



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:** July 26, 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 revise the Cost Neutrality Cap (as specified below) for the remainder of calendar year 2018 in the CHOICES program. This change is a result of the implementation of the new acuity- and quality-based Nursing Facility reimbursement system that will be implemented August 1, 2018 and effective July 1, 2018.

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

**Average Cost of Medicaid Nursing Facility Reimbursement:**

The average cost of Medicaid 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 Nursing Facility Care, but who have instead elected to receive HCBS.

Effective July 1 2018, the **new** average cost of Nursing Facility reimbursement is as follows: \$210.83 per day, \$6,324.90 per month and \$75,898.80 per year. This will be rounded to **\$6,325 per month** and **\$75,900 per year**.

Because the rates for Levels 1 and 2 NF reimbursement are now blended, and quality and acuity adjustments are part of the prospective per diem payment, this represents an increase of \$825 per month and \$10,200 per year for individuals who previously had a cost cap based on Level 1 Nursing Facility Reimbursement and an increase of \$525 per month and \$6,450 per year for individuals who previously had a cost cap based on Level 2 Nursing Facility Reimbursement.

As a reminder, MCOs are not required to notify members of the higher cost neutrality cap. However, Care Coordinators should be mindful of CHOICES Group 2 members who may need covered benefits that have not been available based on the previous cost cap, and should prioritize contacts with those individuals to assess whether changes to the Person-Centered Support Plan are needed.

The average cost of Nursing Facility reimbursement is based on a weighted average (by distribution of bed days) of the blended per diem rates for 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. Going forward, these amounts will be adjusted annually once the rate setting process is completed, and effective beginning January 1 of the following calendar 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 continue 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