



Department of  
**Finance &  
Administration**

**TENNCARE**  
**FISCAL YEAR 2025-2026 BUDGET HEARING**

# TennCare III

- Establishes a new era for TennCare, creating a tremendous opportunity for Tennessee to be rewarded for its effective management of its Medicaid program through shared savings
- Commits to utilizing shared savings to enhance the health and well-being of our most vulnerable citizens
- 10-year agreement provides stability for the program and leverages TennCare's previous success
- Reinforces TennCare's commitment to quality and access and allows us to double down on our efforts and mission of improving lives through high-quality, cost-effective care

# TennCare III – Record Investments

- Adult dental benefit
- Postpartum coverage extension
- 2,300 additional individuals with intellectual and developmental disabilities served in ECF CHOICES program
- 1,750 additional slots for seniors and adults with physical disabilities served in the CHOICES program
- Health Starts initiative to address non-medical risk factors
- Billions of new dollars for providers



# TennCare III – Shared Savings

**\$900 Million+** in shared savings in just the first 3 years of the waiver

## Year 1: Strong Families

- Nearly 25,000 additional children, pregnant women and parents served
- First-in-the-nation diaper benefit

## Year 2: Rural Health and Behavioral Health

- Implements recommendations from the Governor’s Rural Health Care Task Force focusing on access and workforce development

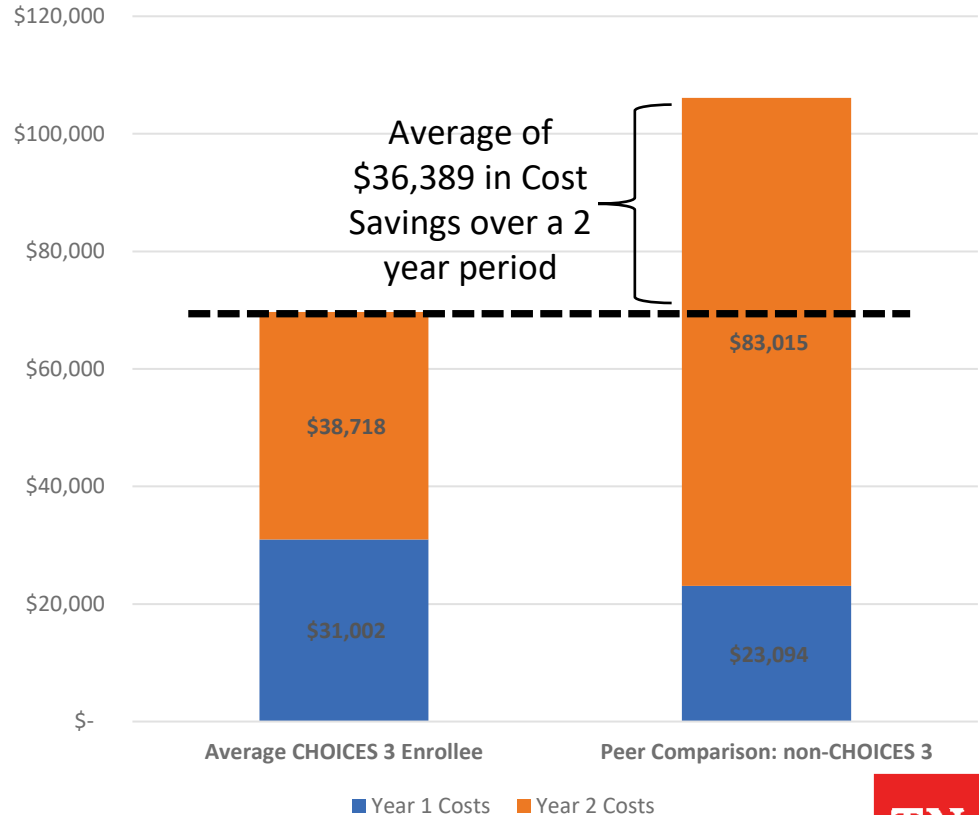
## Year 3: Hurricane Relief (w/additional proposals in development)

- \$100M to address water, wastewater and debris removal



# Interdependence of Quality & Cost-Effectiveness

- CHOICES 3 program was closed to new enrollment for several years, allowing for robust cost effectiveness analysis
- On average, CHOICES 3 delays entrance into CHOICES 1/2 from 9 to 22 months later
- While the initial 9 months of CHOICES 3 comes at increased cost, delayed entry into CHOICES 1/2 results in significant net cost savings over 2 years
- **Actuarial projections indicate that the 1,750 added slots from FY23 will save an estimated \$60M**



# Medicaid Unwinding Results

	TennCare*	National*
<b>COVERAGE RENEWED</b>	63%	56%
Ex Parte Renewals (Automatic)	39%	37%
Determined Eligible Based on Return of Information	24%	19%
<b>COVERAGE TERMINATED</b>	33%	23%
Determined Ineligible for Failure to Respond	24%**	16%
Determined Ineligible Based on Return of Information	9%	7%
<b>PENDING</b>	4%	21%

*\*Represents 12 months of unwinding; figures rounded to nearest percent*

*\*\*Of the individuals termed for no response, 40% have other health insurance*



# TennCare – Cost Increase Request

	State Appropriations								Positions
	General Fund				Dedicated				
	Recurring	NR	Recurring	NR	Federal	Other	Total		
1 Medical Inflation and Utilization	\$ 58,886,000	\$ -	\$ -	\$ -	\$ 106,343,500	\$ -	\$ 165,229,500	-	
2 Pharmacy	41,482,100	-	-	-	76,794,800	-	118,276,900	-	
3 Medicare Services	20,000,000	-	-	-	-	-	20,000,000	-	
4 MCO Premium Tax Impact of Hospital Assessment Changes	54,740,600	-	-	-	101,340,100	-	156,080,700	-	
5 Medicaid Management Information System (MMIS)	-	14,394,700	-	-	148,767,300	-	163,162,000	-	
6 Eligibility System	-	14,099,500	-	-	73,640,100	-	87,739,600	-	
7 Health Starts Initiative	-	12,300,000	-	-	11,400,000	-	23,700,000	-	
8 ECF CHOICES Crisis Population	9,753,200	-	-	-	17,669,800	-	27,423,000	-	
9 ECF CHOICES Waiting List	26,214,300	-	-	-	48,530,000	-	74,744,300	-	
10 Dental Rate Increase	6,880,600	-	-	-	12,737,900	-	19,618,500	-	
11 Rate Increases for Home-Delivered Meals	522,400	-	-	-	967,000	-	1,489,400	-	



# TennCare – Cost Increase Request

	State Appropriations				Federal	Other	Total	Positions
	General Fund		Dedicated					
	Recurring	NR	Recurring	NR				
12 Rate Increases for Enhanced Respiratory Care	1,192,400	-	-	-	2,207,500	-	3,399,900	-
13 Durable Medical Equipment Rate Cap Removal	1,305,900	-	-	-	2,417,500	-	3,723,400	-
14 Rate Increase for Patient-Centered Medical Homes	3,156,500	-	-	-	5,843,500	-	9,000,000	-
15 Add New Services to CHOICES Programs	1,662,400	-	-	-	3,077,600	-	4,740,000	-
16 Transportation Benefit Limit Increase for CHOICES	1,202,300	-	-	-	2,225,900	-	3,428,200	-
17 Community Health Benefit	1,994,600	-	-	-	3,692,600	-	5,687,200	-
18 Office-based Addiction Treatment Model	4,299,600	-	-	-	7,959,700	-	12,259,300	-
19 Care Coordination Tool	435,000	-	-	-	1,305,000	-	1,740,000	-
20 Tennessee Perinatal Quality Collaborative	100,000	-	-	-	100,000	-	200,000	-
21 Hospital Assessment Buyback	25,568,700	-	-	-	47,334,800	-	72,903,500	-
<b>Total Cost Increases</b>	<b>\$ 259,396,600</b>	<b>\$ 40,794,200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 674,354,600</b>	<b>\$ -</b>	<b>\$ 974,545,400</b>	<b>\$ -</b>





THANK YOU