

Tennessee Medicaid Block Grant Proposal

Frequently Asked Questions

1. What is a traditional block grant?

A traditional block grant would provide a state with a fixed amount of federal funding that is based on a current baseline period of Medicaid spending in that state with inflationary adjustments made each year to account for increased prices over time. If costs decline for a program funded under a traditional block grant – perhaps because of reduced enrollment or other reductions in expense - then the amount of federal funding does not decline, and the state keeps any money it does not have to spend to operate the program. But, if under a traditional block grant, costs increase for a program then the amount of federal funding does not increase, and the state is 100% liable for any excess money needed to operate the program.

2. Is Tennessee pursuing a traditional block grant?

No.

3. How is Tennessee's Block Grant Proposal different from a traditional approach?

Building on Tennessee's record of good financial stewardship and innovation in delivering high quality, cost effective services in its Medicaid program, Tennessee is proposing a modified version of a block grant. Tennessee's approach capitalizes on the benefit of a traditional block grant by allowing the state to keep unspent federal dollars when costs decline - but mitigates the financial risk of a traditional block grant by requiring the federal government to increase the amount of federal money when enrollment grows beyond the enrollment used to calculate the block grant amount. In addition, the state will – for the first time ever – share equally with the federal government in all federal savings the state generates through the effective administration of its program.

4. How is this "Shared Savings" calculated?

Each year, CMS will project the amount of total federal and state dollars that would be required to be spent on Medicaid in Tennessee if the state did not have the TennCare 1115 waiver. (This process happens today.) The total amount of state and federal money actually spent by Tennessee on services during any year will then be subtracted from CMS's projected total. The difference will then be multiplied by the federal medical assistance percentage or FMAP to determine the amount of federal money that was projected to be spent on Medicaid in Tennessee but that was saved by the state through effective management of its program. That federal amount will be multiplied by 50%, to arrive at



the federal money the state will get to retain (or “share”). This is why the concept is called “Shared Savings.”

5. What is significant about this “Shared Savings” approach for the state?

First, it appropriately recognizes that the federal savings are generated directly by the state. Second, it appropriately rewards good financial management and operations of a Medicaid program. Neither of these is true in the current Medicaid financing system. Third, any retained Shared Savings can be spent by the state on health-related services without first requiring the state to match it with new state general fund dollars. This Shared Savings approach is a critical element of the Tennessee block grant design being successful for the state.

6. Why is Tennessee submitting a block grant proposal?

During the 2019 legislative session, the Tennessee General Assembly adopted legislation directing the state to develop a block grant waiver proposal that would grant the state additional flexibility and be a financially sound proposal to the state.

7. Which services costs are included in the Tennessee Block Grant Proposal?

Tennessee’s Block Grant Proposal includes core medical services and related expenditures for TennCare’s four core population categories: 1) Blind and disabled; 2) Elderly; 3) Children; and 4) Adults (which includes pregnant women and caretaker/relatives of minor children).

8. Are there any service costs excluded from the Tennessee Block Grant Proposal?

Yes. All TennCare expenditures that are outside the scope of the regular medical assistance furnished to TennCare beneficiaries will be excluded from the calculation. In addition, all pharmacy-related expenses – though a core benefit for the core population – are excluded. The following list explains all excluded services costs:

- 1) Disproportionate Share Hospital (DSH) payments, Critical Access Hospital (CAH) payments, Essential Access Hospital (EAH) payments, and similar payments made directly to hospitals for uncompensated care payments;
- 2) Expenditures on behalf of individuals who are enrolled in Medicare, including cost sharing and premium assistance (including Medicare Part D “claw back” payments) paid on behalf of individuals who are dually enrolled in Medicare and TennCare;



- 3) Services that are currently carved out of TennCare's waiver, such as services for individuals with intellectual disabilities and children in state custody under the Department of Children Services;
- 4) Outpatient prescription drugs; and
- 5) Administrative expenses that are not treated as medical assistance expenditures.

9. How will the services costs that are excluded from the Tennessee Block Grant Proposal be funded?

All excluded expenditures, and any comparable expenditures agreed upon by the state and the federal government, will continue to operate under the payment and financing processes currently in place.

10. Will the proposal disincentivize the state from ever covering an additional population?

No. New populations, such as the Katie Beckett population approved by the General Assembly in 2019, would, for a period of time, be financed through the traditional funding model currently in place to allow the new populations to reach a stable and predictable level of operation. This will allow the state to gain experience in serving any new populations to better determine appropriate funding levels. Once this experience is established, the new populations could be rolled into the block grant calculations, which would increase the block grant amount due the state.

11. How will the block grant allotment be determined under the waiver proposal?

The proposed financing model consists of three main components:

- 1) A block grant amount calculated based on the CMS-projected cost of providing care to the TennCare member population;
- 2) A Shared Savings mechanism embedded within the block grant amount that recognizes savings achieved by the state on behalf of the federal government; and
- 3) Per capita adjustments to reflect growth in TennCare membership beyond the experience reflected in the base period.

12. How will the initial block grant amount be calculated?

The block grant amount will be calculated, first, by calculating the average TennCare enrollment over the last three state fiscal years (2016, 2017, 2018) in four beneficiary categories, which have a history of different expenditure patterns. These categories are blind and disabled; elderly; children; and adults (which includes pregnant women and caretaker/relatives of minor children).

The enrollment numbers for each specific category will be multiplied by the dollar amount that represents what the federal government estimates the state and federal government (through the joint funding mechanism of Medicaid) would spend on the Tennessee Medicaid population if the TennCare 1115 waiver was not in place.

For each member category, the state's current FMAP will be applied to arrive at the federal share of the projected costs for each member category. Currently the FMAP is approximately 65 percent.

The resulting amounts for the four member categories are added to form the state's base block grant amount.

13. How will the state protect against the significant rising costs of health care?

The proposal contemplates the block grant amount be adjusted each year for inflation using the Congressional Budget Office's (CBO) five-year projections for growth in Medicaid spending.

In recent years Tennessee's actual trends in expenditure increases have been significantly lower than those projected by CBO. While the past is no guarantee of future performance, to the extent that TennCare continues to manage its costs below CBO's budget projections, the resulting savings can be used to benefit the state.

14. How does the Tennessee Block Grant Proposal protect the state against unforeseen enrollment growth due to a downturn in the economy or other factors?

A key provision of the block grant proposal, and one contemplated by the authorizing state legislation, provides for increased federal funding when the TennCare population increases over a base period level. If, during the course of the waiver period, TennCare's actual enrollment in any of the four beneficiary categories covered by the block grant exceeds the base period enrollment (on which the base block grant amount was calculated using), then the block grant will be adjusted on a per capita basis to reflect the membership increase.



15. Is the state seeking to reduce enrollment or services through the block grant?

No. In fact, the waiver amendment specifically states the block grant proposal does not rely on reductions to eligibility or benefits to achieve savings and the proposal does not request any significant changes in those areas. The only request the state is making in the waiver to reduce eligibility is the request to allow the state to have discretion in suspending or terminating an enrollee's eligibility when he or she is convicted of TennCare fraud.

16. If approved, how much federal funding will Tennessee receive to operate its Medicaid program?

Because the block grant would be based on future performance and experience, it is not possible to provide specific or exact revenue numbers. However, based on prior experience and already achieved savings per budget neutrality, the state should realize significant additional federal funding. It should be noted, however, that any final allotment will be heavily dependent on negotiations that will take place with the federal government as well as actual future experience within the program.

17. Could additional funds acquired through the block grant be utilized for non-Medicaid or non-Medicaid-related state services or programs?

No. The proposal specifies that any funding associated with the block grant would have to support the operation of the TennCare program. While it is anticipated the bulk of the block grant would be spent on traditional TennCare expenses, the state would have the flexibility to spend block grant dollars on other items and services if such expenditures will benefit the health of members or are likely to result in improved health outcomes.

18. If approved, will the block grant result in Medicaid expansion?

Any additional funding achieved through a block grant will be used to support the operation of the TennCare program. Specific uses of funding, however, including additional eligibility or enhanced services provided to the served population, will be dependent upon the amount of available dollars and policy priorities.

19. What additional Medicaid flexibilities does the state propose to receive through the block grant?

Appropriate additional flexibilities are essential to Tennessee's ability to effectively operate within the constraints of block grant funding. These flexibilities are outlined in the waiver amendment application and include items related to improving program administrative efficiencies; delivering the right care to the right members; adopting commercial tools to



lower drug costs; appropriately penalizing Medicaid fraud; addressing inefficient disincentives and promoting value for providers; investing in health rather than health care; and leveraging Medicaid as a catalyst to promote rural health care transformation. But there are no flexibilities being sought to limit eligibility (other than addressing enrollee fraud) or benefits to the TennCare population.

20. How can the public provide input on the block grant?

Prior to official submission of the Tennessee Block Grant Proposal to the federal government, the state, through the Division of TennCare, will hold three public hearings (one in each grand division) during a 30-day public comment period. The locations for the public hearings are:

Middle Tennessee

Location: Family and Children's Service, Training Room B, The Honey Alexander Center
2400 Clifton Avenue, Nashville, TN

Date: Tuesday, October 1

Time: 2:00 p.m. Central Time

East Tennessee

Location: Burlington Branch of the Knox County Library, Community Meeting Room
4614 Asheville Highway, Knoxville, TN

Date: Wednesday, October 2

Time: 2:30 p.m. Eastern Time

Location: Downtown Branch of the Chattanooga Public Library, Auditorium
1001 Broad Street, Chattanooga*

Date: Wednesday, October 16

Time: 2:00 p.m. Eastern Time

West Tennessee

Location: Jackson-Madison County Library, Program Center
433 East Lafayette Street, Jackson, TN

Date: Thursday, October 3

Time: 2:30 p.m. Central Time

Location: University Center, UC Ballroom A (3rd Floor)
499 University Street, Memphis*

Date: Tuesday, October 15

Time: 1:30 p.m. Central Time

Parking: Parking garage attached to the University Center at 505 Zach Curlin Street



Input can also be provided in writing directly to TennCare via postal mail to Mr. Gabe Roberts, Director, Division of TennCare, 310 Great Circle Road, Nashville, TN 37243 or email comments to public.notice.tennCare@tn.gov.

After submission to the federal government, the Centers for Medicare & Medicaid Services (CMS) will hold a similar public comment period before it makes any decision on the waiver proposal.

21. When will the federal government make a decision on Tennessee's Block Grant Proposal?

We can only speculate on how long it will take CMS to review the proposal and issue a decision. It has been our experience this process can take anywhere from six to nine months. Given that Tennessee is the first state to submit a waiver amendment of this nature, the process, including negotiations with the state, could be extended even further.

22. If the federal government approves the block grant, does the block grant immediately go into effect?

No. Per state legislation requiring submission of a block grant proposal, the General Assembly must approve any block grant waiver agreement prior to implementation. Depending on the timing of any agreement reached by the federal government and the Governor, the General Assembly could take action either through the regularly scheduled legislation session or through a called special legislative session.