

TennCare Policy Manual	Section: Benefits
Policy No: BEN 25-001	Date: December 25, 2025

Cost Calculations for Medical Necessity Determination of Private Duty Nursing Services

Purpose

The purpose of this policy is to provide the average cost of private duty nursing services (“PDN”) and care in a facility in accordance with Tenn. Comp. R. & Regs. 1200-13-16-.05(7) and Tenn. Code Ann. § 71-5-144 for the purpose of determining the amount of medically necessary PDN services. This policy applies to TennCare enrollees aged 21 and older who are eligible for PDN and is not to be applied to enrollees under age 21.

Background

PDN is a covered benefit to TennCare enrollees aged 21 years and older when medically necessary to support the use of ventilator equipment or other life-sustaining technology consistent with TennCare’s state rules and CMS-approved waiver.¹ If an enrollee aged 21 years and older qualifies to receive the PDN benefit, that enrollee can only receive an amount of PDN that is medically necessary as defined by state law.

To be medically necessary, a service:

- (a) must be recommended by a licensed physician who is treating the enrollee or other licensed healthcare provider practicing within the scope of his or her license who is treating the enrollee;
- (b) must be required in order to diagnose or treat an enrollee’s medical condition;
- (c) must be safe and effective;
- (d) must not be experimental or investigational; and
- (e) must be the least costly alternative course of diagnosis or treatment that is adequate for the enrollee’s medical condition.²

In accordance with medical necessity, TennCare, through the managed care organizations (MCOs), will conduct an individualized determination into the appropriate services that can adequately meet the adult enrollee’s medical needs. The enrollee will be presented with care plans that outline potential options. These options may include home and community-based services through a TennCare Long Term Service and Supports (LTSS) program, PDN services, care in institutional settings, or a combination of these services. The most common institutional settings are nursing facilities and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). In developing the service options for each enrollee under prong (e) of medical necessity, TennCare compares the cost of the requested PDN to the adequate³ alternatives. TennCare may only approve PDN up to the cost of the least costly alternative that is adequate for the medical condition of the enrollee.

¹See Tenn. Comp. R. & Regs. 1200-13-13-.01(106)(c) and 1200-13-14-.01(113)(c) (2025).

² Tenn. Code Ann. § 71-5-144; Tenn. Comp. R. & Regs 1200-13-16-.05(1) (2011).

³See the definition at Tenn. Comp. R. & Regs. 1200-13-16-.01(1) (2011).

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Pursuant to Tenn. Comp. R. & Regs. 1200-13-16-.05(7)(f)(2)-(3), this policy establishes the average costs of PDN and applicable facility care for the purpose of determining available PDN service hours during the enrollee care planning process. The costs to be utilized in this medical necessity determination are as follows:

- **Tracheal Suctioning:** \$201,662 per year;
- **Chronic Ventilator Care:** \$279,302 per year;
- **ICF/IID:** \$236,450 per year; and
- **PDN:** \$ 49.78/hour.⁴

Pursuant to Tenn. Comp. R. & Regs. 1200-13-16-.05(7)(f)(2)-(3), these costs are effective and applicable to medical necessity determinations for at least three years from the date of this policy.⁵

To calculate the number of medically necessary PDN hours per day that are equal to the cost of an enrollee's care in an adequate facility, the MCOs use the following formula: annual facility cost ÷ 12 months ÷ 30 days ÷ PDN hourly cost. The result is then rounded to the nearest whole hour.

TennCare Office of Primary Responsibility

Chief Medical Office

References

[TennCare Rule 1200-13-13-.01\(106\)](#)

[TennCare Rule 1200-13-14-.01\(113\)](#)

[TennCare's Medical Necessity Rule](#)

[CMS & TennCare Demonstration Waiver](#)

⁴ In accordance with Tenn. Comp. R. & Regs. 1200-13-16-.05(7), this figure is calculated from 2023 encounter data.

⁵ To ensure consistent application of these costs by the MCOs and to inform the MCOs of adjustments to these costs, they are disseminated to the MCOs in the attached PDN Prong (e) Cost Calculations Memorandum.

Date: December 23, 2025

To: TennCare Managed Care Organizations

From: Victor Wu, Chief Medical Officer
Jona Bandyopadhyay, Deputy Chief Medical Officer

Re: Adult PDN Prong (e) Calculations

Pursuant to Tenn. Comp. R. & Regs. 1200-13-16-.05(7)(f)(2)-(3), and Policy number BEN 25-001, the purpose of this memo is to provide the costs to be utilized by managed care organizations to determine medical necessity under the least costly alternative prong (“prong (e)”) for private duty nursing services (“PDN”) for adult TennCare enrollees aged 21 or older.

The costs to be utilized for prong (e) calculations is the average cost of PDN and applicable facility care, as follows:

- **Tracheal Suctioning:** \$201,662 per year or \$16,805 per month
- **Chronic Ventilator Care:** \$279,302 per year or \$23,275 per month
- **ICF/IID:** \$236,450 per year or \$19,704 per month
- **PDN:** \$ 49.78/hr

Note that these costs are only applicable to members 21 and older who are eligible for PDN.

For purposes of PCSP planning within cost neutrality caps for the CHOICES program and expenditure caps for the Employment and Community First CHOICES program, please refer to communications from LTSS.

CC: Zane Seals, Chief Financial Officer
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