



**TENNESSEE “BLOCK GRANT” WAIVER
“TENNCARE III”**

January 2021

Background

- Per legislation adopted and enacted into law in 2019 (Public Chapter 481), Tennessee's modified "Block Grant" waiver amendment was submitted to CMS on November 20, 2019
- Over the past year, the state has been in discussions and negotiations with CMS
- We have finalized an agreement with CMS, with CMS approving a new TennCare waiver (TennCare III) on January 8, 2021
- Per Public Chapter 481 (2019), implementation of the agreement is dependent upon authorization by the General Assembly

Major Concepts in Tennessee's Proposal

- Modernize the fundamentally flawed Medicaid finance model that currently operates under a “spend more, receive more” framework
- Create a real opportunity for Tennessee to be rewarded for its successful management of its Medicaid program by achieving additional federal funding through shared savings
- Provide Tennessee with greater ability to run and operate its own Medicaid program through additional flexibilities
- Use shared savings and flexibilities to positively impact the TennCare program and improve the health of TennCare members and communities

TennCare III Financing Model

Base Block Grant

Agreement utilizes Tennessee's prior expenditures and trends the amount forward each year based on the inflationary projections contained in the President's Budget.



Per Capita Member Growth

Enrollment changes that exceed risk corridor thresholds of 1% will result in adjustments to Tennessee's budget cap providing protection against unexpected or atypical enrollment growth.



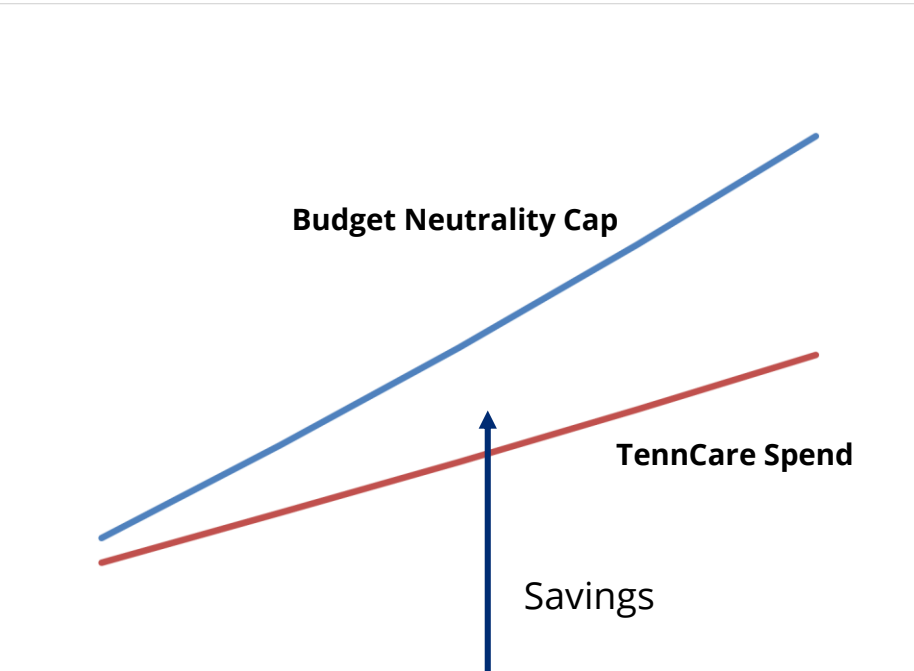
Shared Savings

Tennessee may access additional federal funds through shared savings by underspending a specified budget neutrality cap.
50 percent* of the savings can be accessed via current state spending on certain programs, meaning no additional state funds required.

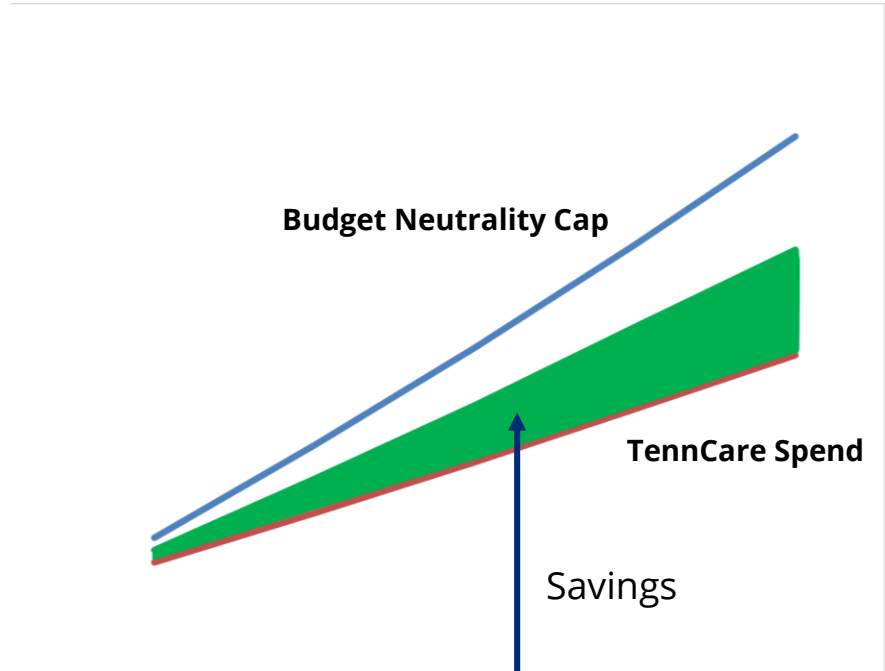


Traditional Waiver Renewal vs. Negotiated Waiver Agreement

Traditional Medicaid Financing



TennCare III Waiver Financing



Spending Caps Exist Today

- A budget neutrality cap is nothing new – TennCare operates under one today and all 1115 Medicaid waivers include a cap
- With or without the new block grant financing structure, this cap will exist
- CMS policy is rebasing all state Medicaid caps as they enter new waivers
- Our negotiations with TennCare III place us in a better position than where we would otherwise be
- Even without a federal “cap,” no Medicaid program has unlimited spending authority

What if TN Exceeds its Spending Cap?

- No actual reduction in federal funding to the state because the state has significant carryforward savings that are available during the waiver period
- Overspending the cap will only mean no available shared savings in a given year

Block Grant vs. Traditional Waiver Renewal

ELEMENT FOR COMPARISON	NEXT TENNCARE 1115 WAIVER WITHOUT BLOCK GRANT	NEXT TENNCARE 1115 WAIVER WITH BLOCK GRANT
Length of waiver:	Likely 5 years (based on prior CMS action and experience).	10 years.
Opportunity for the state to earn shared savings?	No.	Yes.
Opportunity to access additional federal dollars without new state expenditures?	No.	Yes. State may access 50%* of any savings via state expenses CMS recognizes as benefitting the Medicaid program or its members.
Spending cap?	Yes. Our cap will be rebased to our actual per member expenditures and then trended forward by a figure that most likely will reflect the trend outlined in the President’s Budget.	Yes. Our cap will be rebased to our actual aggregate expenditures from SFY2019 and then trended forward by the rate outlined in the President’s Budget.
Spending cap adjusted for changes to enrollment?	Yes.	Yes. Spending cap is adjusted if the change in membership exceeds 1% of the 2019 baseline, up or down.
Available savings (budget neutrality savings) to TennCare to address any expenses over the spending cap?	Yes. But, per current CMS budget neutrality policy, TN will carry forward savings that will be available for length of waiver – 5 years.	Yes. Identical to “Next TennCare 1115 Waiver without Block Grant;” however, carryforward savings will be available for a guaranteed 10 years – the full length of the waiver period.
Potential additional flexibilities and administrative relief?	No.	Yes. The state receives some flexibilities related to fraud, pharmacy and new benefits.



TennCare’s existing waiver – TennCare II – expires on June 30, 2021.

**Dependent upon maintaining or exceeding quality and access metrics and up to an agreed upon limit.*

Priorities for Program Innovation

1. Maternal Health Coverage Enhancements
2. Serving Additional Needy Populations
3. Clearing the Wait List for Services for Individuals with Intellectual and Developmental Disabilities
4. Addressing State-Specific Health Crises

Negotiated Flexibilities

- Ability to add new populations or benefits without prior federal approval
- Ability to structure different benefit packages for new covered populations
- Ability to adequately address fraud
- Ability to more effectively manage our pharmacy program
- Ability to invest in health rather than simply health care

A Commitment to Quality

- Tennessee will be able to access shared savings if the TennCare program demonstrates the quality of care it provides members is maintained or improving
- Quality metrics will be selected from the CMS Core Measure Set which is established nationally as a way for all states to demonstrate quality performance
- If the state is unsuccessful in maintaining performance on key quality metrics, its ability to access shared savings earnings will be reduced or eliminated; if the state is successful in improving quality, shared savings opportunities are increased
- The shared savings incentive further aligns to TennCare's mission and commitment to provide access to high quality care

Tennessee Block Grant Agreement Facts

- **NO REDUCTIONS** in people served
- **NO REDUCTIONS** to benefits
- **NO REDUCTIONS** to provider rates
- **NO REDUCTIONS** to quality or access

Basic Concept – Bet on Ourselves

1. Continue to operate the TennCare program efficiently and effectively and spend below the Medicaid trend identified in the President's Budget
2. Achieve and acquire additional federal funding through shared savings
3. Reinforce our commitment to quality and access
4. Utilize shared savings to make enhancements to the TennCare program and benefit the health of TennCare members and Tennessee communities



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