



STATE OF TENNESSEE  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
DIVISION OF HEALTH CARE FINANCE AND ADMINISTRATION  
**DIVISION OF TENNCARE**  
310 Great Circle Road  
NASHVILLE, TENNESSEE 37243

Bills Haslam  
Governor

Larry Martin  
Commissioner

**Date:** January 5, 2018

**To:** TennCare Managed Care Organizations  
Area Agencies on Aging and Disability

**From:** Nathan J. Stremming, Assistant Deputy Chief of LTSS Business Operations

**Re:** Revised Cost Neutrality Caps

The purpose of this memo is to establish the revised Cost Neutrality Cap that is applicable (as specified below) for calendar year 2018 in the CHOICES program, as well as the TennCare program as it relates to medical necessity for home health and/or private duty nursing (HH/PDN) for adults age 21 and older.

These cost neutrality caps are effective **beginning January 1, 2018**.

**CHOICES Group 2 and Medical Necessity for HH/PDN for Adults Age 21 and Older**

**Average Cost of Level 1 Nursing Facility Reimbursement:**

The average cost of Level 1 Nursing Facility reimbursement is used to determine the Individual Cost Neutrality Cap **in the CHOICES Program** for persons enrolled in CHOICES Group 2 who would qualify to receive Level 1 reimbursement for Nursing Facility Care, but who have instead elected to receive HCBS. It is also the amount that can be compared by Managed Care Organizations (MCOs) in order to determine whether Home Health (i.e., Home Health Aide and Part-time or Intermittent Skilled Nursing Services) and Private Duty Nursing services are the least costly alternative (the 5<sup>th</sup> prong of medical necessity) in providing care for an eligible member that would otherwise be appropriately served in a Nursing Facility but **not** qualify for Level 2 or Enhanced Respiratory Care Nursing Facility reimbursement.

For calendar year 2018, the **new** average cost of Level 1 Nursing Facility reimbursement is as follows: \$182.48 per day, \$5,474.40 per month and \$65,692.80 per year. This will be rounded to **\$5,500 per month** and **\$65,700 per year**. The monthly amount will increase by \$200, and the annual amount will increase by \$2,150.

### **Average Cost of Level 2 Nursing Facility Reimbursement:**

The average cost of Level 2 Nursing Facility reimbursement is used to determine the Individual Cost Neutrality Cap **in the CHOICES Program** for persons enrolled in CHOICES Group 2 who would qualify to receive Level 2 reimbursement for Nursing Facility care, but who have instead elected to receive HCBS. The average cost of Level 2 Nursing Facility reimbursement is also the amount that can be compared by MCOs when determining whether Home Health and Private Duty Nursing Services are the least costly alternative (the 5<sup>th</sup> prong of medical necessity) in providing care for an eligible member that would that would otherwise be appropriately served in a Nursing Facility and qualify for Level 2 Nursing Facility reimbursement.

For calendar year 2018, the **new** average cost of Level 2 (Skilled) Nursing Facility reimbursement is as follows: \$192.85 per day or \$5,785.50 per month and \$69,426.00 per year. This will be rounded to **\$5,800 per month** and **\$69,450 per year**. The monthly amount will increase by \$100, and the annual amount will increase by \$1,550.

The average costs of Level 1 and Level 2 Nursing Facility reimbursement are based on a weighted average (by distribution of bed days) of the per diem rates for each respective level of Nursing Facility care as determined by the Office of the Comptroller. The rates are not discounted for patient liability which would result in a lower average cost. These amounts will be adjusted annually after the start of the fiscal year in July upon submission and review cost reports and rate determinations for the most recent fiscal year for which submission and review of cost reports is complete (excluding adjustments that may be submitted for up to one year).

CHOICES Individual Cost Neutrality Cap amounts and 5<sup>th</sup> prong applications for persons who would qualify for either the Chronic Ventilator or Tracheal Suctioning Enhanced Respiratory Care Nursing Facility rates are to be applied as follows:

- **\$144,000 per year (\$12,000 per month)** for persons who would qualify for the **Tracheal Suctioning** rate of reimbursement for Nursing Facility services; and
- **\$216,000 per year (\$18,000 per month)** for persons who would qualify for the **Chronic Ventilator** rate of reimbursement for Nursing Facility services.

As a reminder, there is **not** a Cost Neutrality Cap amount or 5<sup>th</sup> prong comparison based on the short-term Ventilator Weaning rate, as short-term Vent Weaning services would be provided only in an institutional (hospital or NF) setting.

**Note that the above amounts are applicable *only* to CHOICES and not to Expenditure Caps in the Employment and Community First CHOICES program.**

CC: William Aaron, Chief Financial Officer  
Dr. Victor Wu, Chief Medical Officer