

Notice of Change in TennCare II Demonstration: Amendment 33

The Commissioner of the Tennessee Department of Finance and Administration is providing official notification of intent to file an amendment to the TennCare II demonstration. This amendment, which will be known as “Amendment 33,” is being filed with the Centers for Medicare & Medicaid Services (CMS), with the request that it become effective immediately upon CMS approval.

Description of Amendment and Affected Populations

In Amendment 33, Tennessee proposes to amend the Special Terms and Conditions (STCs) governing its supplemental payments to hospitals. The proposed changes will affect three aspects of Tennessee’s supplemental payment pools:

1. Adjusting the amount Tennessee is authorized to spend in the Uncompensated Care Fund described in STC 55.b;
2. Retaining the supplemental payment pool for Meharry Medical College described in STC 53.c; and
3. Amending the timeframe over which Tennessee is required to transition to its new supplemental payment structure.

Background

The TennCare demonstration allows the state to make payments to qualifying hospitals to help offset the costs these facilities incur in providing uncompensated care. The TennCare demonstration currently authorizes payments to hospitals from seven sources, or “pools”:

- the Essential Access Hospital (EAH) pool,
- the Critical Access Hospital (CAH) pool,
- the Meharry Medical College pool,
- the Unreimbursed Public Hospital Costs Pool for Certified Public Expenditures (CPE),
- Disproportionate Share Hospital (DSH) payments,
- the Unreimbursed Hospital Cost (UHC) pool, and
- the Public Hospital Supplemental Payment (PHSP) pool.

Different types of hospitals may qualify to receive payments from these different sources as specified in the demonstration’s STCs.

The current terms of the TennCare demonstration require the state to transition to a new payment structure, in which the pools listed above are eliminated and future supplemental payments to hospitals are made from just two sources: a “virtual DSH” fund and an uncompensated care fund. Tennessee is required to begin operating this new funding structure beginning July 1, 2018.

In order to effectively manage this transition and ensure adequate support to Tennessee hospitals providing uncompensated care, Tennessee is requesting the following changes to the STCs governing the state's supplemental payment structure:

1. Adjust the Funding Amount in the Uncompensated Care Fund

Beginning on July 1, 2018, the state is authorized to disburse up to \$163,003,147 annually from the new uncompensated care fund. In Amendment 33, the state will request that this funding total be adjusted. In 2016, CMS unnecessarily reduced the state's available uncompensated care funding by \$89,842,739 per year. The state will request that this funding reduction be restored, so that the total amount in the state's new uncompensated care fund will be \$252,845,886 annually. The restoration of this reduction is necessary in order to ensure adequate support to Tennessee hospitals providing uncompensated care.

2. Retain the Meharry Medical College Pool

The Meharry Medical College Pool was created in 2003 in order to help address the uncompensated costs incurred by two clinics operated by Meharry that provide care to TennCare members and the medically indigent. The Meharry Medical College Pool is authorized for up to \$10 million annually, based on the uncompensated costs of care provided by the clinics as determined by an independent audit each year.

Under the STCs of the TennCare demonstration, the Meharry Medical College Pool is scheduled to end on June 30, 2018, when TennCare's current supplemental payment structure will be replaced by the new virtual DSH and uncompensated care funds.

In Amendment 33, the state will request that the Meharry Medical College Pool be retained for the duration of the TennCare demonstration. The Meharry Medical College Pool is unique among TennCare's existing supplemental payment pools, in that the funds disbursed by this pool support clinics rather than hospitals. As non-hospital providers, the Meharry clinics will not be eligible to receive payments from the new virtual DSH fund or uncompensated care fund. For this reason, the state will request to retain a mechanism by which it can continue to support the clinics operated by Meharry.

3. Amend the Timeframe for Transitioning to the New Funding Structure

The STCs of the TennCare demonstration call for the state to restructure its longstanding supplemental payment structure by eliminating the multiple pools currently operated by the state and replacing them with two new funds—a "virtual DSH" fund and an uncompensated care fund. The STCs require the state to begin operating the new funding system on July 1, 2018. In Amendment 33, the state will request to increase the length of this transition period so that the state and its hospitals can better understand, and more effectively manage, the transition to the new funding structure.

Additional details about the state's proposed transition timeline are included in the draft amendment request.

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Expected Impact on Enrollment and Expenditures

Amendment 33 will not result in any increase or decrease in enrollment in the TennCare demonstration.

Implementation of Amendment 33 will increase the state's capacity to reimburse qualifying hospitals for costs incurred in providing uncompensated care by \$89,842,739 per year.

Hypothesis and Evaluation Parameters

The state does not anticipate modifying the demonstration evaluation design based on these changes.

Waiver and Expenditure Authorities Requested

The state is not requesting any new waiver or expenditure authorities to effectuate these changes. The demonstration's existing Expenditure Authority #4 should be modified to reflect the requested changes.

Public Notice Process

TennCare has taken a variety of steps to ensure that members of the public are aware of Amendment 33. These measures include the development and maintenance of this webpage, as well as notices to be published in the newspapers of widest circulation in Tennessee cities with 50,000 or more residents. TennCare has also addressed Amendment 33 in communications with stakeholders, including the Tennessee General Assembly. TennCare notified its Facebook friends and Twitter followers of Amendment 33 on December 1, 2017.

Public Input Process

TennCare is seeking feedback on Amendment 33 prior to its submission to CMS. Members of the public are invited to offer comments regarding Amendment 33 from December 1, 2017, through January 2, 2018.

Members of the public who wish to comment on the proposed demonstration amendment may do so through either of the following options:

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- Comments may be mailed to Dr. Wendy Long, Director, Division of TennCare, 310 Great Circle Road, Nashville, TN 37243.
- Comments may be sent by email to public.notice.tennCare@tn.gov.

Individuals who wish to share their thoughts in person may attend either of the following events:

- A public hearing on December 8, 2017, at 3:00 p.m. CT in Conference Room 1 East A of the TennCare Building, 310 Great Circle Road in Nashville.
- A public hearing on December 12, 2017, at 1:00 p.m. CT in the PEARL Room on the ground floor of the Tennessee Department of Labor and Workforce Development, 220 French Landing Drive in Nashville.

Telephonic access to the December 8 hearing (in the TennCare Building) is available for those unable to attend in person. Individuals interested in this option must register by contacting Jonathan Reeve—no later than December 7—at (615) 507-6449 or by email at jonathan.reeve@tn.gov. Individuals with disabilities or individuals with limited English proficiency who wish to participate in one or both hearings and who may require language or communication assistance to do so should contact Talley Olson of TennCare's Office of Civil Rights Compliance by phone at (855) 857-1673 or by email at HCFA.fairtreatment@tn.gov prior to the date of the hearing.

TennCare always appreciates input. In order to be considered for the final draft of Amendment 33, feedback must be received no later than Tuesday, January 2, 2018. Individuals wishing to view comments submitted by members of the public may submit their requests to the same physical address and/or email address at which comments are being accepted.

Draft of Amendment 33

A draft of TennCare's proposed demonstration amendment is located at <https://www.tn.gov/content/dam/tn/tenncare/documents2/PoolAmendment.pdf>. Copies of the draft amendment are also available in each county office of the Tennessee Department of Health. Once comments received during the public input period have been reviewed and considered, a final draft of the amendment will be prepared. The final draft will be submitted to CMS and will then be made available through this webpage.

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TennCare Page on CMS Web Site

As the federal agency with oversight authority over all Medicaid programs, CMS offers its own online resources regarding the TennCare demonstration. Interested parties may view these materials at

https://www.medicaid.gov/medicaid/section-1115-demo/demonstration-and-waiver-list/waivers_faceted.html.