

TennCare Quarterly Report

Submitted to the TennCare Oversight Committee and the Fiscal Review Committee

April 15, 2004

Status of TennCare Reforms and Improvements

Implementation of the Governor's TennCare Reform Efforts

The Governor outlined his plan for reforming TennCare in February. Since that time, Bureau staff has joined with representatives from other State departments to develop a series of work groups to develop processes for implementing these reform measures.

Four main policy teams and four organizational teams have been organized to work through the details of the implementation of the reform plan. The goal of these workgroups is to operationalize the broad strategy outlined by the Governor in a comprehensive, well-organized process. These four policy teams are:

Policy Team	Objective(s)
Benefits and Coverage	Establish TennCare benefit limits and co-pays, safety net, beneficiary review process
Pharmacy Initiatives	Identify best approach to achieve pharmacy utilization and cost reductions; define path to achieve those reductions; set performance goals for drug utilization; create and implement long-term plans based on best practices and health care projections
Managed Care Organization Optimization	Outline effective and efficient benefit delivery system
Care Management	Purchase basic care and disease management systems for vulnerable populations from vendors or MCOs; create next generation of disease management

In addition to these four main policy teams, four other organizational teams are working to assure the process remains organized, gathers input from external stakeholders, develops deliverables for the process and follows through on all group activity. The organizational teams are:

Organizational Team	Objective(s)
Existing Program Management	Oversee and report on daily operation of TennCare, prepare operations for implementation of reform initiatives
Communications	Manage communication throughout transition, including internal and external audiences
Constituent Relations	Gather input and feedback from, and share information with, key constituent and stakeholder groups
Legal	Advise group on strategies and how they apply to TennCare's waiver agreement with the federal government

These team leaders and their team members meet at least once weekly, and often meet in additional sub-group meetings, to meet the short- and longer-term objectives outlined above. This process is being managed under the direction of Finance and Administration Commissioner Dave Goetz, with input and participation from McKinsey & Company representatives.

Source of information for this section: Michael Drescher, Director of Communications, Bureau of TennCare.

Pharmacy Program Update

The TennCare Pharmacy Benefit Manager changed on January 1, 2004. First Health, the winning bidder, successfully transitioned the program to their systems on that date. The program remains on track to achieve the \$150 million in projected savings for the current state fiscal year. Supplemental rebates averaged around \$1.5 million per week during the last quarter of 2003. These supplemental rebates combined with the expected \$89 million annually in Medicaid OBRA rebates will allow TennCare to reach our plan of \$150 million. An initial analysis of compliance by drug class shows that we have achieved 90% or higher compliance in 23 of 34 classes and greater than 80% in 32 of 34.

In an effort to continually improve the management of the pharmacy benefit, actions planned for the first half of 2004 include the following:

- 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.
- Identification and lock-in of enrollees using multiple controlled substances, multiple pharmacies and multiple physicians in a three month period without a diagnosis to support this pattern of usage.

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. Testing for the core TCMIS functions began on July 16, 2003 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 continues 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 April 12, 2003)

Individuals Noticed:	581,522
Individuals Approved	323,849
Individuals Denied	68,971*
Individuals Termed for No Response	137,101
Deceased	7,062

*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.

TennCare started the annual "renewal" process in January. To date, 18,741 notices have been mailed. Going forward, approximately 15,000 notices will be mailed each month.

Source of information for this section: Ken Barker, Director of Information Systems, Bureau of TennCare.

Status of Filling Top Leadership Positions in the Bureau

Deb Faulkner has joined the Program Integrity Unit as Assistant Director. Ms. Faulkner served 30 years in the Metropolitan Nashville Police Department and was Acting Chief prior to joining TennCare. Ms. Faulkner's years of experience and expertise will be utilized to improve working relations with law enforcement including prosecutors all across the state.

Patricia Totty has joined John Lewis in a newly created position as Director of Compliance for TennCare. She will be responsible for ensuring that TennCare effectively monitors its contracts, will monitor the on-going resolution of audit findings, and will ensure that TennCare maintains compliance with federal/state regulations/laws/policies. This Unit will also take over the PAR function and staff being transferred from the Department of Finance and Administration.

Linda Springer is working for the Information Line Division of Member Services and is primarily responsible for working with the operators at the Women's Prison. She is working on improving the overall flow of communication as well as strengthening tracking systems to provide more detailed information about the type of calls that are being received.

Cary Martin is working in Member Services as an overall Quality Assurance Manager. Her specific responsibilities including investigating problems that arise in a specific unit, identifying the cause of the problem and working with the unit's manager and staff to develop a solution. Ms. Martin is also responsible for insuring that the Information Line is answered promptly and appropriately and verifying that appeals are being processed efficiently.

Marilyn Elam has joined the TennCare Bureau as Communications Manager. She serves as the Bureau's media relations coordinator and has assumed management of the TennCare website. Ms. Elam was formerly with Gish, Sherwood and Friends serving as an account executive for the public relations and advertising firm.

Number of Recipients on TennCare and Costs to the State

As of the end of the quarter, there were 1,345,206 enrollees on TennCare: 1,083,304 Medicaid eligibles and 261,902 Uninsureds and Uninsurables.

During the third quarter of SFY 04, TennCare spent \$1,168,930,470 (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: Darin Gordon, Director of Managed Care Programs, Bureau of TennCare, and 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 January 2004. TDCI also requested data files of pended TennCare claims as of January 31, 2004, and a paid claims triangle from January 1, 2003, through January 31, 2004.

TDCI's analysis of these data files indicated that John Deere was not in compliance with prompt pay requirements. As a result, TDCI requested that John Deere submit data files for February 2004. John Deere was in compliance with prompt pay requirements for February.

Because John Deere was also out of compliance for six consecutive months July through December 2003, the TennCare Bureau assessed liquidated damages of \$60,000. The liquidated damages were deducted from John Deere's administrative fee payment from the TennCare Bureau.

On February 17, 2004, TDCI levied an administrative penalty of \$10,000 for Memphis Managed Care's failure to comply with prompt pay requirements for the months of October and November 2003. Memphis Managed Care was in compliance with prompt pay requirements for the months of December 2003, January 2004 and February 2004.

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 April 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 March 1, 2004, National Association of Insurance Commissioners (NAIC) 2003 annual 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 December 31, 2003, on the NAIC annual financial statement. 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, 2003, including payments made under the “stabilization plan.”

	Net Worth Requirement	Reported Net Worth	Excess/ (Deficiency)
Better Health Plan (A)	2,956,800	4,004,708	1,047,908
John Deere	15,745,967	73,529,914	57,783,947
Memphis Managed Care	9,525,000	9,859,787	334,787
OmniCare Health Plan	7,087,846	9,125,739	2,037,893
Preferred Health Partnership	7,717,942	22,279,577	14,561,635
Victory Health Plan	2,068,212	4,276,949	2,208,737
Volunteer (BlueCare & Select)	22,214,872	32,762,805	10,547,933
Xantus Healthplan (B)			
Premier Behavioral Systems (C)	7,960,810	10,194,055	2,233,245
Tennessee Behavioral Health (D)	4,792,323	6,558,972	1,766,649

Notes:

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 \$2,636,528. Because BHP’s statutory net worth requirement is less than the enhanced net worth requirement, TDCI will enforce the requirement at the higher level.

Xantus’ reported net worth at June 30, 2003, was (\$75,601,280) and its minimum net worth requirement was \$8,820,978, resulting in a net worth deficiency of \$84,422,258. As of April 8, 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. Chancellor Carol L. McCoy granted the order converting the rehabilitation to liquidation on January 21, 2004.

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. The net worth requirement for Premier has returned to the statutory requirements of T.C.A. § 56-51-136.

TBH’s supervision notice expired on December 31, 2003, with Magellan’s successful exit from Chapter 11 bankruptcy. TBH was required to maintain an enhanced net worth \$2 million in excess of statutory requirements during supervision. The net worth requirement for TBH has returned to the statutory requirements of T.C.A. § 56-51-136.

FINANCIAL ISSUES:

Xantus Healthplan of Tennessee, Inc. (Xantus)

Current Regulatory Status

When Xantus was placed in liquidation on January 21, 2004, Chris Burton was appointed as the Special Deputy Liquidator. David Manning’s service as Special Deputy Receiver for the rehabilitation ended at that point.

Current Financial Status

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. The court heard this petition on January 8, 2004. Chancellor Carol L. McCoy granted the order

converting the rehabilitation to liquidation on January 21, 2004. After July 31, 2003, Amendment 4 to the Contractor Risk Agreement provides for the TennCare Bureau to fund claims with dates of service after March 31, 1999, through July 31, 2003, (the "run-out claims) and the reasonable and necessary administrative costs for processing these claims.

Mr. Burton is currently in the process of securing the remaining assets of Xantus and developing procedures for the distribution of assets. The deadline for the submission of Proofs of Claim against Xantus is May 14, 2004.

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 TCCN's TennCare enrollees 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 named 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. By agreement or with the help of an independent referee, the TCCN liquidation staff has worked to resolve appeals from providers who disputed the computed payable amount. All appeals have been resolved except for 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 were 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)

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.

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.

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 included a \$54,436,971 receivable from the TennCare Program, which the state disputes. As a result, this receivable was not included in the calculation of net worth. Universal's adjusted statutory net worth at March 31, 2003, was (\$47,985,262), a statutory net worth deficiency of \$55,653,097 below the net worth requirement.

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 service 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.

CMS has approved a contract between TennCare and Universal Care of Tennessee in Liquidation for TennCare to pay the HMO in liquidation for processing Universal's claims with dates of service on and after April 12, 2002. Universal Care of Tennessee in Liquidation has contracted with the company's former vendor for use of the claims processing software. A separate vendor has been contracted to process claims received for both dates of service before and after April 12, 2002. As of April 5, 2004, approximately \$3.9 million has been paid for claims with dates of service on and after April 12, 2002, by the liquidation.

Memphis Managed Care (MMCC)

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.

On January 23, 2004, TDCI approved the payment of \$10,000 of accrued interest on the Capital Surplus Note due to The Med and/or UTMG and the final release of \$1,000,000 of the remaining 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 demonstrated it was 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.

TBH's Order of Supervision expired on December 31, 2003, with Magellan's successful exit from Chapter 11 bankruptcy. TBH was required to maintain an enhanced net worth \$2 million in excess of statutory requirements during supervision. The net worth requirement for TBH has returned to the statutory requirements of T.C.A. § 56-51-136. TBH's contract is in effect until June 30, 2004 .

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.

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 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.
- 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.

Premier's Order of Supervision expired on December 31, 2003, with Magellan's successful exit from Chapter 11 bankruptcy. Premier's net worth requirement has returned to the statutory requirements of T.C.A. § 56-51-136. Premier's contract is in effect until June 30, 2004.

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	6,646	21,635
Recommended terminations	1,760	7,206
TPL added	72	457
Income adjusted	4	15

Summary Relating to Provider Cases

	Quarter	YTD
Cases closed	59	120
Cases referred to TBI*	1	4
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 decedents 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 68 requests per work day. There are currently 1536 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

	Collections for Quarter Ending 3/31/04	Collections Year to Date
Estate recovery	\$2,048,064	\$4,464,542
Premium underpayments	8,461	23,007
Nursing home overpayments (PA 68's)*	227,528	598,510
Provider recoupments	172,657	299,089

**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:
 Thirteen new cases have been referred this quarter,
 One recipient convicted in the previous fiscal year convicted in another county this quarter.
 Currently working with law enforcement on 113 open cases of which seventeen have been indicted.

4. This unit provided training/networking with the following organizations during this quarter:
 - a. Tennessee Bureau of Investigation Drug Diversion Unit
 - b. State of Georgia Program Integrity Unit
 - c. Federal Bureau of Investigation
 - d. Healthcare Coordinators
 - e. SSA – CDI Unit

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 that 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. Work with 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.