

TennCare Quarterly Report

January – March 2023

Submitted to the Members of the General Assembly

Status of TennCare Reforms and Improvements

Resumption of Annual Eligibility Reviews. In general, TennCare reviews the eligibility status of all persons enrolled in the TennCare program on an annual basis. This process, which is required under state and federal law, is sometimes referred to as redetermination, renewal, or reverification. In March 2020, Congress passed the Families First Coronavirus Response Act (FFCRA). This federal law required state Medicaid programs to maintain enrollment for virtually all members during the COVID-19 public health emergency. Since March 2020, TennCare’s enrollment has grown from about 1.4 million members to well over 1.7 million members, primarily as a result of maintaining the enrollment of all members without conducting annual eligibility reviews.

On December 29, 2022, the Consolidated Appropriations Act, 2023, (CAA) was signed into law. The CAA ended FFCRA’s continuous coverage requirement for Medicaid, effective April 1, 2023. Accordingly, TennCare resumed its normal eligibility processes in March 2023 and will have initiated a review of every member’s eligibility by February 2024. Wherever possible, TennCare is leveraging existing data sources (e.g., wage data, SNAP enrollment data) to automatically renew the eligibility of members who continue to qualify for TennCare. If TennCare cannot automatically renew a member’s coverage using data already available to TennCare, then the member will receive a preprinted renewal packet by mail (or depending on the preferences selected by the member, an email notification to review their renewal information online).

To help ensure that renewal packets reach the intended recipients, TennCare has made a number of system enhancements to the Tennessee Eligibility Determination System (TEDS). For instance, TEDS sends “pre-renewal” letters to TennCare members before renewal packets are mailed. These letters help TennCare obtain updated address information from members in advance of the date on which a renewal packet is shipped. In addition, TennCare is updating address information received automatically through the USPS Return Mail process, which allows TennCare to send letters to members immediately after USPS receives an address change. Furthermore, TennCare is receiving monthly updates from the National Change of Address system prior to the mailing of renewal packets; the information contained in these updates reduces the likelihood of mail being returned as undeliverable.

Because of the length of time that has elapsed since TennCare last reviewed members' eligibility, it is anticipated that a number of members who go through the renewal process will no longer qualify for TennCare. These individuals will have the opportunity to appeal any such decision prior to disenrollment. TennCare will also transfer their information to the Health Insurance Marketplace for potential enrollment in subsidized coverage there.

Dental Services for Adults. Effective January 1, 2023, TennCare began covering dental services for all adults enrolled in TennCare. (Previously, dental services had been covered for children under age 21, pregnant and postpartum women, and certain adults receiving long-term services and supports.) Dental benefits covered for adults age 21 and older include services from nearly 20 categories, including—but not limited to—diagnostic x-rays and exams, preventive cleanings, restorative (fillings), crowns, partial dentures, complete dentures, tooth extractions, and palliative treatment. Funding for these new benefits was included in the budget for Fiscal Year 2023 passed by the General Assembly. As of the end of the first quarter of implementation, a total of 26,054 unique members had received 146,030 unique services. Additional information about the new coverage is available on TennCare's website at <https://www.tn.gov/tenncare/members-applicants/dental-services.html>.

Payments to Tennessee Hospitals for Uncompensated Care. On January 20, 2023, TennCare notified CMS and the public of a planned modification to the methodology by which uncompensated care payments are made to Tennessee hospitals. Since 2016, the TennCare demonstration has included an Uncompensated Care Fund for Charity Care (also referred to as the "Charity Care Pool"). Funds from the Charity Care Pool are used to support Tennessee hospitals by helping to offset costs associated with uncompensated care provided to the uninsured through charity care programs or self-pay patients. TennCare distributes an annual total of \$252,845,886 from the Charity Care Pool to qualifying hospitals according to an established distribution methodology. The modified distribution methodology announced on January 20 would allow an additional, one-time, non-recurring payment of \$337,040,400 to hospitals through the Charity Care Pool.

Re-opening of CHOICES At Risk Demonstration Group. A significant change to the TennCare program contained in the budget for State Fiscal Year 2022 entailed re-opening enrollment in a demonstration population within the CHOICES program. CHOICES, which provides managed long-term services and supports (MLTSS) for persons who are elderly or who have physical disabilities, consists of three benefit groups. CHOICES Groups 1 and 2 consist of individuals who meet TennCare's level of care criteria for nursing facility care and receive either LTSS in a nursing facility (Group 1) or HCBS in lieu of nursing facility care (Group 2). CHOICES Group 3, by contrast, consists of adults who do not meet TennCare's level of care criteria for nursing facility care but who, absent additional supports, are considered at risk of needing institutional care. These individuals receive a targeted package of HCBS intended to prevent or delay the need for nursing facility care.

Under the terms of the TennCare demonstration, CHOICES Group 3 is open to individuals who are eligible for Medicaid as SSI recipients and to non-Medicaid-eligible individuals who qualify in the CHOICES At Risk

Demonstration Group. The CHOICES At Risk Demonstration Group provides a pathway for individuals who are not otherwise eligible for Medicaid to be eligible for TennCare and to receive CHOICES Group 3 HCBS. The CHOICES At Risk Demonstration had been closed to new enrollment since June 30, 2015. On June 8, 2022, TennCare announced its intent to re-open the group to new enrollees beginning on October 1, 2022. As of the end of the January-March 2023 quarter, a total of 320 new individuals had been enrolled in CHOICES Group 3 through the At Risk Demonstration Group.

Katie Beckett Program. On November 23, 2020, TennCare launched a new “Katie Beckett” program. The Katie Beckett program provides services and supports for children under age 18 with disabilities and/or complex medical needs who are not eligible for traditional Medicaid because of their parents’ income or assets. The Katie Beckett program is an outgrowth of legislation (Public Chapter No. 494) passed by the Tennessee General Assembly in the 2019 legislative session. Following enactment of Public Chapter No. 494, TennCare submitted a waiver amendment (“Amendment 40”) to CMS to establish the new program. CMS ultimately approved Amendment 40 on November 2, 2020.

TennCare’s Katie Beckett program contains two principal parts:

- **Part A** – Individuals in this group receive the full TennCare benefits package, as well as essential wraparound home and community based services. These individuals are subject to monthly premiums, which are determined on a sliding scale based on the member’s household income.
- **Part B** – Individuals in this group receive a specified package of essential wraparound services and supports, including premium assistance.

In addition to Parts A and B, the Katie Beckett program provides continued TennCare eligibility for children already enrolled in TennCare, who subsequently lose TennCare eligibility, and who would qualify for enrollment in Part A but for whom no Part A program slot is available.

The Katie Beckett program began accepting self-referral forms from interested families on November 23, 2020. As of the end of the January-March 2023 quarter, there were 157 children enrolled in Part A and 2,042 children enrolled in Part B. Since the end of the January-March quarter, TennCare has continued to enroll qualifying children into the Katie Beckett program. There is no waiting list for enrollment into the Katie Beckett program, including Part A.

Amendments to the TennCare Demonstration. During the January-March 2023 quarter, several proposed amendments to the TennCare demonstration were in various stages of development.

Demonstration Amendment 1: Integration of Services for Individuals with Intellectual Disabilities. In January 2021, CMS approved the latest iteration of the TennCare demonstration, referred to as “TennCare III.” On February 22, 2021, TennCare provided public notice of its first proposed amendment to the TennCare III demonstration. The amendment (known as “Amendment 1”) would introduce the following modifications to the demonstration:

- Integration of services for members with intellectual disabilities into the TennCare managed care program¹;
- Transitioning the care of children receiving Supplemental Security Income (SSI) benefits from the TennCare Select health plan to one of the other health plans that serves TennCare members; and
- Assigning to the TennCare Select health plan certain inmates of public institutions who receive inpatient services in a setting located outside the public institution.

TennCare submitted Amendment 1 to CMS on March 31, 2021. As of the end of the January-March 2023 quarter, CMS's review of Amendment 1 was ongoing.

Demonstration Amendment 2: Coverage of Children Adopted from State Custody. The budget approved by the General Assembly for State Fiscal Year 2022 included funding for an expansion of TennCare's coverage of children adopted from state custody. TennCare's coverage already included children adopted from state custody for whom a Title IV-E adoption assistance agreement is in effect, as well as children with special needs receiving non-IV-E adoption assistance from the state. However, there are a number of children in foster care in Tennessee each year who do not qualify for either form of adoption assistance (federal or state). Beginning in State Fiscal Year 2022, TennCare covers children adopted from state custody who do not qualify for federal or state adoption assistance. Extending TennCare coverage to this group of children will remove a potential barrier to adoption, as well as promote greater continuity of care for these children as they transition from foster care to permanent homes.

In order to formalize this arrangement within the TennCare demonstration, TennCare submitted Demonstration Amendment 2 to CMS on April 7, 2022. As of the end of the January-March 2023 quarter, CMS was still reviewing the amendment. (Note that while TennCare works with CMS to secure approval to add these children to the TennCare demonstration, TennCare is currently using appropriated state funds to ensure that no children lose their TennCare coverage after being adopted.)

Demonstration Amendment 3: HCBS Enhancements. On October 12, 2022, TennCare submitted Amendment 3 to CMS. Amendment 3 would codify certain enhancements to the home- and community-based services (HCBS) available under the TennCare demonstration via the CHOICES and Employment and Community First CHOICES (ECF CHOICES) programs. CHOICES provides HCBS to seniors and adults with physical disabilities, while ECF CHOICES provides HCBS to individuals with intellectual or other developmental disabilities. In Amendment 3, TennCare proposes to codify certain enhancements to the HCBS benefits available through CHOICES and ECF CHOICES. The specific changes proposed in Amendment 3 are:

- Increasing the expenditure caps for individuals in CHOICES Group 3 and in ECF CHOICES to reflect targeted increases in reimbursement rates for certain services;

¹ Specific services to be integrated are intermediate care facility services for individuals with intellectual disabilities (ICF/IID services) and 1915(c) waiver home- and community-based services (HCBS).

- Providing a temporary, one-time exception to the CHOICES and ECF CHOICES expenditure caps to support families who routinely provide unpaid supports for family members with disabilities; and
- Adding Enabling Technology as a benefit in CHOICES (until March 31, 2025) and ECF CHOICES (on an ongoing basis), up to \$5,000 per member per year.

As of the end of the January-March 2023 quarter, CMS' review of the amendment was ongoing.

Demonstration Amendment 4: Program Modifications. On June 30, 2022, TennCare received a letter from CMS regarding the TennCare III demonstration. The CMS letter noted a limited number of "concerns" with the demonstration and requested that TennCare submit a demonstration amendment to address these issues.

CMS continues to support the major goals and key principles of the TennCare demonstration, which are expected to result in additional federal funding for TennCare over the life of the demonstration. In response to the CMS letter, therefore, TennCare submitted a demonstration amendment (known as "Amendment 4") to address the following areas identified by CMS:

1. Determining budget neutrality for the TennCare demonstration using a per member per month (PMPM) cap arrangement;
2. Revising the demonstration expenditure authorities while continuing to recognize savings produced to the federal government by the state as a mechanism for reinvestments in the TennCare program; and
3. Removing the expenditure authority for pharmacy and associated pharmacy flexibilities from the demonstration.

Amendment 4 was submitted to CMS on August 30, 2022. As of the end of the January-March 2023 quarter, CMS's review of the amendment was ongoing.

Demonstration Amendment 36: Providers of Abortion Services.² Amendment 36 was submitted to CMS in August 2018. Amendment 36 grew out of Tennessee's 2018 legislative session and, in particular, Public Chapter No. 682, which established that it is the policy of the state of Tennessee to favor childbirth and family planning services that do not include elective abortions within the continuum of care or services, and to avoid the direct or indirect use of state funds to promote or support elective abortions.

Amendment 36 requests authority for TennCare to establish state-specific criteria for providers of family planning services, and to exclude any providers that do not meet these criteria from participation in the TennCare program. As specified in Public Chapter No. 682, TennCare is proposing to exclude any entity that performed, or operated or maintained a facility that performed, more than 50 abortions in the previous year, including any affiliate of such an entity.

² Because this amendment was submitted to CMS prior to the approval of the TennCare III demonstration, its numbering reflects the amendments that were in place during the TennCare II demonstration.

CMS held a 30-day federal public comment period on Amendment 36 during the third quarter of Calendar Year 2018. Close to 3,500 comments were received, and CMS subsequently began to review that feedback as well as the amendment itself. As of the end of the January-March 2023 quarter, CMS’s review of Amendment 36 was ongoing.

Supplemental Payments to Tennessee Hospitals. The Division of TennCare makes supplemental payments to qualifying Tennessee hospitals each quarter to help offset the costs these facilities incur in providing uncompensated care. The supplemental payments made during the third quarter of State Fiscal Year 2023 are shown in the table below.

Supplemental Hospital Payments for the Quarter

| Hospital Name | County | Third Quarter Payments – FY 2023 |
|---|-------------------|--|
| Behavioral Health of Rocky Top | Anderson County | \$73,754 |
| Methodist Medical Center of Oak Ridge | Anderson County | \$2,506,859 |
| Ridgeview Psychiatric Hospital and Center | Anderson County | \$1,191,475 |
| Vanderbilt Bedford Hospital | Bedford County | \$59,992 |
| West Tennessee Healthcare Camden Hospital | Benton County | \$546,081 |
| Erlanger Bledsoe Hospital | Bledsoe County | \$740,041 |
| Blount Memorial Hospital | Blount County | \$ 1,416,876 |
| Tennova Healthcare – Cleveland | Bradley County | \$1,424,521 |
| Tennova Healthcare – LaFollette Medical Center | Campbell County | \$482,528 |
| Ascension Saint Thomas Stones River Hospital | Cannon County | \$361,804 |
| Baptist Memorial Hospital – Carroll County | Carroll County | \$295,815 |
| Sycamore Shoals Hospital | Carter County | \$739,890 |
| TriStar Ashland City Medical Center | Cheatham County | \$543,727 |
| Claiborne Medical Center | Claiborne County | \$292,550 |
| Tennova Healthcare – Newport Medical Center | Cocke County | \$695,901 |
| Unity Medical Center | Coffee County | \$305,421 |
| Vanderbilt Tullahoma – Harton Hospital | Coffee County | \$4,736 |
| Cumberland Medical Center | Cumberland County | \$659,073 |
| Ascension Saint Thomas Behavioral Health Hospital | Davidson County | \$303,324 |
| Ascension Saint Thomas Hospital West | Davidson County | \$15,004,821 |
| Ascension Saint Thomas Hospital for Specialty Surgery | Davidson County | \$23,294 |
| Middle Tennessee Mental Health Institute | Davidson County | \$242,586 |
| Nashville General Hospital | Davidson County | \$9,327,769 |
| Select Specialty Hospital – Nashville | Davidson County | \$47,260 |
| TriStar Centennial Medical Center | Davidson County | \$14,432,843 |
| TriStar Skyline Medical Center | Davidson County | \$12,180,899 |
| TriStar Southern Hills Medical Center | Davidson County | \$6,065,511 |

| Hospital Name | County | Third Quarter Payments – FY 2023 |
|--|-------------------|---|
| TriStar Summit Medical Center | Davidson County | \$6,482,175 |
| Vanderbilt Stallworth Rehabilitation Hospital | Davidson County | \$10 |
| Vanderbilt University Medical Center | Davidson County | \$36,437,413 |
| Ascension Saint Thomas DeKalb Hospital | DeKalb County | \$364,454 |
| TriStar Horizon Medical Center | Dickson County | \$3,398,785 |
| West Tennessee Healthcare Dyersburg Hospital | Dyer County | \$606,339 |
| Southern Tennessee Regional Health System – Winchester | Franklin County | \$655,900 |
| West Tennessee Healthcare Milan Hospital | Gibson County | \$363,722 |
| Southern Tennessee Regional Health System – Pulaski | Giles County | \$154,128 |
| Greeneville Community Hospital | Greene County | \$1,019,840 |
| Morristown – Hamblen Healthcare System | Hamblen County | \$1,709,501 |
| CHI Memorial Hospital | Hamilton County | \$5,205,373 |
| Erlanger Behavioral Health Hospital | Hamilton County | \$237,368 |
| Erlanger Medical Center – Baroness Hospital | Hamilton County | \$19,471,660 |
| Kindred Hospital Chattanooga | Hamilton County | \$137,075 |
| Parkridge Medical Center | Hamilton County | \$9,830,287 |
| Encompass Health Rehabilitation Hospital of Chattanooga | Hamilton County | \$230 |
| Siskin Hospital for Physical Rehabilitation | Hamilton County | \$103,878 |
| Hancock County Hospital | Hancock County | \$361,847 |
| West Tennessee Healthcare Bolivar Hospital | Hardeman County | \$494,770 |
| Hardin Medical Center | Hardin County | \$633,189 |
| Hawkins County Memorial Hospital | Hawkins County | \$570,485 |
| Henry County Medical Center | Henry County | \$1,163,938 |
| Ascension Saint Thomas Hickman Hospital | Hickman County | \$996,027 |
| Houston County Community Hospital | Houston County | \$251,780 |
| Three Rivers Hospital | Humphreys County | \$182,093 |
| Tennova Healthcare – Jefferson Memorial Hospital | Jefferson County | \$520,643 |
| Johnson County Community Hospital | Johnson County | \$412,576 |
| Parkwest Medical Center | Knox County | \$3,662,601 |
| Tennova Healthcare – North Knoxville Medical Center | Knox County | \$2,163,599 |
| East Tennessee Children’s Hospital | Knox County | \$5,708,774 |
| Fort Sanders Regional Medical Center | Knox County | \$6,246,706 |
| Select Specialty Hospital – North Knoxville | Knox County | \$68,367 |
| University of Tennessee Medical Center | Knox County | \$15,983,743 |
| Lauderdale Community Hospital | Lauderdale County | \$ 106,528 |
| Southern Tennessee Regional Health System – Lawrenceburg | Lawrence County | \$647,779 |
| Lincoln Medical Center | Lincoln County | \$606,413 |
| Fort Loudoun Medical Center | Loudon County | \$649,415 |

| Hospital Name | County | Third Quarter Payments – FY 2023 |
|---|-------------------|---|
| Macon Community Hospital | Macon County | \$ 915,295 |
| Jackson – Madison County General Hospital | Madison County | \$13,201,266 |
| Pathways of Tennessee | Madison County | \$61,784 |
| Perimeter Behavioral of Jackson | Madison County | \$34,817 |
| West Tennessee Healthcare Rehabilitation Hospital Jackson | Madison County | \$315 |
| Marshall Medical Center | Marshall County | \$861,922 |
| Maury Regional Medical Center | Maury County | \$5,444,720 |
| Pinewood Springs | Maury County | \$1,281,154 |
| Starr Regional Medical Center – Athens | McMinn County | \$1,029,893 |
| Sweetwater Hospital Association | Monroe County | \$928,336 |
| Tennova Healthcare – Clarksville | Montgomery County | \$1,719,564 |
| Unity Psychiatric Care – Clarksville | Montgomery County | \$4,222 |
| Baptist Memorial Hospital – Union City | Obion County | \$647,930 |
| Livingston Regional Hospital | Overton County | \$187,259 |
| Cookeville Regional Medical Center | Putnam County | \$2,821,787 |
| Rhea Medical Center | Rhea County | \$852,521 |
| Roane Medical Center | Roane County | \$913,614 |
| TriStar NorthCrest Medical Center | Robertson County | \$901,686 |
| Ascension Saint Thomas Rutherford Hospital | Rutherford County | \$7,711,885 |
| TriStar StoneCrest Medical Center | Rutherford County | \$3,854,877 |
| TrustPoint Hospital | Rutherford County | \$577,029 |
| Big South Fork Medical Center | Scott County | \$246,620 |
| LeConte Medical Center | Sevier County | \$2,330,045 |
| Baptist Memorial Hospital – Memphis | Shelby County | \$10,646,636 |
| Baptist Memorial Restorative Care Hospital | Shelby County | \$8,625 |
| Crestwyn Behavioral Health Hospital | Shelby County | \$43,324 |
| Methodist University Hospital | Shelby County | \$37,483,007 |
| Delta Specialty Hospital | Shelby County | \$327,942 |
| Encompass Health Rehabilitation Hospital of North Memphis | Shelby County | \$269 |
| Encompass Health Rehabilitation Hospital of Memphis | Shelby County | \$771 |
| Lakeside Behavioral Health System | Shelby County | \$637,865 |
| Le Bonheur Children’s Hospital | Shelby County | \$26,441,226 |
| Regional One Health | Shelby County | \$36,121,979 |
| Regional One Health Extended Care Hospital | Shelby County | \$282,769 |
| Saint Francis Hospital | Shelby County | \$4,754,832 |
| Saint Francis Hospital – Bartlett | Shelby County | \$1,399,841 |
| Saint Jude Children's Research Hospital | Shelby County | \$34,908,504 |
| Select Specialty Hospital – Memphis | Shelby County | \$30,574 |
| Unity Psychiatric Care – Memphis | Shelby County | \$3,985 |
| Riverview Regional Medical Center | Smith County | \$ 422,670 |

| Hospital Name | County | Third Quarter Payments – FY 2023 |
|--|-------------------|---|
| Bristol Regional Medical Center | Sullivan County | \$4,163,440 |
| Creekside Behavioral Health | Sullivan County | \$130,998 |
| Encompass Health Rehabilitation Hospital of Kingsport | Sullivan County | \$527 |
| Holston Valley Medical Center | Sullivan County | \$6,576,584 |
| Indian Path Community Hospital | Sullivan County | \$1,020,845 |
| TriStar Hendersonville Medical Center | Sumner County | \$3,359,330 |
| Sumner Regional Medical Center | Sumner County | \$1,272,377 |
| Baptist Memorial Hospital – Tipton | Tipton County | \$1,199,735 |
| Trousdale Medical Center | Trousdale County | \$321,621 |
| Unicoi County Hospital | Unicoi County | \$167,020 |
| Ascension Saint Thomas River Park Hospital | Warren County | \$1,360,418 |
| Johnson City Medical Center | Washington County | \$8,625,126 |
| Franklin Woods Community Hospital | Washington County | \$819,405 |
| Quillen Rehabilitation Hospital | Washington County | \$197 |
| Wayne Medical Center | Wayne County | \$213,959 |
| Unity Psychiatric Care – Martin | Weakley County | \$15,419 |
| West Tennessee Healthcare Rehabilitation Hospital Cane Creek | Weakley County | \$121 |
| West Tennessee Healthcare Volunteer Hospital | Weakley County | \$284,410 |
| Ascension Saint Thomas Highlands Hospital | White County | \$475,196 |
| Rolling Hills Hospital | Williamson County | \$523,797 |
| Williamson Medical Center | Williamson County | \$ 752,296 |
| Vanderbilt Wilson County Hospital | Wilson County | \$360,122 |
| TOTAL | | \$429,265,065 |

Number of Recipients on TennCare and Costs to the State

During the month of December 2022, there were 1,745,708 Medicaid eligibles and 22,278 demonstration eligibles enrolled in TennCare, for a total of 1,767,986 persons.

Estimates of TennCare spending for the third quarter of State Fiscal Year 2023 are summarized in the table below.

| Spending Category | Third Quarter FY 2023* |
|------------------------|------------------------|
| MCO services** | \$2,186,992,700 |
| Dental services | \$63,837,700 |
| Pharmacy services | \$444,049,800 |
| Medicare "clawback"*** | \$62,435,900 |

*These figures are cash basis as of March 31 and are unaudited.

**This figure includes Integrated Managed Care MCO expenditures.

***The Medicare Part D clawback is money that states are required to pay to the federal government to help offset costs the federal government incurs by covering the prescription benefit for enrollees who have both Medicare and Medicaid.

Viability of Managed Care Contractors (MCCs) in the TennCare Program

Claims payment analysis. TennCare's prompt pay requirements may be summarized as shown below.

| Entity | Standard | Authority |
|---|--|--|
| MCOs (services other than CHOICES and ECF CHOICES) | 90% of clean claims for payment for services delivered to TennCare enrollees are processed and, if appropriate, paid within 30 calendar days of the receipt of such claims. 99.5% of all provider claims are processed, and, if appropriate, paid within 60 calendar days of receipt. | TennCare contract and in accordance with T.C.A. § 56-32-126(b) |
| MCOs (CHOICES and ECF CHOICES services) | 90% of clean electronically submitted Nursing Facility and applicable Home and Community Based Services claims ³ are processed and paid within 14 calendar days of receipt. 99.5% of clean electronically submitted Nursing Facility and applicable Home and Community Based Services claims ⁴ are processed and paid within 21 calendar days of receipt. | TennCare contract |

³ Excludes Personal Emergency Response Systems (PERS), assistive technology, minor home modifications, and pest control claims. Claims for delivery of these services are handled like general MCO claims.

⁴ Ibid.

| Entity | Standard | Authority |
|---------------------------------|---|--|
| Dental Benefits Manager (DBM) | 90% of clean claims for payment for services delivered to TennCare enrollees are processed, and, if appropriate, paid within 30 calendar days of the receipt of such claims. 99.5% of all provider claims are processed, and, if appropriate, paid within 60 calendar days of receipt. | TennCare contract and in accordance with T.C.A. § 56-32-126(b) |
| Pharmacy Benefits Manager (PBM) | 100% of all clean claims submitted by pharmacy providers are paid within 15 calendar days of receipt. | TennCare contract |

The MCOs, the DBM, and the PBM are required to submit monthly claims data files of all TennCare claims processed to the Tennessee Department of Commerce and Insurance (TDCI) for verification of statutory and contractual prompt pay compliance. The plans are required to separate their claims data by claims processor (e.g., MCO, vision benefits manager, etc.). Furthermore, the MCOs are required to identify separately non-emergency transportation (NEMT) claims in the data files. Finally, the MCOs are required to submit separate claims data files representing a subset of electronically submitted Nursing Facility and applicable Home and Community Based Services claims for CHOICES and ECF CHOICES enrollees. TDCI then performs an analysis and reports the results of the prompt pay analyses by NEMT and CHOICES and ECF CHOICES claim types, by claims processor, and by total claims processed for the month.

If an MCO does not comply with the prompt pay requirements based on the total claims processed in a month, TDCI has the statutory authority to levy an administrative penalty of \$10,000 for each month of non-compliance after the first instance of non-compliance was reported to the plan. The Division of TennCare may also assess liquidated damages pursuant to the terms of the TennCare Contract. If the DBM and PBM do not meet their contractual prompt pay requirements, only TennCare may assess applicable liquidated damages against these entities.

Net worth and company action level requirements. According to Tennessee’s “Health Maintenance Organization Act of 1986” statute (T.C.A. § 56-32-101 *et seq.*), the minimum net worth requirement for each TennCare MCO is calculated based on premium revenue reported on the National Association of Insurance Commissioners (NAIC) Annual Financial Statement for the most recent calendar year, as well as any TennCare payments made to the MCO that are not reported as premium revenue.

During the January-March 2023 quarter, the MCOs submitted their NAIC 2022 Annual Financial Statements. As of December 31, 2022, TennCare MCOs reported net worth as indicated in the table below.⁵

⁵ The “Net Worth Requirement” and “Reported Net Worth” figures in the table are based on the MCOs’ company-wide operations, not merely their TennCare operations.

| MCO | Net Worth Requirement | Reported Net Worth | Excess/ (Deficiency) |
|---|-----------------------|--------------------|----------------------|
| Amerigroup Tennessee | \$51,412,347 | \$314,176,809 | \$262,764,462 |
| UnitedHealthcare Plan of the River Valley (UnitedHealthcare Community Plan) | \$65,541,235 | \$358,184,623 | \$292,643,388 |
| Volunteer State Health Plan (BlueCare & TennCare Select) | \$64,106,828 | \$602,664,936 | \$538,558,108 |

During the January-March 2023 quarter, the MCOs were also required to comply with Tennessee’s “Risk-Based Capital for Health Organizations” statute (T.C.A. § 56-46-201 *et seq.*). Risk-based capital (RBC) involves a method of calculating the minimum amount of capital necessary for a health entity to support its overall business operations depending on its size and risk profile. A health entity with a higher amount of risk is required to hold a higher amount of capital. The RBC statute gives TDCI the authority and mandate to use preventive and corrective measures that vary depending on the amount of capital deficiency indicated by the RBC calculations. A “Company Action Level” deficiency (defined at T.C.A. § 56-46-203(a)) would require the submission of a plan to correct the entity’s capital deficiency.

All TennCare MCOs met their minimum net worth requirements and Company Action Level requirements as of December 31, 2022.

Success of Fraud Detection and Prevention

The mission of the Tennessee Office of Inspector General (OIG) is to identify, investigate, and seek the accountability of those who commit fraud or abuse against the TennCare program. The OIG receives case information from a variety of sources, including local law enforcement, the Division of TennCare, Health Related Boards, the Department of Human Services (DHS), other State agencies, health care providers, MCCs, and the general public via the OIG website, fax, written correspondence, and phone calls to the OIG hotline. Cases adjudicated during a particular fiscal year may have no relationship to dates of arrest during the same year. Selected statistics for the third quarter of Fiscal Year 2023 furnished for this report by the OIG are as follows:

| Fraud and Abuse Allegations | Third Quarter FY 2023 |
|---|-----------------------|
| Fraud Allegations | 257 |
| Abuse Allegations* | 3,635 |
| Arrest/Conviction/Judicial Diversion Totals | Third Quarter FY 2023 |
| Arrests | 1 |
| Convictions | 1 |
| Judicial Diversions | 2 |

* Abuse cases may be referred to the appropriate Managed Care Contractor (MCC) or the Division of TennCare for further review/action.

| Criminal Court Fines and Costs Imposed | Third Quarter FY 2023 |
|--|------------------------------|
| Criminal Restitution Ordered | \$339,611 |
| Criminal Restitution Received ⁶ | \$77,241 |
| Civil Restitution/Civil Court Judgments | Third Quarter FY 2023 |
| Civil Restitution Ordered ⁷ | \$0 |
| Civil Restitution Received ⁸ | \$2,150 |

| Recommendations for Review | Third Quarter FY 2023 |
|--|------------------------------|
| Recommended TennCare Terminations ⁹ | 3,635 |
| Potential Savings ¹⁰ | \$15,526,975 |

⁶ Restitution may have been ordered in a fiscal year other than the one in which payment was actually received.

⁷ This total reflects dollars identified for recoupment by the OIG in such non-criminal contexts as civil cases, administrative hearings, and voluntary reimbursements to TennCare.

⁸ Restitution may have been agreed to in a fiscal year other than the one in which payment was actually received.

⁹ Recommendations that enrollees' TennCare coverage should be terminated are sent to the Division of TennCare for review and determination of appropriate action. These recommendations are based on information received and reviewed by the OIG. TennCare determines whether these referrals meet the criteria for termination. Reviews of these recommendations must factor in some limitations, such as the inability to disenroll individuals in certain federally protected categories.

¹⁰ Potential savings are determined by multiplying the number of enrollees whose coverage would be terminated, assuming all of the State's criteria for termination are met, by the average annual cost per enrollee for MCO, pharmacy, and dental services (currently estimated by TennCare to be \$4,271.52).