

# TennCare Quarterly Report

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

January 16, 2007

<b>Status of TennCare Reforms and Improvements</b>
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### **Approval of Standard Spend Down program**

On November 14, CMS announced its approval of the State's proposal to implement a Standard Spend Down program. The proposal, which was submitted in January of 2006, will allow enrollment of adults who are aged, blind, disabled, or caretaker relatives and who have incurred unpaid medical bills of a sufficient size to "spend down" to the income level used in the Medically Needy program for pregnant women and children. The new program has an enrollment target of 100,000 persons.

### **Waiver extension**

The current TennCare waiver ("TennCare II") was granted in 2002 for a period of five years. It is a Section 1115(a) demonstration waiver. In June 2006 the State sent CMS a letter asking for a three-year extension of the waiver under the Section 1115(e) authority. In November 2006 CMS responded that the State should submit a waiver extension under the Section 1115(a) authority. This process requires a reworking of material that had been submitted to CMS previously. Once approved, the Section 1115(a) extension is expected to be effective from July 1, 2007, through June 30, 2010. It is not envisioned that the waiver extension will involve any substantial changes in the programmatic aspects of the original waiver.

### **New MCOs in Middle Tennessee**

Much attention was focused this quarter on working with the MCOs who were selected through the competitive bid process to begin serving enrollees in Middle Tennessee effective April 1, 2007. The new MCOs are AmeriChoice, or UnitedHealth Plan of River Valley, Inc., and AmeriGroup.

The Bureau has developed Readiness Review Procedures to assure that each organization will be prepared and ready to provide the integrated continuum of TennCare covered physical and behavioral health services to TennCare enrollees in

Middle Tennessee. Initial Readiness Reviews involved an extensive review of each plan's policies and procedures. (Both plans passed.) In November, an On-Site review of each plan's current operations was conducted. The On-Site review covered several critical areas, including call center operations, member appeals, utilization and disease management, claims processing, information systems, etc. Follow-up responses have been requested to assure that TennCare specific requirements are understood and will be met for April 1st.

Processes that began this quarter and that will be followed through into the next include Provider Network development and validation as well as systems testing of each critical interface between the MCOs and TennCare.

### **NCQA accreditation**

Tennessee is the first state to mandate that all Medicaid Managed Care Organizations (MCOs) be accredited by the National Committee for Quality Assurance (NCQA). The National Committee for Quality Assurance is an independent, 501(c)(3) non-profit organization whose mission is to improve health care quality nationally. The organization began accrediting managed care organizations in 1991 to provide standardized, objective information about the quality of care and services delivered by managed care organizations. The NCQA accreditation process includes a comprehensive review of the key aspects of care and service and the overall health care delivery system of individual managed care plans.

Earlier, MCOs were notified that the contracts of MCOs failing to obtain NCQA accreditation by December 31, 2006, would be subject to termination. All MCOs have now completed the NCQA survey and received their ratings.

NCQA awards its highest accreditation status of Excellent to organizations with programs for service and clinical quality that meet or exceed rigorous requirements for consumer protection and quality improvement. BlueCross BlueShield, TLC and AmeriChoice received an excellent rating.

NCQA awards an accreditation status of Commendable (the second highest rating) to organizations with well-established programs for service and clinical quality that meet rigorous requirements for consumer protection and quality improvement. PHP, UAHC, and Unison received a commendable rating.

NCQA awards an accreditation status of Provisional to organizations with programs for service and clinical quality that meet basic requirements for consumer protection and quality improvement. Organizations awarded this status must take significant action to achieve a higher accreditation status. VHP received a Provisional rating. (VHP is the smallest MCO and is scheduled to end its contract with TennCare by April 1, 2007.)

### **Essential Access Hospital (EAH) payments**

The TennCare Bureau continued to make Essential Access Hospital payments during this period. Essential Access Hospital payments are payments from a pool of \$100 million (\$35,292,500 in state dollars) appropriated by the General Assembly.

The methodology for distributing these funds specifically considers each hospital's relative contribution to providing services to TennCare members, while also acknowledging differences in payer mix and hospitals' relative ability to make up TennCare losses. Data from the Hospital Joint Annual Report is used to determine hospitals' eligibility for these payments. Eligibility is determined each quarter based on each hospital's participation in TennCare. In order to receive a payment for the quarter, a hospital must be a contracted provider with TennCare Select and at least one other managed care organization, and it must have contracted with TennCare Select for the entire quarter that the payment represents. Excluded from the essential access hospital payments are critical access hospitals, which receive cost-based reimbursement from the TennCare program and therefore do not have unreimbursed TennCare costs, and the five state mental health institutes.

Essential access hospital payments for the first quarter of State Fiscal Year 2007 are shown in the following table.

33203	Erlanger Medical Center	\$1,655,839
90281	Johnson City Medical Center Hospital	\$713,213
19244	Metro Nashville General Hospital	\$1,033,500
79246	Regional Medical Center (The Med)	\$4,641,856
47282	University of Tennessee Memorial Hospital	\$1,713,397
19284	Vanderbilt University Hospital	\$2,742,194
47292	East Tennessee Children's Hospital	\$445,851
79306	Methodist Healthcare Lebonheur	\$804,149
79476	Community Behavioral Health	\$74,206
82401	Indian Path Pavilion	\$35,848
57405	Pathways of Tennessee	\$104,651
1452	Ridgeview Psychiatric Hospital and Center	\$51,327
33433	Valley Hospital	\$143,235
90411	Woodridge Psychiatric Hospital	\$90,733
54243	Athens Regional Medical Center	\$51,964
21234	Baptist DeKalb Hospital	\$30,267
19254	Baptist Hospital	\$200,741
15222	Baptist Hospital of Cocke County	\$186,795
47252	Baptist Hospital of East Tennessee	\$100,907
66205	Baptist Memorial Hospital Union City	\$97,605
9245	Baptist Memorial Hospital-Huntingdon	\$32,449
84256	Baptist Memorial Hospital-Tipton	\$101,829
75224	Baptist Treatment Center of Murfreesboro	\$7,451
19364	Baptist Women's Treatment Center	\$2,784
2214	Bedford County Medical Center	\$70,552
5202	Blount Memorial Hospital	\$122,068
35215	Bolivar General Hospital	\$36,901
6223	Bradley Memorial Hospital	\$111,455
19324	Centennial Medical Center	\$247,535
13202	Claiborne County Hospital	\$110,871
6233	Cleveland Community Hospital	\$123,243
71204	Cookeville Regional Medical Center	\$122,818
50234	Crockett Hospital	\$62,465
18224	Cumberland Medical Center	\$115,185
14204	Cumberland River Hospital	\$15,920
20205	Decatur County General Hospital	\$26,182
79386	Delta Medical Center	\$150,581
23215	Dyersburg Regional Medical Center	\$117,548

33393	East Ridge Hospital	\$137,939
26204	Emerald Hodgson Hospital	\$21,585
33213	Erlanger North Hospital	\$32,447
53202	Fort Sanders Loudon Medical Center	\$45,364
47322	Fort Sanders Parkwest Medical Center	\$98,622
47212	Fort Sanders Regional Medical Center	\$276,517
78232	Fort Sanders Sevier Medical Center	\$153,984
63204	Gateway Medical Center	\$153,099
27245	Gibson General Hospital	\$36,391
58233	Grandview Medical Center	\$53,157
36205	Hardin County General Hospital	\$108,295
16234	Harton Regional Medical Center	\$92,811
38225	Haywood Park Community Hospital	\$48,253
39215	Henderson County Community Hospital	\$23,863
83254	Hendersonville Medical Center	\$57,045
40225	Henry County Medical Center	\$92,719
28214	Hillside Hospital	\$81,743
22204	Horizon Medical Center	\$102,164
27255	Humboldt General Hospital	\$75,356
57245	Jackson Madison County General Hospital	\$634,000
25204	Jamestown Regional Medical Center	\$76,889
45242	Jefferson Memorial Hospital	\$49,177
7252	Jellico Community Hospital	\$131,125
90251	Johnson City Specialty Hospital	\$13,241
32252	Lakeway Regional Hospital	\$123,693
30221	Laughlin Memorial Hospital	\$70,706
52214	Lincoln Medical Center	\$41,525
67214	Livingston Regional Hospital	\$52,232
60224	Maury Regional Hospital	\$183,819
9255	McKenzie Regional Hospital	\$40,463
55225	McNairy Regional Hospital	\$38,967
24226	Methodist Healthcare Fayette	\$41,069
79296	Methodist Healthcare North	\$142,149
79266	Methodist Healthcare South	\$135,974
1202	Methodist Medical Center of Oak Ridge	\$167,155
79276	Methodist University Healthcare	\$409,874
75214	Middle Tennessee Medical Center	\$219,841
32242	Morristown Hamblen Healthcare System	\$152,515
90231	North Side Hospital	\$52,606
74214	Northcrest Medical Center	\$146,323
33383	Parkridge Medical Center	\$75,688
57265	Regional Hospital of Jackson	\$113,707
89234	River Park Hospital	\$58,559
73212	Roane Medical Center	\$60,204
79396	Saint Francis Hospital	\$409,365
79256	Saint Jude Children's Research	\$258,933
47242	Saint Mary's Health System	\$175,577
7242	Saint Mary's Medical Center of Campbell County	\$73,691
76212	Scott County Hospital	\$84,586
80204	Smith County Memorial Hospital	\$25,737
19214	Southern Hills Medical Center	\$122,459
26224	Southern Tennessee Medical Center	\$72,544
75234	Stonecrest Medical Center	\$65,321
8214	Stones River Hospital	\$51,649
19344	Summit Medical Center	\$138,816
83244	Sumner Regional Medical Center	\$159,594
62202	Sweetwater Hospital Association	\$147,976

10221	Sycamore Shoals Hospital	\$61,720
30231	Takoma Adventist Hospital	\$60,368
19234	Tennessee Christian Medical Center	\$444,082
83204	Tennessee Christian Medical Center-Portland	\$39,629
86211	Unicoi County Memorial Hospital	\$25,312
16214	United Regional Medical Center	\$126,006
95224	University Medical Center	\$326,658
19764	Vanderbilt Stallworth Rehabilitation Hospital	\$32,700
92225	Volunteer Community Hospital	\$31,715
91214	Wayne Medical Center	\$24,573
82201	Wellmont Bristol Regional Medical Center	\$237,628
37221	Wellmont Hawkins County Memorial Hospital	\$67,615
82211	Wellmont Holston Valley Medical Center	\$245,112
93204	White County Community Hospital	\$36,248
54233	Woods Memorial Hospital	\$35,419

### Reverification Status

Reverification continued to be on hold during this quarter.

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

There were no new management level positions filled during this quarter.

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

As of the end of the quarter, there were 1,171,947 enrollees on TennCare: 1,136,586 Medicaid eligibles and 35,361 Uninsureds and Uninsurables (Medically Eligibles).

During the fourth quarter of calendar year 2006 (October through December), TennCare spent \$691,770,185\* for managed care organization (MCO) services, \$109,944,952 for behavioral health organization (BHO) services, \$38,203,112 for dental benefit manager (DBM) services, and \$118,389,954 for pharmacy benefits manager (PBM) services. The State's Medicare clawback payment was \$17,830,476. (The "clawback" refers to the payment required under the Medicare program's new Part D pharmacy program. Pharmacy benefits for Medicaid/Medicare dual eligibles, which had formerly been provided by TennCare, were shifted to the Medicare program on January 1, 2006. The "clawback" payment is intended to be roughly the amount of state funds that the state Medicaid program would have paid if it had continued to pay for outpatient prescription drugs for persons dually eligible for Medicare and Medicaid.)

*\*These figures are as of Dec. 31 and are unaudited.*

## **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 clean claims for payment for services delivered to a TennCare enrollee are paid within 30 calendar days of the receipt of such claims and 99.5% of all provider claims are processed within 60 calendar days of receipt. TennCare's contract with its Dental Benefit Manager requires that the DBM also process claims in accordance with this statutory standard.

TennCare's contract with its Pharmacy Benefits Manager requires that the PBM must pay 95% of all clean claims within 20 calendar days of receipt and the remaining 5% of clean claims within the following 10 calendar days.

TDCI requested data files of all TennCare processed claims from TennCare MCOs, BHOs, the DBM and the PBM for the months of August, September and October 2006. TDCI also requested data files of pending TennCare claims and a paid claims triangle from August 1, 2005 through October 31, 2006.

Except for Preferred Health Partnership of Tennessee ("PHP") and Doral Dental Services of Tennessee ("Doral"), all MCOs, BHOs and the PBM were in compliance with the prompt pay requirements for August, September and October 2006. PHP was out of compliance for both August and September 2006. In August, PHP processed only 89% of clean claims within 30 calendar days of receipt. In September, PHP processed 79% of clean claims within 30 calendar days of receipt and only 99.2% of all claims within 60 calendar days of receipt. PHP was in compliance for the month of October 2006. Nonetheless, PHP is required to submit claims data files monthly until PHP processes claims timely for three consecutive months. Furthermore, TDCI will levy an administrative penalty for PHP's failure to timely process claims in accordance with the prompt pay statute.

Doral was out of compliance with the prompt pay requirements for the month of October 2006, processing only 76% of clean claims within 30 calendar days of receipt. As previously reported, Doral was out of compliance in July 2006, processing only 99.4% of all claims within 60 calendar days of receipt. As a result, starting with the August data files Doral has been required to submit claims data files monthly until Doral processes claims timely for three consecutive months. Because Doral's requirement to follow the prompt pay act is a contractual rather than a statutory requirement, TDCI does not have the authority to assess an administrative penalty against Doral for its failure to timely process claims in accordance with the prompt pay statute.

### **Net Worth Requirement**

As of September 30, 2006, TennCare MCOs/BHOs reported net worth as indicated in the table below. TDCI has not adjusted the net worth reported on the NAIC annual statements. TDCI's calculations for the net worth requirement reflect payments made for

the calendar year ending December 31, 2005, including payments made under the “stabilization plan.”

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
UnitedHealthcare Plan of the River Valley (formerly John Deere)	16,589,882	146,000,450	129,410,568
Memphis Managed Care	9,180,832	32,738,890	23,558,058
Preferred Health Partnership	7,247,122	34,170,347	26,923,225
UAHC Health Plan	7,578,682	11,361,165	3,782,483
Unison Health Plan	3,079,859	5,290,237	2,210,378
Volunteer (BlueCare & Select)	27,775,339	30,722,429	2,947,090
Windsor Health Plan	4,172,221	6,522,165	2,349,944
Premier Behavioral Systems	7,104,270	21,037,523	13,933,253
Tennessee Behavioral Health	7,005,128	16,331,022	9,325,894

**FINANCIAL ISSUES:**

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

*No change from previous report.*

**Tennessee Coordinated Care Network d/b/a Access MedPlus (TCCN)**

*No change from previous report.*

**Universal Care of Tennessee (Universal)**

*No change from previous report. .*

<b>Success of Fraud Detection and Prevention</b>
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The Office of Inspector General (OIG) was established 2 1/2 years ago (July 1, 2004). The mission of the OIG is: *To identify, investigate, and prosecute persons who commit fraud or abuse against the TennCare program.* The OIG staff receives case information from a variety of sources including: local law enforcement, the Tennessee Bureau of Investigation (TBI), the TennCare Bureau, Health Related Boards (HRB), the Department of Human Services (DHS), other state agencies, health care providers, Managed Care Contractors (MCC), OIG data mining, and the general public via the OIG web site, faxes, letters, and phone calls to the OIG hotline. The statistics for the *second* quarter of the 2006 - 2007 fiscal year are as follows:

**NOTE:** *Included are the fiscal year totals (FYT) and the grand totals to date (TD) -- since the OIG was created (July 2004)*

**Summary of Enrollee Cases**

	Quarter	FYT	Grand Total
Cases Received	8,919	12,102	68,789
Cases Closed*	9,049	11,868	70,189

\*Cases are closed when there is inadequate information provided to investigate the complaint, the information has been researched and determined to be unfounded, the case was referred to another agency (as per appropriate jurisdiction), or prosecuted by the OIG and closed. This number also includes reports the OIG runs for the TennCare Bureau regarding potential fraud or abuse.

### Summary of Enrollee Abuse Cases

	Quarter	FYT
Abuse Cases Received	8,296	11,479
Abuse Cases Closed	911	3,730
Abuse Cases Referred <sup>1</sup>	7,385	8,540

<sup>1</sup> Abuse cases may be referred to the appropriate Managed Care Organization (MCO), the TennCare Bureau, or DHS for further review.

### Summary of Provider Cases

	Quarter	FYT	Grand Total
Cases opened	85	162	804
Cases closed	92	105	714
Cases referred to TBI*	11	13	71
Cases referred to HRBs**	4	18	61

\*The OIG refers **provider cases** to the TBI Medicaid Fraud Unit (as per state and federal law) and assists with these investigations as requested.

\*\*Health Related Boards

There is an aggressive push to pursue enrollees who have committed fraud or abuse against the TennCare program. The primary criminal case types are: drug cases (drug diverters, drug seekers, and forged prescriptions), reporting a false income, access to insurance, and living outside the State of Tennessee.

### Summary of Arrests & Convictions

	Quarter	FYT	Grand Total
Arrests	64	99	365
Convictions	18	37	120
Diversions*	3	10	40

**Note:** Special Agents were not in the field making arrests until February 2005.

\***Judicial Diversion:** A guilty plea or verdict subject to expungement following successful completion of probation. Tennessee Code Annotated § 40-35-313

\***Pre-trial Diversion:** Prosecution was suspended and if probation is successfully completed, the charge will be dismissed. Tennessee Code Annotated § 40-15-105

### Arrest Categories

Drug Diversion/Forged Prescription	239
Access to Insurance	42
Operation Falcon III	32
False Income	15
Ineligible Person Using Card	15
Living Out Of State	8
Asset Diversion	6
Theft of Services	5
ID Theft	3
<b>GRAND TOTAL</b>	<b>365</b>

### TennCare Referrals & Recoupments

	Quarter	FYT	Grand Total
Pharmacy Lock-in (1)	40	105	778
Recoupment (2)	\$78,524.98	\$186,915.86	\$779,141.09
Recommended TennCare Terminations (3)	7,212	8,061	18,521
Potential Savings (4)	\$23,799,600	\$26,801,700	\$70,334,977

\*See footnotes below.

(1) The total in the last column is for the time period of September 2004 through December 31, 2006. Pharmacy lock-in referrals are sent to the TennCare Bureau for consideration.

(2) The total in the last column reflects dollars collected by the OIG and sent to the TennCare Bureau from February 15, 2005, (when a Fiscal Manager and an attorney joined the OIG staff to facilitate and document this process) through December 31, 2006.

(3) Enrollee recommendations sent to the TennCare Bureau for consideration based on reports run from *file net* (i.e. Prisoner Report, State Wage Report, the Deceased Report, and the PARIS Report). Reports are run upon availability on *file net*. The PARIS Report was not completely loaded by the TennCare Bureau this quarter so the OIG was unable to run these numbers. The OIG IS staff will attempt this report again next quarter.

(4) There were 7,212 enrollee terminations recommended for the first quarter. The TennCare Bureau uses \$3,592.32 as the average annual cost per enrollee for Medical, Pharmacy Services, BHO, and Dental, and \$3,082.44 for Medical and Pharmacy Services only (an average of \$3,300 was used for this total figure). [NOTE: Previous reports reflected the number \$4,181.04 as the average annual cost per enrollee.]

### Investigative Sources

	Quarter	FYT	Grand Total
OIG Hot Line	859	1,871	11,042
OIG Mail Tips	72	187	2,582
OIG Web Site	367	913	3,677
OIG Email Tips	127	210	1,799

The OIG staff provided presentations for the following organizations/contacts during this quarter:

- a **TennCare/Mental Retardation Services monthly meeting**
- b **Representative Jim Hackworth's Community Meeting, Oak Ridge**
- c **Budget & Finance Committee**

**d Middle Tennessee Healthcare Executive Association**  
**e Tennessee Drug Officers Conference**  
**f Commission on Accreditation for Law Enforcement Agencies**  
**g Meetings with local law enforcement officials:**  
**\*19 of the Judicial Task Forces**  
**\*17 District Attorneys**  
**\* 5 Sheriffs and 1 Chief of Police**  
**h Department of Mental Health Investigators monthly meeting**  
**i Nursing Home Roundtable**  
**j Senior Citizens Inc**  
**k Department of Children Services personnel**  
**l Health Care Fraud Working Group**  
**m Demonstrations: Shared Health**  
**Prescription Monitoring Program**  
**CoverTenn electronic interface system**  
**n Physician Prescribing Practices group**  
**o LEACT Meeting in Bristol, Tn - Law Enforcement Accreditation**  
**Coalition of Tennessee**

The OIG started working with Medicaid fraud units within states that touch Tennessee: i.e. Mississippi, Alabama, Kentucky, etc. This sharing of data has been extremely valuable to the mission of the OIG.

The OIG staff continues to work with the State's contractor, Medstat, to develop the fraud and abuse detection software system. The OIG is working with this vendor to initiate proactive reports for identifying TennCare fraud. Targeted queries are generated on a routine basis. The goal behind these reports and queries is to assist with a successful OIG investigation and prosecution of individuals who have violated the law as it pertains to TennCare fraud.

The OIG Information Services Section was busy this quarter expanding and improving the current electronic case management system. Testing and implementation of this new system was completed during the first quarter of fiscal year 2006/2007.

OIG registered nurses participated in the State employee flu shot project by administering flu shots to State personnel at various sites.

Four employee vacancies were filled during this quarter. These were ASA level classifications. The purpose for these new hires is to prepare for the additional responsibility of reviewing information related to CoverTn enrollees and providers.

Training has continued for OIG personnel during this quarter. The Special Agents completed an annual In-Service training that included POST required courses, new policies and procedures, all qualifications with approved weapons, a legal update, etc. All continuing education hours were completed for OIG "professional" staff members, i.e. attorneys, accountant, registered nurses, and information technology personnel.

The Criminal and Civil Legal Divisions have assisted OIG staff members by providing legal advice on issues including how to meet the requirements of

various statutes and drafting and reviewing documents that have legal implications. The Legal Divisions facilitate the case preparation process and work closely with various District Attorneys toward a successful prosecution of OIG cases. They review all legal matters of the OIG and advise on pending legislative issues.

The Inspector General and the Deputy Inspector General over Criminal Investigations have continued visits to various Tennessee counties. In each jurisdiction visited, there is a courtesy call to the Sheriff and Chief of Police. The goal is to continue to solidify the collaboration between local law enforcement and the OIG. More visits are planned for the next quarter.

The OIG made application for law enforcement accreditation through the Commission on Accreditation for Law Enforcement Agencies (CALEA) and was accepted in the fall of 2005. The on-site inspection by representatives from CALEA occurred last quarter: August 26-30, 2006. CALEA Commissioners reviewed the OIG at their November meeting and voted to grant the OIG accredited status. The State of Tennessee OIG is the only Inspector General agency to achieve law enforcement accreditation both nationally and internationally.

A new OIG website was placed on line. The ability to run data reports from this site should be in place next quarter. This will also assist with the "Tips for Cash" Program by providing updates on the resolution of cases as they occur.

The OIG participated in the United States Marshall Service *Operation Falcon III*. Outstanding felony warrants were served throughout the State of Tennessee. OIG Special Agents assisted with 32 arrests.

**Plans for next quarter:**

- a. Continue to exchange information with local, state, and federal government agencies.
- b. Continue to work with Medstat to improve reports that would assist with the data mining function of the OIG.
- c. Provide presentations and training for interested parties regarding TennCare fraud and the role of the OIG.
- d. Continue staff training and develop best practices.
- e. Track the newly created pay incentive program for tips that lead to a successful conviction for TennCare fraud. This program is a result of legislation from the 104th General Assembly and is a law.
- f. Prepare to investigate possible fraud and abuse of the newly created programs: CoverTn, Cover Kids, CoverRX, and Access Tennessee.
- g. Implement legislated programs pertaining to the OIG (last session): data mining and providing administrative hearings for the recovery of money owed to the TennCare program.
- h. Start the process for re-accreditation (a three year process).