

TennCare

FY2026-2027 Budget Hearing Senate Commerce and Labor Committee

February 10, 2026

FY2026-2027 Cost Increases

	Cost Increase	Total	State	Federal	Other	Positions
1.	Medical Inflation and Utilization	\$244,927,000	\$89,288,100	\$155,638,900	\$0	0
2.	Medicare Services	\$54,054,200	\$19,705,500	\$34,348,700	\$0	0
3.	Pharmacy	\$45,875,700	\$16,724,000	\$29,151,700	\$0	0
4.	Employment and Community First (ECF) CHOICES Mandatory Population	\$30,131,200	\$10,984,300	\$19,146,900	\$0	0
5.	Health Starts Initiative	\$23,700,000	\$0	\$11,400,000	\$12,300,000	0
6.	Medicaid Management Information System (MMIS)	\$159,487,100	\$0	\$133,702,400	\$25,784,700	0
7.	Eligibility System	\$44,006,500	\$0	\$32,168,700	\$11,837,800	0
8.	Federal Medical Assistance Percentage (FMAP)	\$0	\$86,239,100	\$(86,239,100)	\$0	0
	Total – Core Items	\$602,181,700	\$222,941,000	\$329,318,200	\$49,922,500	0

FY2026-2027 Cost Increases

	Cost Increase	Total	State	Federal	Other	Positions
9.	Shared Savings - Pathway to Independence	\$18,000,000	\$0	\$0	\$18,000,000	0
10.	Shared Savings - Community Engagement	\$30,000,000	\$0	\$27,000,000	\$3,000,000	0
11.	Shared Savings - ECF CHOICES Waiting List	\$54,997,700	\$0	\$34,948,300	\$20,049,400	0
12.	Shared Savings - Medicaid Alternative Pathways to Independence - CHOICES 3	\$31,250,000	\$0	\$19,857,800	\$11,392,200	0
13.	Shared Savings - Workforce Development for Long-Term Services and Supports	\$10,000,000	\$0	\$0	\$10,000,000	0
14.	Shared Savings - Workforce Development - E-Badge Program	\$3,000,000	\$0	\$0	\$3,000,000	0
15.	Shared Savings - Diapers for Kids Program	\$31,649,400	\$0	\$20,111,600	\$11,537,800	0
16.	Shared Savings - Community Mental Health Centers Quality Payments	\$7,000,000	\$0	\$0	\$7,000,000	0

FY2026-2027 Cost Increases

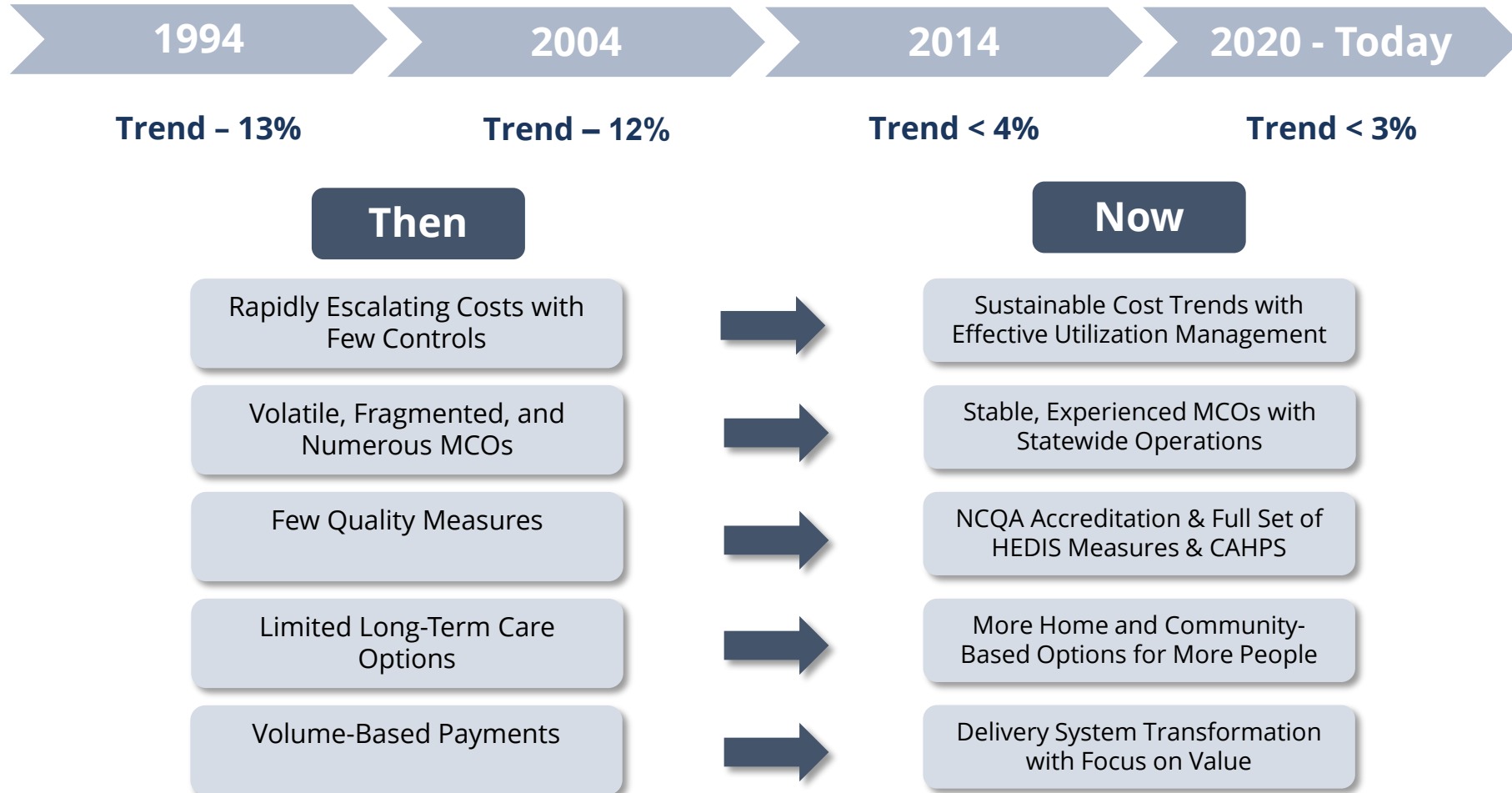
	Cost Increase	Total	State	Federal	Other	Positions
17.	Shared Savings - Psychiatric Inpatient Expansion for Children and Adolescents with Intellectual and Developmental Disabilities	\$3,750,000	\$0	\$0	\$3,750,000	0
18.	Shared Savings - Infant and Early Childhood Mental Health Training	\$166,000	\$0	\$0	\$166,000	0
19.	Shared Savings - In-Home Child and Adolescent Behavioral Health Supports	\$1,000,000	\$0	\$0	\$1,000,000	0
20.	Shared Savings - Primary Care Behavioral Health Training	\$400,000	\$0	\$0	\$400,000	0
21.	Shared Savings - Value-Based Payment Initiative	\$8,000,000	\$0	\$4,000,000	\$4,000,000	0
22.	Shared Savings - Initiatives in Other Agencies	\$157,864,000	\$0	\$0	\$157,864,000	0
	Total – Shared Savings Items	\$357,077,100	\$0	\$105,917,700	\$251,159,400	0

FY2026-2027 Reductions

	Reduction	Total	State	Federal	Other	Positions
1.	TN Strong Families - Buyback with Shared Savings	\$0	\$(30,642,800)	\$0	\$0	0
2.	Fraud, Waste, and Abuse	\$(2,500,000)	\$(911,400)	\$(1,588,600)	\$0	0
3.	Behavioral Health Provider Initiated Hospital Discharge	\$(6,000,000)	\$(2,187,300)	\$(3,812,700)	\$0	0
4.	Pharmacy Rebate Swap	\$0	\$(21,873,000)	\$(38,127,000)	\$60,000,000	0

TennCare Evolution

Tennessee's Medicaid program has transformed from a limited service, unpredictable and unsustainable plan to one that is comprehensive, sustainable and highly valued.



TennCare Today: Historic Stability & Success

- Comprehensive **adult dental benefit**
- More than **2,500** additional individuals with intellectual and developmental disabilities served in ECF CHOICES program; nearly **2,000** more seniors and adults with physical disabilities served in the CHOICES program (*thousands of additional slots to be filled in CY26*); nearly **5,000** children enrolled in **Katie Beckett Program**
- **25,000** additional children, pregnant women and parents served through the Strong Families Initiative and Year 1 Shared Savings
- Major investments in **behavioral health** (\$100 million) and **rural health** (\$200 million) through Year 2 Shared Savings
- \$100 million in **hurricane relief** through the HEAL Program with an additional \$240 Million for **long-term care** through Year 3 Shared Savings
- **Record provider payment increases** exceeding **\$5 billion** (\$3 billion recurring) in addition to negotiated rate increases via managed care
- **\$1.3 Billion** in shared savings in just 4 years of TennCare III

Continued Innovation: Pathway to Independence

- **4-year pilot** designed to address the TennCare benefit cliff and **help members improve their lives** and achieve greater independence
- Time-limited (12-months) premium assistance program to **encourage work and higher pay** by helping with the transition from TennCare to private insurance
- Limited to **15,000 parents/caretakers** per year and **\$2000** per participant
- Financial participation required but no more than **\$15/month** (up to \$2000/year)
- Funded with a portion of **Year 4 Shared Savings** (\$36M/12 months; \$18M for FY27)
- National and local research/surveys show **benefit cliffs impact behavior** and prevent Medicaid eligible individuals from seeking and accepting increased income opportunities
- Data show a **high percentage** of Medicaid members who lose benefits due to higher income **churn** back to Medicaid a short time later
- When former Medicaid members are enrolled in private health insurance, the chances of them returning to Medicaid are **greatly reduced**
- **Success = greater workforce participation**, greater private insurance enrollment & stability, lower TennCare enrollment, and **long-term taxpayer savings**