

# TennCare Quarterly Report

## Submitted to the TennCare Oversight Committee and the Fiscal Review Committee

January 15, 2004

### Status of TennCare Reforms and Improvements

#### New pharmacy program

The TennCare Preferred Drug list was implemented with 10 drug classes on September 15, 2003. These 10 drug classes consisted of drugs that were anticipated to result in the most savings for the state. Following a month of education, the hard edits requiring prior authorization of non-preferred drugs in these 10 classes began on October 15. The second and third phases of the PDL were implemented on November 15 and December 15, 2003. Each of these phases involved 10 classes. The PDL should lower pharmacy costs by increasing overall generic drug utilization and shifting utilization of brand name drugs to preferred agents which pay the State supplemental rebates in addition to the Medicaid OBRA rebates.

Current projections indicate that the state will achieve its estimates of approximately \$89 million annually in OBRA rebates as a result of the pharmacy drug carve out that began on July 1, 2003. Supplemental rebates for Phase 1 drugs averaged \$1.5 million per week during the first month following the implementation of the prior authorization process. Supplemental rebates for Phase 2 averaged approximately \$500,000 per week during the first month following implementation. Results for Phase 3 are currently being collected and will be available in late January or early February, 2004.

Some examples of success in the first phase include the following:

Market shifts to lower cost drugs:

Therapeutic Category	Examples of Non-Preferred Agents	Preferred Agents	Preferred Agent Market Share Pre PDL	Preferred Agent Market Share Post PDL
Beta Blockers	Toprol XL®	Metoprolol	26%	34%
	Zebeta ®	Atenolol	38%	40%
Non- sedating Antihistamines	Allegra ®	Loratidine (under age 10)	0.7%	74%
	Zyrtec ® Clarinet ®	Loratidine (over age 10)	0.1%	51%

Shift to preferred drugs with supplemental rebates: (See table on following page.)

Therapeutic Category	Preferred Agents	Preferred Agent Market Share Pre PDL	Preferred Agent Market Share Post PDL
Acid Reducing Agents	Protonix ®	29%	71%
Cholesterol –lowering agents	Zocor ®	56%	66%
	Pravachol ®	6%	13%

During October, 2003, a new pharmacy benefits manager (PBM) was selected through the RFP process. First Health Services Corporation was selected. Beginning in November, the TennCare Pharmacy Unit and First Health met regularly and constructed an action plan to switch the all TennCare enrollees to the new PBM on January 1, 2004. Following this switch, First Health will evaluate the first three phases of the PDL in order to:

- Determine the actual savings attributable to the PDL each quarter and project annual savings;
- Analyze the fiscal impact of market shifts within therapeutic categories to brand name, preferred;
- Analyze the fiscal impact of the market shifts within therapeutic categories to generic drugs;
- Determine which new therapeutic categories should be reviewed for the next phases of PDL development;
- Propose new point of sale edits which can reduce pharmacy costs while maintaining quality care;
- Determine if any costs have been shifted to other therapeutic categories.

Additional efforts to be used to combat increasing drug costs will include:

- More aggressive use of generics and generic maximum allowable cost (MAC);
- Continued discussions with First Health concerning multi-state pooling;
- Continued identification of utilization patterns and development of approaches to assure appropriate utilization;
- Identification of potential care management programs that would help enrollees better manage their own health care and optimize their utilization of pharmaceuticals.

**Source of information for this section: Dr. David Hollis, Chief Medical Officer, Bureau of TennCare.**

### **New TCMIS**

TennCare is working with the Office for Information Resources (OIR) to develop and implement a new TennCare Management Information System (TCMIS). OIR is leading this effort in their role as project manager. Over 80 TennCare staff representing all business areas have been involved in daily testing of this system. The main testing center is located on the 3<sup>rd</sup> floor of the William Snodgrass Building. Testing for the core TCMIS functions began on July 16<sup>th</sup> with a kickoff that exceeded all expectations; nearly 200 people attended. The time commitment on the part of TennCare staff has been intense and will continue to be so as we get closer to implementation. This may result in some delays in processing requests for various Ad Hoc Reports.

However, despite TennCare's intensive efforts to assist OIR in making the core functions of this system operational by the deadline of January 1, 2004, per Section 71-5-192 of the TennCare Reform Act, the system is still not operational. TennCare staff continue to test the components of the system as they are developed by the contractor. TennCare will not allow the system to become operational until it has been adequately tested and determined ready to begin operations.

**Source of information for this section: Gene Grasser, Chief Operations Officer, Bureau of TennCare**

### **Reverification Status (July 2002 through December 17, 2003)**

Individuals Noticed:	582,17	8
Individuals Approved	314,74	8
Individuals Denied		62,718*
Individuals Termed for No Response	140,59	7
Deceased:		5,692
Individuals in Re-determination Process		58,423

\*On November 13, 2003, TennCare notified 43,347 individuals who lost coverage from the TennCare reverification process that they have until 11/12/04 to reapply under a grace period. Individuals terminated for reasons other than the reverification process are not eligible for the grace period.

**Source of information for this section: Darin Gordon, MCO Director, Bureau of TennCare.**

### **Status of Filling Top Leadership Positions in the Bureau**

Deborah Ward joined the Office of Legislative Affairs at TennCare during this quarter. She has been with TennCare for nearly nine years, working with enrollees regarding eligibility issues, answering questions at the TennCare Information Line, and working appeals. She will be responsible for legislative constituent work.

**Source of information for this section: Holly McDaniel, Director of Legislative Affairs, Bureau of TennCare.**

### **Number of Recipients on TennCare and Costs to the State**

As of the end of the quarter, there were 1,310,450 enrollees on TennCare: 1,048,880 Medicaid eligibles and 261,570 Uninsureds and Uninsurables. The proportion of enrollees enrolled in Medicaid continues to grow as compared to previous periods. This is primarily the result of the new reverification process that requires enrollees to first be tested for Medicaid eligibility prior to being checked for waiver eligibility. As a result, many of the enrollees who were previously classified as an Uninsured or Uninsurable have since been reverified as Medicaid. It should also be noted that new eligibility is only open to Medicaid eligibles and Uninsurables below 100% of the Federal Poverty Level (FPL).

During the second quarter of SFY 04, TennCare spent \$1,143,385,592 (net projected drug rebates) for managed care services. These expenditures included: payments to the managed care organizations (MCOs), payments to the behavioral health organizations (BHOs), payments to the dental benefits manager, and payments to the pharmacy benefits manager (PBM).

**Source of information for this section: Carolyn Johnson, Administrative Services Unit, Bureau of TennCare.**

## **Viability of MCOs in the TennCare Program**

### **Claims Payment Analysis**

The prompt pay requirements of T.C.A. § 56-32-226(b) mandate that each health maintenance organization and behavioral health organization ensure that 90% of claims for payment for services delivered to a TennCare enrollee are paid within 30 days of the receipt of such claims and 99.5% of all provider claims are processed within 60 days of receipt.

TDCI requested data files of all TennCare processed medical claims from TennCare MCOs, BHOs and the Dental Benefit Manager (DBM) for the month of October 2003. TDCI also requested data files of pended TennCare claims as of October 31, 2003, and a paid claims triangle from October 1, 2002, through October 31, 2003.

TDCI's analyses of these data files indicated that John Deere and Memphis Managed Care were not in compliance with the prompt pay requirements. Both of these TennCare MCOs were required to submit claims data files for November 2003. John Deere remained out of compliance in November. TDCI has requested that John Deere submit data files for December 2003 and has notified John Deere that TDCI may levy an administrative penalty if this MCO remains out of compliance with prompt pay requirements. TDCI will analyze MMCC's November data file as soon as the division receives it.

During MMCC's on-site examination in September 2003, TDCI discovered a programming error that resulted in the omission of some denied and capitated claims from the data files submitted to TDCI for the determination of prompt pay compliance. TDCI determined that this programming error might have skewed the results of TDCI's prompt pay analyses beginning with the month of October 2002. On October 7, 2003, TDCI requested that MMCC resubmit medical data files of claims adjudicated in July and August 2003. MMCC agreed to resubmit the data files for these two months in order for TDCI to determine the effect of the omissions on prompt pay compliance. For July 2003 MMCC was out of compliance in the original data file and the revised data file. For August 2003 MMCC was in compliance per the original data file, but MMCC was not in compliance per the analysis of the revised data. Because TDCI reversed its determination for MMCC's July data, TDCI required MMCC to submit revised data files for October 2002, November 2002, December 2002, January 2003 and April 2003. The results of the analyses performed on the revised files did not change the original determination of compliance with prompt pay requirements.

As part of TDCI's cycle of analyzing claims data for the first month in each quarter, the division will review claims data for all MCOs, BHOs and the DBM for January 2004.

### **Net Worth Requirement**

All health maintenance organizations (HMOs) and behavioral health organizations (BHOs) contracted with the State of Tennessee to provide benefits for TennCare and TennCare Partners enrollees were required to file on December 1, 2003, National Association of Insurance Commissioners (NAIC) 2003 third quarter financial statements with the Tennessee Department of Commerce and Insurance, TennCare Division.

Listed below is each MCO's and BHO's net worth requirement compared to net worth reported at September 30, 2003, on the NAIC quarterly financial statement. TDCI has not adjusted the net

worth reported on the NAIC quarterly statements. TDCI's calculations for the net worth requirement reflect payments made for the calendar year ending December 31, 2002, including payments made under the "stabilization plan."

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
Better Health Plan (A)	2,956,800	3,900,514	943,714
John Deere	13,606,149	77,211,692	63,605,543
Memphis Managed Care	8,952,071	12,020,881	3,068,810
OmniCare Health Plan	6,527,113	8,496,877	1,969,764
Preferred Health Partnership	6,883,135	10,131,988	3,248,852
Victory Health Plan	2,255,629	4,585,584	2,329,955
Volunteer (BlueCare & Select)	20,347,984	35,855,835	15,507,851
Xantus Healthplan (B)			
Premier Behavioral Systems (C)	1	2,436,641	2,436,640
Tennessee Behavioral Health (D)	6,090,490	6,107,587	17,097

Notes:

(A) BHP's net worth requirement is the "enhanced" net worth requirement determined during the RFR process. The net worth requirement has been increased above the statutory minimum based on projected premium revenue. BHP's calculated statutory net worth requirement is \$2,402,400. Because BHP's statutory net worth requirement is less than the enhanced net worth requirement, TDCI will enforce the requirement at the higher level.

(B) Xantus' reported net worth at June 30, 2003, was (\$75,601,280) and its minimum net worth requirement is \$8,820,978, resulting in a net worth deficiency of \$84,422,258. As of January 9, 2004, Xantus had not filed its 2003 third quarter financial statement with TDCI. TDCI's petition to liquidate Xantus was heard in Davidson County Chancery Court on January 8, 2004. TDCI anticipates the court to rule on this motion very soon.

(C) Under the terms of its supervision notice, Premier was required to maintain a positive net worth until its termination. Premier's supervision notice expired on December 31, 2003, after Magellan's successful exit from Chapter 11 bankruptcy. Premier is currently operating on a "no-risk" basis for behavioral health expenses with dates of service beginning January 1, 2003.

(D) Per the First Amended Agreed Notice of Administrative Supervision, TBH was required to maintain an enhanced net worth \$2 million in excess of statutory requirements. The net worth requirement here is the enhanced requirement. On June 4, 2003, Magellan forgave accounts receivable from TBH in the amount of \$1,150,000 and made an additional cash contribution of \$320,000 on June 19, 2003, to cure TBH's net worth deficiency of \$1,469,287 at May 31, 2003. To cure TBH's net worth deficiency of \$338,190 at June 30, 2003, TBH received a capital contribution of \$345,000 from Magellan on July 18, 2003. At September 30, 2003, TBH exceeded the enhanced net worth requirement by \$17,097. TDCI allowed TBH's supervision notice to expire on December 31, 2003, with Magellan's successful exit from Chapter 11 bankruptcy.

**FINANCIAL ISSUES:**

**Xantus Healthplan of Tennessee, Inc. (Xantus)**

Current Regulatory Status

Chris Burton is the Special Deputy Receiver overseeing the daily operations of Xantus. David Manning continues to hold his title and responsibilities in a limited role as a Special Deputy Receiver.

### Current Financial Status

Xantus continues to be on a “no-risk” reimbursement for reasonable cost in accordance with the contract amendment between Xantus, the state TennCare Program and the Centers for Medicare and Medicaid Services.

Effective July 31, 2003, the TennCare Bureau terminated its contract with Xantus. On June 2, 2003, TDCI filed a petition to liquidate Xantus with the Davidson County Chancery Court. This petition was heard by the court on January 8, 2004. TDCI expects the court to rule on the petition for liquidation very soon. After July 31, 2003, Amendment 4 to the Contractor Risk Agreement will provide for the TennCare Bureau to fund reasonable and necessary administrative costs for processing claims with dates of service after March 31, 1999, through July 31, 2003 (the “run-out claims”).

### Access MedPlus (TCCN)

Because Access MedPlus was unable to cure statutory and contractual financial and claims processing deficiencies, the state terminated its contract with Access MedPlus on October 31, 2001.

On October 18, 2001, the Chancery Court of Davidson County issued an Order of Seizure of TCCN by TDCI to take possession and control of all of the property, books, documents, assets and the premises of TCCN. The Order also set a hearing on TDCI’s request for liquidation or rehabilitation of TCCN to be held on November 2, 2001. On October 20, 2001, the TennCare Bureau moved all of TCCN’s TennCare enrollment to the TennCare Select plan.

On November 2, 2001, a Liquidation Order for TCCN was entered by the Chancery Court of Davidson County. The order established that all claims must be received by March 1, 2002, at 4:30 p.m., CST. Courtney Pearre, Esq., appointed Supervisor since May 10, 2001, was appointed as the Commissioner’s Special Deputy for the purposes of liquidation.

All providers were required to file by no later than March 1, 2002, a proof of claim (“POC”) for all outstanding debt owed by TCCN to be considered a “Class II Claimant” in the liquidation. As of August 1, 2002, all of the liquidation advices had been mailed to providers as notification of the computed payable amount of their POCs. These providers then had until September 6, 2002, to object in writing to the computed payable amount. The TCCN liquidation staff has worked to resolve appeals by providers who disputed the computed payable amount either through agreement or by independent referee. All appeals are resolved with the exception of one provider who has appealed the referee’s decision to Chancery Court.

The TennCare Bureau has transferred funds to TCCN in the amount of \$10.5 million for claims covered by the safety net period. On March 4, 2003, approximately 1,900 safety net acceptance forms were sent to providers with computed payable amounts for the safety net period. Providers were given the opportunity to appeal the safety net amount by March 28, 2003. Providers were also given the opportunity to accept the safety net amount by April 7, 2003. As acceptance forms are received, funds are disbursed to providers on the same day.

Before liquidation, the management company, Medical Care Management Company (“MCMC”), a wholly-owned subsidiary of Access Health Systems (“Access”), transferred approximately \$5.7 million from the assets of TCCN to the accounts of the MCMC. The Chancery Court issued an order granting injunctive relief restraining the management company from removing any of the \$5.7 million. Access subsequently filed bankruptcy. Recently, the Bankruptcy Court entered an

order that allows the Special Deputy Liquidator to proceed to recover the \$5.7 million in Chancery Court. Such a petition was filed in Chancery Court. The Creditors Committee for the bankruptcy estate filed a motion to modify the Bankruptcy Court's order. The Special Deputy Liquidator filed papers in opposition to the Creditors Committee's motion. The hearing in Bankruptcy Court was scheduled for February 11, 2003.

Chancellor Lyle found for the liquidation that the \$5.7 million had been wrongfully transferred from TCCN accounts and that such action created a constructive trust for the funds while in the hands of Access. Chancellor Lyle ordered the \$5.7 million returned to TCCN accounts. Various creditors of Access and the bankruptcy estate are seeking an appeal of Chancellor Lyle's ruling in the Tennessee Court of Appeals. Briefs will be submitted to the Court at the end of January 2004.

With the resolution of these issues, the Special Deputy Receiver will petition for a distribution of the remaining assets of TCCN.

### **Universal Care of Tennessee (Universal)**

On September 13, 2002, Universal was placed under the Administrative Supervision of the Commissioner of Commerce and Insurance as a result of the company's financial and claims processing operations problems. On December 31, 2002, Universal was again placed under an Agreed Order of Supervision through June 30, 2003. Under the new order, TennCare Examination Manager John Mattingly replaced TennCare Examiner Paul Greene as the Administrative Supervisor.

At March 31, 2003, Universal reported net worth of \$6,451,709, a deficiency of \$1,216,126 below the statutory net worth requirement. Universal's reported net worth includes a \$54,436,971 receivable from the TennCare Program which the state disputes. As a result, this receivable is considered non-admitted for the purpose of calculating net worth. Universal's adjusted statutory net worth at March 31, 2003, is (\$47,985,262), a statutory net worth deficiency of \$55,653,097 below the net worth requirement.

Under Amendment No. 2 to the Amended and Restated Contractor Risk Agreement, Universal was no longer at risk for medical expenses incurred by its TennCare enrollees effective April 12, 2002.

During the second quarter of 2003, TDCI continued to work closely with Universal to identify and correct claims processing errors. TDCI monitored Universal's cash balances, including review and approval of disbursements prior to the release of checks for claims payments. TDCI and Universal developed procedures to facilitate issuing claims payment checks weekly.

TDCI TennCare examiners and contracted consultants were on site during the second quarter to follow up on their previous site visits to assess Universal's claims processing operations.

Pursuant to TDCI's supervision, the division discovered that Universal transferred funds to an affiliate, Universal Care, Inc., of California, without the Administrative Supervisor's approval. Directives issued by the Administrative Supervisor and the Commissioner required that funds held as investments be transferred to a Universal account in a Tennessee bank with the Administrative Supervisor as a cosignatory. Other funds received from the TennCare Program were also transferred to a UCOT bank account in Tennessee with the Administrative Supervisor as a cosignatory. Universal complied with these directives.

On April 2, 2003, the TennCare Bureau notified Universal of its intent to terminate the contractor risk agreement effective June 1, 2003. Universal filed in the United States District Court for the Middle Tennessee District an application for a preliminary injunction to stop the cancellation of the

contractor risk agreement. On May 30, 2003, Judge Nixon denied Universal's application for a preliminary injunction.

Also on May 30, 2003, Universal filed with the Tennessee Claims Commission a claim of \$75,000,000 against M. D. Goetz as Commissioner of the Tennessee Department of Finance and Administration and Manny Martins, Deputy Commissioner of the Tennessee Department of Finance and Administration, Bureau of TennCare.

TDCI filed a petition to liquidate Universal with the Davidson County Chancery Court on June 5, 2003. Judge McCoy granted the petition and the signed order was received July 2, 2003. Between June 1, 2003, and the liquidation order date of July 2, 2003, Universal continued to process and pay claims for dates of services April 12, 2002, through May 31, 2003.

Mr. Paul Eggers was appointed the Special Deputy Liquidator. Mr. Eggers is currently in the process of securing the remaining assets of Universal and developing procedures for the distribution of assets. The deadline for the submission of Proof of Claims against UCOT has been extended to June 15, 2004.

A contract between TennCare and Universal Care of Tennessee in Liquidation for TennCare to pay the HMO in liquidation for processing Universal claims with dates of service on and after April 12, 2002 was approved by CMS.

#### **Memphis Managed Care (MMCC)**

On September 30, 2003, the TDCI approved the release of the remaining portion of MMCC's subordinated provider payable to the Regional Medical Center ("The Med").

On December 1, 2003, TDCI approved the payment of interest accrued on the Capital Surplus Note due to The Med and/or UTMG of \$1,033,666.76 and partial release of \$1,000,000 of the total \$2,000,000 principal balance.

#### **MISCELLANEOUS**

##### **Tennessee Behavioral Health (TBH)**

TBH was placed under an Order of Administrative Supervision on January 9, 2003, because TBH transferred \$7 million of capital to its parent, Magellan Health Services, Inc., on October 4, 2002, without notifying TDCI and properly disclosing this transfer on its financial statements filed with the division on December 2, 2002.

During January 2003, TDCI learned that TBH's parent, Magellan Behavioral Health, was entering into a planned Chapter 11 bankruptcy. As a result, TDMHDD and TBH amended the Contractor Risk Agreement to modify the payment process so that beginning February 7, 2003, funds are remitted to TBH as medical reimbursements are determined. On February 11, 2003, the First Amended Agreed Notice of Administrative Supervision was executed. This First Amended Agreed Notice of Administrative Supervision was set to expire on October 9, 2003. To ensure that there would be no lapse in supervision, TBH agreed to execute the Second Agreed Notice of Administrative Supervision to extend the supervision period to the earlier of December 31, 2003 or when Magellan successfully exited bankruptcy and TBH demonstrates it is in compliance with certain statutory and contractual requirements. On October 8, 2003, TDCI received a press release from Magellan indicating that the bankruptcy court had approved its restructuring plan.

On December 29, 2003, TDCI executed an order approving a plan for a Canadian corporation, Onex, to acquire control of Magellan. The order was approved with the following conditions:

The regulated entities, Premier and TBH, agree to be subject to the Insurance Holding Company Act, which restricts the payment of funds in the form of dividends or other distributions by the BHOs to the parent or affiliates.

Premier and TBH must maintain their restricted deposits at the current levels or higher, if required by statute.

Onex shall give notice to TDCI of any transaction with Magellan that is in an amount in excess of \$100 million.

With the approval of this order, Magellan announced on January 5, 2004, that it had successfully consummated its financial restructuring, establishing a sound capital structure that would support and enhance the long-term growth and potential of its business. Magellan further commented that the restructuring reduced its debt by approximately \$600 million and added approximately \$150 million in new equity.

TDCI allowed TBH's Order of Supervision to expire on December 31, 2003, with Magellan's successful exit from Chapter 11 bankruptcy.

### **Premier Behavioral Systems (Premier)**

Premier Behavioral Systems gave notice to the TennCare Bureau that effective June 30, 2002, it would terminate its contract to deliver behavioral health care services to TennCare enrollees. On July 1, 2002, the TennCare Bureau invoked the first three-month exigency clause in the contract with Premier. Under the terms of this clause, Premier remained in the TennCare Program until September 30, 2002.

On August 27, 2002, the state invoked the second three-month exigency period described in the Contractor Risk Agreement. Under the terms of Section 6.18.5, Premier continued to provide services to TennCare enrollees through December 31, 2002. By amendment to the contractor risk agreement, the state assumed 100% of Premier's risk for the cost of delivering behavioral health services effective January 1, 2003 and Premier agreed to remain as a TennCare BHO until June 30, 2003.

At December 31, 2002, Premier reported net worth of \$2,311,442, a deficiency of \$5,535,299 below the statutory net worth requirement of \$7,846,741. Therefore, on December 30, 2002, Premier entered into an Agreed Notice of Administrative Supervision with the Department of Commerce and Insurance.

During January 2003, TDCI learned that Premier's parent, Magellan Behavioral Health, was entering into a planned Chapter 11 bankruptcy. As a result, TDMHDD and TBH amended the Contractor Risk Agreement to modify the payment process so that beginning February 7, 2003, funds are remitted to Premier as medical reimbursements are determined. On February 11, 2003, the First Amended Agreed Notice of Administrative Supervision was executed. On May 12, 2003, the Second Amended Agreed Notice of Administrative Supervision was executed. This agreement extended administrative supervision through December 31, 2003. Premier again has agreed to remain as a TennCare BHO until December 31, 2003, with the execution of Amendment 5 to the Contractor Risk Agreement.

Premier made a statutory filing requesting that its temporary certificate of authority, which terminated on December 31, 2003, be converted to a non-temporary certificate of authority. Before TDCI could issue a non-temporary certificate to Premier, Premier had to correct its statutory net worth deficiency. On November 19, 2003, Magellan made a capital contribution of \$5,500,000 to cure Premier's net worth deficiency of \$5,395,371. As a result of this capital infusion, TDCI granted Premier a non-temporary certificate of authority effective November 19, 2003.

On December 29, 2003, TDCI executed an order which approved a plan for a Canadian corporation, Onex, to acquire control of Magellan. The order was approved with the following conditions:

The regulated entities, Premier and TBH, agree to be subject to the insurance Holding Company Act, which restricts the payment of funds in the form of dividends or other distributions by the BHOs to the parent or affiliates.

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TDCI allowed Premier's Order of Supervision to expire on December 31, 2003, with Magellan's successful exit from Chapter 11 bankruptcy.

**Source of information for this section: Paul Lamb, TennCare Division, TennCare Examiner, Tennessee Department of Commerce and Insurance.**

### Success of Fraud Detection and Prevention

1. Program Integrity continues to work cases referred by MCC's, local law enforcement, TBI, FBI, state agencies and the general public via Web site, faxes, letters, and phone calls via the hotline. Results of Case Reviewer/Investigators are listed below:

#### Summary of Enrollee Cases

	Quarter	YTD
Cases closed	6,371	14,989
Recommended terminations	2,880	5,486
TPL added	220	385
Income adjusted	5	11

#### Summary Relating to Provider Cases

	Quarter	YTD
Cases closed	30	61
Cases referred to TBI*	1	3
Cases referred to HRBs*	0	2

*\*The Tennessee Bureau of Investigation (TBI) MFCU (Medicaid Fraud Control Unit) and the Health Related Boards (HRBs) take the lead in cases once they are referred to them. TennCare's Program Integrity Unit continues to assist as requested.*

2. Collections made from three sources—estate recovery, premiums not paid because of the enrollee’s inaccurate reporting of income, and overpayments made for nursing facility residents because of under-reporting of income—are summarized below.

Estate recovery legislation was passed and went into effect on 8-29-02 relating to Medicaid recipients who are 55 years of age or older who have received Medicaid-reimbursed long term care. This program has been moved from the Long Term Care Unit to Program Integrity. Attorneys, executors, and/or responsible parties must now obtain a release from the state prior to the estate being probated. Program Integrity Unit is receiving approximately 41 requests per work day. There are currently 338 cases open with claims filed or pending.

*Note: A match has been completed between TennCare, Department of Health and Department of Human Services to help identify recipients who have died where TennCare has paid for nursing home care.*

**Collections Made by Program Integrity**

	<b>Collections for Quarter Ending 12/31/03</b>	<b>Collections Year to Date</b>
Estate recovery	\$1,211,817	\$2,416,478
Premium underpayments	\$8,461	\$23,007
Nursing home overpayments (PA 68's)*	\$267,695	\$370,982

*\*These collections resulted from the joint efforts of Program Integrity, TennCare Fiscal Services, and DHS.*

3. Program Integrity is continuing to reach out to the District Attorneys and local law enforcement agencies across the state to solicit their help and support in prosecuting recipients who commit fraud against the TennCare Program.

Drug diversion and related cases summary as follows:

- Six new cases have been referred this quarter,
- Nine recipients have been convicted
- Currently working with law enforcement on 105 open cases of which twenty six have been indicted.

Other fraudulent offenses this quarter;

- A recipient was convicted of TennCare Fraud (TCA71-5-118) and Forgery (TCA 39-14-114). This defendant was sentenced to two years suspended with 2 years supervised probation. The individual was providing false letters of uninsurability using a well known insurance company's letterhead.
- Two recipients have been indicted and a trial date set for July 2004. This couple lives out of state and when law enforcement made the arrest relating to the TennCare violation, a meth lab was found in their home.

4. This unit provided training/networking with the following organizations during this quarter:

- a. Mid-Cumberland Trial
- b. Middle Tennessee Chapter of the Certified Fraud Examiners
- c. Medicare Patrol Unit
- d. West Tennessee Criminal Investigators Association

- e. Tennessee Health Care Association, East, Middle and West Tennessee locations.
- 5 Staff continue to work with the state's contractor, EDS, to develop the best TPL and fraud and abuse detection software system in the nation. This new TennCare Management Information System (TCMIS) will allow Program Integrity to initiate proactive measures for identifying fraud and abuse within the TennCare system. Program Integrity will be able to identify outliers for both providers and recipients. The ability to create ad hoc reports will greatly improve the speed and efficiencies of the investigations. Targeted queries will be generated on a routine basis; these queries have been developed to identify potential fraudulent claims submission. The goal behind these reports and queries is to promote improved work efficiencies, terminate individuals who are no longer eligible for TennCare benefits and prosecute individuals who have violated federal and/or state laws.
6. Plans for next quarter:
- a. Continue to improve working relations, networking and exchange of information with other state, federal and local government agencies.
  - b. Continue to provide training and assistance to the MCC staff who have the responsibility to focus on fraud and abuse violations.
  - c. Continue to improve and expand our collaboration efforts with federal agencies, in particular Medicare Public Safeguard Contractors, TRICARE, and DHHS-OIG.
  - d. Complete a match with Labor and Work Force Development to help identify TennCare recipients who are receiving, or are eligible to receive, insurance benefits through Workers Comp Program.
  - e. Develop and issue an RFP to procure a TPL contractor who will be responsible for the validation of existing health insurance coverage data, identification of additional TPL coverage, subrogation for estate recovery, casualty claims, and private health insurance coverage.
  - f. Continue to work with the contractor, ChoicePoint to validate eligibility information.

**Source of information for this section: Tom Mathis, Director, Program Integrity Unit, Bureau of TennCare.**