



State of Tennessee

***Initial HCBS Spending Plan
Projection and Narrative***

July 12, 2021

Pursuant to Section 9817 of the *American Rescue Plan Act of 2021* (ARP) (Pub. L. 117-2) and guidance set forth in SMD# 21-003, issued on May 13, 2021, Tennessee respectfully submits the following **Initial HCBS Spending Plan Projection and Narrative** on the activities that the state has implemented and/or intends to implement to enhance, expand, or strengthen HCBS under the Medicaid program, using the temporary 10 percentage point increase to the federal medical assistance percentage for specified Medicaid HCBS expenditures.

I. Projected Funds Attributable to FMAP Increase

In projecting the estimated funds available for this program, the State utilized a combination of base data from the CY2019 and CY2020 periods. The state did not want to solely rely on the CY2020 period, due to the uncertain impacts of the COVID-19 pandemic. At the same time, the state understands that there are likely to be enduring impacts as a result of the COVID-19 pandemic, as individuals and families more carefully weigh considerations on institutionalization versus in home care. Because of this, the state used a combination of CY2019 and CY2020 in order to estimate total qualifying expenses during the window of 4/1/2021 through 3/31/2022. At this point, the State estimates that it will draw down approximately \$145M in additional federal revenue over the qualifying period based on the eligible categories of service. Per federal guidance, the State is then required to spend that many state dollars through 3/31/2024 on enhanced Medicaid HCBS activities. At this point, the State estimates that the proposed plan will leverage the \$145M additional state dollars into a spending plan of approximately \$440M as reflected herein.

II. Stakeholder Input

In developing the Initial Spending Plan and Narrative, the State sought and received input from a broad group of HCBS stakeholders, including:

- **The System Transformation Leadership Group** - made up of stakeholders from across the HCBS delivery system, including:
 - Self-advocates;
 - Family members of individuals receiving HCBS;
 - The Tennessee Council on Developmental Disabilities;
 - The Arc Tennessee;
 - HCBS providers;
 - Tennessee Network of Community Organizations (TNCO—I/DD provider association);
 - Tennessee Association for Home Care (TAHC—home health and personal support services agency provider association)
 - Tennessee Association of Support Coordination Agencies (TASC);
 - The State Aging Network (Tennessee Association of Area Agencies on Aging and Disabilities);
 - TennCare contracted Managed Care Organizations;
 - The Department of Intellectual and Developmental Disabilities; and
 - The State Medicaid Agency.

- **Tennessee Coalition for Better Aging** – made up of stakeholders from across the aging and disability system, including:
 - AgeWell Middle Tennessee (formerly Council on Aging of Middle TN);
 - Alzheimer's Association;
 - Alzheimer's Tennessee;
 - Fifty Forward;
 - Greater Nashville Regional Council;
 - Mental Health America of the Mid-South;
 - National Association of Social Workers of Tennessee (represented by Clifton Government Relations);
 - Tennessee Association of Adult Day Services;
 - Tennessee Association of Agencies on Aging and Disability;
 - Tennessee Commission on Aging and Disability;
 - Tennessee Conference on Social Welfare;
 - Tennessee Disability Coalition;
 - Tennessee Federation for the Aging;
 - Tennessee Justice Center;
 - Tennessee Respite Coalition;
 - University of Tennessee College of Social Work; and
 - West End Home Foundation;
- **AARP Tennessee**; and
- **The Partners in Innovation Group** – made up of leading innovators in the delivery of HCBS for individuals with I/DD in Tennessee.

Separate written recommendations were also received from groups participating in many of these broader conversations, including the Tennessee Council on Developmental Disabilities, and individual providers or associations.

The Initial Spending Plan and Narrative is reflective of information received from these stakeholders—both as part of broader discussions regarding the HCBS delivery system and specifically linked to this funding opportunity.

III. Narrative

Consistent with the statutory intent, Tennessee is committed to investing these funds in ways that will have ***sustainable impact*** on the Medicaid HCBS service delivery system and on the lives of those we serve and their families.

In order to maximize the availability of enhanced HCBS FMAP, Tennessee will seek to invest as much of the funding as possible into HCBS expenditures that are eligible to receive additional federal match—whether through the provision of additional services or through additional payments for existing services that will help to increase the capacity and quality of the HCBS delivery system. Tennessee will also seek to prioritize activities for which federal authority already exists (that can be implemented right away), or which can be accomplished at least initially through Appendix K updates to the 1915(c) HCBS waivers and the TennCare III 1115 demonstration waiver (for CHOICES and Employment and Community First

CHOICES), with formal amendments for continuation beyond the period permitted by Appendix K authority once the public health emergency (PHE) has concluded.

Tennessee’s Initial Spending Plan and Narrative encompasses three key areas of opportunity:

- 1. Improved access to HCBS for persons supported and family caregivers;**
- 2. Investments in the HCBS workforce capacity and competency; and**
- 3. Investments in HCBS provider capacity.**

These categories are inextricably linked in that the ability to improve access to HCBS for persons supported and family caregivers will depend in large part on investments in HCBS workforce and provider capacity and competency to deliver such services in a person-centered manner that supports the achievement of individualized outcomes. A narrative description of initial items encompassed within each key area of opportunity follows:

1. Improved access to HCBS for persons supported and family caregivers

a. Employment and Community First CHOICES Referral (Waiting) List

Employment and Community First CHOICES is an MLTSS program that provides essential services and supports (HCBS, physical and behavioral health, pharmacy and dental services) in a coordinated and cost-effective manner for people with intellectual and other developmental disabilities (I/DD). The program is specifically designed to align incentives around helping people with I/DD achieve employment and live as independently as possible in their communities. It offers a more cost-effective way of serving people with I/DD while also demonstrating improved employment, health and quality of life outcomes.

Tennessee intends to leverage existing TennCare III demonstration authority¹ and enhanced FMAP to serve 2,000 individuals on the Employment and Community First CHOICES waiting list who are actively seeking to receive HCBS through the program.²

- Using budgeted program costs, the annual projected cost of providing services to 2,000 additional people with I/DD would be **\$91 million (total)**.
- This is based on the following distribution of program participants across Employment and Community First CHOICES groups (400 in Group 4, 1,275 in Group 5, 325 in Group 6).

*Note that this is inclusive of not just projected HCBS expenditures, but also other Medicaid expenditures (medical, behavioral and pharmacy), as well as administrative program costs TennCare would incur in enrolling these individuals into HCBS, and also takes into account the historical mix of dual eligibles (where

¹ Will require notification to CMS of increases in Enrollment Targets for Groups 4, 5, and 6.

² As of 4/30/21, there are 3,647 individuals actively seeking to receive services in the program. Another 1,085 individuals on the ECF Referral List are currently categorized as “deferred,” i.e., not seeking services at this time, but planning for future needs. The total ECF Referral List as of 4/30/21 is 4,732. Referral list changes daily as new referrals are received, and/or as new information becomes available.

Medicare funds the majority of non-HCBS spend), as well as SSI eligibles (who would already have Medicaid).

Increasing access to HCBS will help to alleviate stress and burden on family caregivers which has been exacerbated during the COVID-19 Public Health Emergency (PHE), and sustain their ability to continue to provide supports, avoiding unnecessary or unwanted placement outside the home—both during the remainder of the pandemic and beyond. For young adults in particular, it will help them successfully transition from school into adult life, with the supports they need to successfully engage in employment and become as independent as possible in the community. By providing services *before* people are in crisis, we can reduce both the short and long-term cost of care by avoiding potential crisis situations. For all populations, it reduces the risk of expensive institutional placements, avoiding higher risks of exposure experienced in more congregate settings during the pandemic, and aligns with expectations of the ADA.

To fund recurring obligations once ARP enhanced funding has concluded, TennCare has identified the ECF CHOICES waiting list as a priority area for the use of shared savings achieved from the TennCare III demonstration.

	HCBS	Program	Authority	Projected Total
a.	ECF CHOICES Waiting List	ECF CHOICES	Existing 1115 (TennCare III)	SFY22 - \$38,985,370 SFY23 - \$91,000,041 SFY24 - \$71,777,385 <i>(through 3/31/24)</i> Total \$201,762,796

b. Family Caregiver Supports

In addition to supporting improved access to HCBS for individuals who do not currently receive these services, based on significant input from stakeholders, for individuals already enrolled in HCBS programs as of the submission of this Initial Plan, Tennessee proposes to increase, for a time limited period, broader access to flexible family caregiver benefits in order to address the additional stresses from impacts of COVID-19, and ensure the sustainability of these supports going forward. This would include the availability of a one-time increase of no more than \$3,000 available between the approval of this Initial Plan by CMS and March 31, 2024, to any TennCare member receiving HCBS in CHOICES (Groups 2 and 3), Employment and Community First CHOICES (Groups 4-7), or a Section 1915(c) waiver, so long as they are living with family members who routinely provide unpaid support and assistance; or even if they do not live with family members, have unpaid family caregivers who routinely provide unpaid support and assistance. The person may not be receiving residential supports. The one-time increase may be utilized specifically to purchase additional respite, adult day services (CHOICES 2 and 3), Assistive Technology (CHOICES 2 and 3), Assistive technology, adaptive equipment and supplies (ECF CHOICES 4-7), Enabling Technology or Minor Home Modifications (CHOICES 2 and 3, ECF CHOICES 4-7), that will further enable the person’s independence and/or support and sustain unpaid family caregivers. Such assistance may be provided *in addition to* existing limitations on these benefits and/or any applicable program expenditure cap.

Projected utilization of the benefit is based on approximately 80% of eligible individuals (not receiving residential supports) utilizing 85% of the available benefit across the 3-year period as follows:

Program	Estimated # Users	Estimated Cost/User	Total
CHOICES	9,500	\$2,550	\$24,225,000
ECF CHOICES	2,150	\$2,550	\$5,482,500
1915(c) waivers	2,225	\$2,550	\$5,653,750
	13,875		\$35,381,250

In light of the ongoing PHE, in order to expedite access to these benefits, TennCare plans to submit Appendix K updates to request this authority across each of the programs immediately, and will follow with more formal amendment requests to the TennCare III demonstration and the 1915(c) waivers in order to continue these services once the PHE has concluded. This one-time per calendar year assistance would be available through March 31, 2024.

	HCBS	Program	Authority	Projected Total
b.	Family Caregiver Supports	CHOICES ECF CHOICES 1915(c) waivers	Appendix K followed by amendments to 1115 (TennCare III) and 1915(c) waivers	\$35,381,250 across 3-year period

c. Supporting Independence and Integration

In addition to these targeted supports for family caregivers, Tennessee proposes to increase access to certain benefits which are targeted to ensure equity across HCBS programs and populations, and support individualized goals pertaining to independence, competitive integrated employment, and community integration for all of the individuals receiving Medicaid-reimbursed HCBS across Medicaid authorities. These benefits are of particular importance following the social isolation and other impacts of COVID-19 on older adults and people with disabilities living in the community.

In the CHOICES program, this will begin with:

- Enabling Technology** - Equipment and/or methodologies that, alone or in combination with associated technologies, support an individual’s increased independence and/or safety in their home, community, and workplace. Examples include motion, bed, chair, or pressure sensors; stove guards; automated medication dispenser systems; software or other technologies to operate lights, appliances, and other devices for environmental control; and mobile software applications using digital pictures, audio and video to guide, teach, or remind. When selected by the person and determined to be appropriate, Enabling Technology may also include remote support technology systems in which remote support staff and/or coaches and/or natural supports can interact, coordinate supports, or actively respond to needs in person when needed. Such remote supports would be appropriate only to support the individual in achieving outcomes he or she has identified as important; it is not selected or meant to serve as a form of

monitoring. The service limit for Enabling Technology and Assistive Technology combined will be \$5,000 limit person per year across both services.

Projected costs are based on 3% utilization at average cost of \$2,500 (derived from DIDD Technology pilot), 5% utilization in Year 2, and 10% utilization in Year 3.

Other benefits that may be included for consideration in future quarterly plan submissions (subject to the availability of funding) include:

- **Individual Employment Supports** in CHOICES;
- **Community Transportation** in CHOICES; and
- **Benefits Counseling** in CHOICES and the 1915(c) waivers.

In light of the ongoing PHE, in order to expedite access to the Enabling Technology benefit, TennCare plans to submit Appendix K updates to request authority for Enabling Technology services in CHOICES immediately, and will follow with more a formal amendment request to the TennCare III demonstration in order to continue these services once the PHE has concluded. This one-time per calendar year assistance would be available through March 31, 2024.

	HCBS	Program	Authority	Projected Total
c.	Enabling Technology	CHOICES	Appendix K followed by amendment to 1115 waiver (TennCare III)	SFY22 - \$922,500 SFY23 - \$1,537,500 SFY24 - \$3,075,000 Total \$5,535,000

2. Investments in the HCBS workforce capacity and competency

Services in each of Tennessee’s HCBS programs are delivered by a direct service workforce upon whom these individuals rely for the day-to-day assistance they need to meet personal and health care needs, to live safely in their homes and communities, and to work and participate in community life. When individuals served in these programs live at home, their families rely on this workforce to provide reliable quality support so they can work and have respite from the day-to-day stressors of caregiving.

In order to ensure continuity of HCBS for the more than 20,000 individuals already enrolled in Medicaid HCBS programs and their families, and to expand access to HCBS for individuals on the ECF CHOICES referral list, increase supports for family caregivers, and provide targeted services to increase independence and community integration, Tennessee must ensure that there is a competent HCBS workforce sufficient to provide high value person-centered supports in a manner that supports each person in achieving their individualized outcomes.

Each of the proposed expenditures in this category represents a direct investment into building the capacity, competency, and sustainability of the frontline HCBS workforce. It is important that we approach any such investments in a consistent manner across all TennCare programs and populations in order to not create disparities among providers largely employing the same workforce and in many cases, serving multiple programs and populations. Some of these providers have experienced multiple rate increases over the years, while others have had none. In addition, there are important opportunities to make sure that investments are getting *to the workforce*, and that they are implemented in a value-based way, which helps to ensure that we are not just paying more for the same services, but we are getting better quality and improved outcomes as a result of those investments that have sustainable positive impact on the HCBS system and most importantly, on the lives of those we serve.

a. Wage Increase for Frontline CHOICES HCBS Workforce

Since the rate methodology for the 1915(c) waivers was established in 2004-2005, numerous targeted adjustments to certain rates have been made, including in each of the following calendar years: 2005, 2006, 2008, 2010, 2013, 2014, 2016. Effective July 1, 2018, \$50 million in new state appropriations was approved specifically to increase wages to direct support professionals in these waivers. Effective July 1, 2021, an additional \$48.6 million in new state appropriations was approved for increases in DSP wages to \$12.50 per hour.³

No new funding for rate increases has been approved for other HCBS programs during that same period.

While the funding methodologies for each of the programs is different, we know that there is very little variation (30-40 cents/hour) in the average wage workers are paid by their employers across these programs. This means that funds to increase wages in one program (for example 1915(c) waivers) will create significant disparities among the programs, the populations served, and the common workforce that serves them.

In order to ensure equity across comparable services, Tennessee plans to use enhanced FMAP funds to make *targeted* rate increases in CHOICES and in Employment and Community First CHOICES that have a direct care component (see below), in order to better align rates of reimbursement for comparable services. Once this Initial Plan is approved, these adjustments will be effective as of 7/1/21, with expectation that commensurate wage increases for the frontline HCBS workforce will also be retroactively effective as of that date. Services that may be included in the targeted rate increases include:

CHOICES

Attendant Care
Personal Care Visits
Respite
Adult Day Care
Adult Care Home

ECF CHOICES

Personal Assistance
Supportive Home Care
Respite
Community Integration Support Services
Independent Living Skills Training

Assisted Care Living Facility
 Community Living Supports
 Community Living Supports – Family Model
 Companion Care

Individual and Small Group Employment Supports⁴
 Community Living Supports
 Community Living Supports – Family Model
 Intensive Behavioral Family Centered Treatment,
 Stabilization and Supports (IBFCTSS)
 Intensive Behavioral Community Transition and
 Stabilization Services (IBCTSS)

Specific rate increases will be based on a careful analysis of current rates of reimbursement for these services as compared to comparable services in other Medicaid HCBS programs in Tennessee and in contiguous states, utilization of the services, expected demand for the services, alignment with value-based outcomes, and availability of funding within the overall \$50 million set aside for this purpose.

	HCBS	Program	Authority	Projected Total
a.	Wage increases	CHOICES ECF CHOICES	Appendix K followed by amendment to 1115 waiver (TennCare III)	SFY22 - \$50,000,000 SFY23 - \$50,000,000 SFY24 - \$37,500,000 (through 3/31/24) Total \$137,500,000

b. QUILTSS Workforce Development Training Incentives Pilot

Using a directed quality incentive payment to HCBS providers, this pilot will incentivize HCBS providers for offering value-based wage increases to their frontline HCBS workers who successfully complete a competency-based training program.⁵ Corresponding with *CMS Direct Support Workforce Core Competencies* released in 2014, the training program was created in consultation with national subject matter experts applying evidence-based best practices in adult learning, and uses an online format combined with work-based learning to provide an opportunity to acquire shorter-term credentials with clear labor market value. If completed through the State’s community colleges and colleges of applied technology, the worker would earn 18 hours of college credit and a post-secondary credential.⁶ Alternatively, the training could be completed directly through The QuILTSS Institute via participation in an Apprenticeship Program established in partnership with the Tennessee Department of Labor and Workforce Development.

Completion of the program is expected to improve the quality of service delivery and the quality of life of those receiving services, and offers both a career and education path for a traditionally low wage

⁴ Excluding Benefits Counseling, which is not performed by frontline HCBS workforce

⁵ Workers would receive a \$.50/hr increase for Medicaid HCBS upon completion of the first 4 training modules, an additional \$1.00/hr upon completion of the next 4 training modules, and an additional \$1.50/hr increase in hourly wages upon completion of the last 4 training modules and the post-secondary certificate--\$6,000 per year for a full-time employee.

⁶ Adult learners can leverage *Tennessee Promise* and *Tennessee Reconnect* (last dollar funding programs) to support tuition costs.

workforce, helps to professionalize the field, and based on a growing body of evidence, has greater potential to achieve sustainable gains in workforce recruitment and retention.

At each milestone, providers would be expected to implement these wage incentives, and may then seek a quality incentive payment to help offset the cost of these incentives paid to workers during the first year. As a condition of receiving the quality incentive payment, the provider will agree to continue such incentives for the worker going forward and provide data to help evaluate the efficacy of the approach in increasing satisfaction and quality (for the person supported as well as the workforce), and in improving workforce recruitment and retention.

In addition, a portion of the quality incentive pool would be set aside to incentivize increased development and capacity in targeted areas that are expected to support and strengthen HCBS quality and capacity. These could include quality incentive payments to help cover the cost of training and to incentivize timely completion in areas such as:

- Competitive integrated employment
- Use of Enabling Technology to support independence
- Critical incident (reportable event) management
- Benefits counseling

A quality incentive pool of \$50 million (across the 3-year period) will be set aside for these purposes.

	HCBS	Program	Authority	Projected Total
b.	Workforce Development Incentives	CHOICES ECF CHOICES 1915(c) waivers	Appendix K followed by amendments to 1115 (TennCare III) and 1915(c) waivers	\$50,000,000 across 3-year period

3. Investments in HCBS provider capacity and competency to deliver desired outcomes

One of the greatest challenges HCBS providers face in increasing their capacity to provide HCBS to additional people is the up-front investment involved in hiring new staff, paying the cost of background checks and initial training (including staff wages during the training), and the potential risk that demand for services (including choice of providers) does not result in earnings quickly enough to cover new staff’s ongoing wages.

In that regard, the payment of a new referral incentive for specified types of HCBS could help to offset these up-front costs more quickly, and greatly enhance providers’ capacity to prepare to serve additional program participants. A one-time new referral incentive of \$1,000 would be paid as part of the Medicaid reimbursement for specified services (primarily residential, personal “care”, and/or job coaching, perhaps pro-rated based on hours of service) upon the initiation of the service. Funds could also be used by the provider to offer recruitment and/or retention bonuses to its frontline staff—in order to help ensure both the sufficiency and stability of the frontline workforce and the return on investment. Once initiated, the provider would be obligated to continue services for a minimum period or face recoupment of the referral

payment. To reward providers who have continued to make these investments during the PHE, specified services initiated on or after 4/1/21 would be eligible for the new referral incentive payment once it is approved and implemented. Subject to the continued availability of Enhanced FMAP funding, these payments would continue for services initiated through 3/31/24.

Projected expenditures for one-time new referral incentives is:

- Year 1 \$5 million
- Year 2 \$2.5 million
- Year 3 \$2.5 million

	HCBS	Program	Authority	Projected Total
	Referral Incentives	CHOICES ECF CHOICES	Appendix K followed by amendment to 1115 waiver (TennCare III)	\$10,000,000 across 3-year period

More important than simply building the *volume* of providers (or frontline workforce) available to deliver HCBS, however, is developing their *capacity* to deliver high value services that result in the achievement of individualized outcomes for persons receiving Medicaid-reimbursed HCBS. As part of the I/DD Integration Initiative, TennCare and the Department of Intellectual and Developmental Disabilities are jointly working to develop a new value-based reimbursement approach for services that most impact the day-to-lives of those receiving HCBS, including residential or in-home personal “care” options, and employment and integrated day service options.

In addition to Workforce, measurement domains include:

- Person-Centered Supports
- Competitive Integrated Employment
- Enabling Technology
- Fading of Supports/Increased Independence

For each domain, the State plans to establish both organizational or capacity-building and outcome metrics. Based on experience in developing value-based payment approaches in LTSS, the capacity-building metrics generally come first, and are intended to build provider capacity to deliver desired outcomes, positioning them for success once the outcome-based measures come into play. The goal is to initially align payment with provider “capacities”—incentivizing providers to take the actions needed to develop these capacities—and ultimately, to align payment with individual and system outcomes that providers are now positioned to deliver. Thus providers are rewarded for value, driving delivery system improvements over time.

The availability of Enhanced FMAP funding is timely in that it may offer additional resources that can be brought to bear in supporting and rewarding providers for building these capacities. As Tennessee continues to refine its Plan in the quarterly submissions, we expect that future submissions will reflect opportunities for quality incentive payments to providers for key capacity-building outcome measures in the domains specified above.

IV. Budget Neutrality

Pursuant to STC 75.b. of the TennCare III 1115 demonstration, TennCare will submit for CMS approval a modified budget neutrality agreement reflecting actual enhanced FMAP expenditures made pursuant to this plan for each quarter of the period ending March 31, 2024.

V. Attestation of Compliance

The State provides assurance herein and in the attached letter from TennCare Director Stephen Smith that:

- The state is using the federal funds attributable to the increased FMAP to supplement and not supplant existing state funds expended for Medicaid HCBS in effect as of April 1, 2021;
- The state is using the state funds equivalent to the amount of federal funds attributable to the increased FMAP to implement or supplement the implementation of one or more activities to enhance, expand, or strengthen HCBS under the Medicaid program;
- The state is not imposing stricter eligibility standards, methodologies, or procedures for HCBS programs and services than were in place on April 1, 2021;
- The state is preserving covered HCBS, including the services themselves and the amount, duration, and scope of those services, in effect as of April 1, 2021; and
- The state is maintaining HCBS provider payments at a rate no less than those in place as of April 1, 2021.