TennCare Contract (i.e., East, Middle, or West Grand Region) and by subcontractor (i.e., claims processed by a vision benefits manager). Furthermore, the MCOs are required to identify separately non-emergency transportation (NEMT) claims in the data files. Finally, the MCOs are required to submit separate claims data files representing a subset of electronically submitted Nursing Facility and applicable Home and Community Based Services claims for the CHOICES enrollees. TDCI then performs an analysis and reports the results of the prompt pay analyses by NEMT and CHOICES claim types, by subcontractor, by TennCare contract, and by total claims processed for the month.

If an MCO does not comply with the prompt pay requirements based on the total claims processed in a month, TDCI has the statutory authority to levy an administrative penalty of $10,000 for each month of non-compliance after the first instance of non-compliance was reported to the plan. The TennCare

[6] Excludes Personal Emergency Response Systems (PERS), assistive technology, minor home modifications, and pest control claims. Claims for delivery of these services are handled like general MCO claims.
[7] Ibid.

Bureau can also assess liquidated damages pursuant to the terms of the TennCare Contract. If the DBM and PBM do not meet their contractual prompt pay requirements, only the TennCare Bureau can assess applicable liquidated damages against these entities.

Net worth requirement. By statute, the minimum net worth requirement for each TennCare MCO is calculated based on premium revenue for the most recent calendar year.

TDCI's calculations for the net worth requirement reflect payments made for the calendar year ended December 31, 2010. The TennCare Contract further requires the TennCare MCOs to establish an enhanced net worth based on projected additional annual premiums for the CHOICES program. TDCI based the net worth requirement calculation on the greatest of total projected premiums, reported premiums, or cash premiums for calendar year 2010. During this quarter, the MCOs submitted their National Association of Insurance Commissioners (NAIC) Second Quarter 2011 Financial Statement. As of June 30, 2011, TennCare MCOs reported net worth as indicated in the table below.

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
AmeriGroup Tennessee	$17,616,712	$171,134,188	$153,517,476
UnitedHealthcare Plan of the River Valley (UnitedHealthcare Community Plan)	$53,559,633	$416,255,019	$362,695,386
Volunteer State Health Plan (BlueCare & TennCare Select)	$34,651,682	$144,040,279	$109,388,597

All TennCare MCOs met their minimum net worth requirements as of June 30, 2011.

Success of Fraud Detection and Prevention

The mission of the OIG is: *To identify, investigate, and prosecute persons who commit fraud or abuse against the TennCare program and to recoup money owed to the State of Tennessee.* The OIG staff receives case information from a variety of sources including: local law enforcement, the TennCare Bureau, Health Related Boards (HRB), the Department of Human Services (DHS), other state agencies, health care providers, Managed Care Contractors (MCCs), and the general public via the OIG web site, fax, written correspondence, and phone calls to the OIG hotline. The statistics for the first quarter of the 2011 - 2012 fiscal year are as follows:

Summary of Enrollee Cases

	Quarter	Grand Total to Date (since creation of OIG in July 2004)
Cases Received	1,676	135,672
Abuse Cases Received*	1,410	64,005

***** *Abuse cases may be referred to the appropriate Managed Care Organization (MCO), the TennCare Bureau, or DHS for further review/action.*

Court Fines & Costs Imposed

	Grand Total to Date (since creation of OIG in July 2004)
Fines	$491,122.00
Court Costs & Taxes	$192,435.40
Court Ordered Restitution	$1,782,412.56
Drug Funds/Forfeitures	$417,301.40

The OIG aggressively pursues enrollees who have apparently committed fraud or abuse against the TennCare program. The primary criminal case types are: drug cases (drug diversion, drug seekers, doctor shopping, and forging prescriptions), reporting a false income, access to other insurance, and ineligible individuals using a TennCare card.

Arrest Categories

Category	Grand Total to Date (since creation of OIG in July 2004)
Drug Diversion/Forgery RX	476
Drug Diversion/Sale RX	583
Doctor Shopping	176
Access to Insurance	55
Operation Falcon III	32
Operation Falcon IV	16
False Income	73
Ineligible Person Using Card	19
Living Out Of State	18
Asset Diversion	7
ID Theft	48
Aiding & Abetting	5
Failure to Appear in Court	2
GRAND TOTAL	**1,510**

OIG Case Recoupment & Recommendations

	Grand Total to Date (since February 2005)[8]
Court Ordered Recoupment	$3,741,362.12
Recommended TennCare Terminations [9]	49,401
Potential Savings[10]	$173,787,463.78

[8] In February 15, 2005, a Fiscal Manager and an attorney joined the OIG staff to facilitate and document recoupment and recommended terminations.

[9] Recommendations that enrollees' TennCare coverage should be terminated are sent to the TennCare Bureau for review and determination of appropriate action. These recommendations are based on information received and reviewed by the OIG. The Bureau determines whether these referrals meet the criteria for termination.

[10] Savings are determined by multiplying the number of enrollees whose coverage would be terminated by the average annual cost per enrollee for MCO, pharmacy, and dental services (currently, $3,656.39).