



FY2022 BUDGET

TennCare Evolution

Tennessee's Medicaid program has transformed from a limited service, unpredictable and unsustainable plan to one that is comprehensive, sustainable and highly valued



Trend - 13%

Trend - 12%

Trend < 4%

Then

Now

Rapidly Escalating Costs with Few Controls



Sustainable Cost Trends with Effective Utilization Management

Volatile and Fragmented Health Plans



Stable, Experienced Health Plans with Statewide Operations

Few Quality Measures



NCQA Accreditation & Full Set of HEDIS Measures & CAHPS

Limited Long-Term Care Options



More Home and Community-Based Options for More People

Volume-Based Payments



Delivery System Transformation with Focus on Value



High-Quality Care for All Members



Children & Families

The Patient-Centered Medical Home initiative led to a 20% increase in key childhood immunizations in 2019

The statewide EPSDT screening rate increased to 79% in 2019, representing a 10% increase since 2016



Pregnant Women

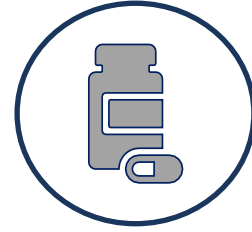
NAS births decreased by 30% from 2016 to 2019. (TN is the only state in the country reporting a continued decline.)

Postpartum visits in the first 3 months after delivery increased by 9% in 2019.



LTSS

46.6% of TennCare members age 65+ or with physical disabilities are choosing more cost-effective home and community-based services, a more than 9% increase since 2019.



Opioid Epidemic

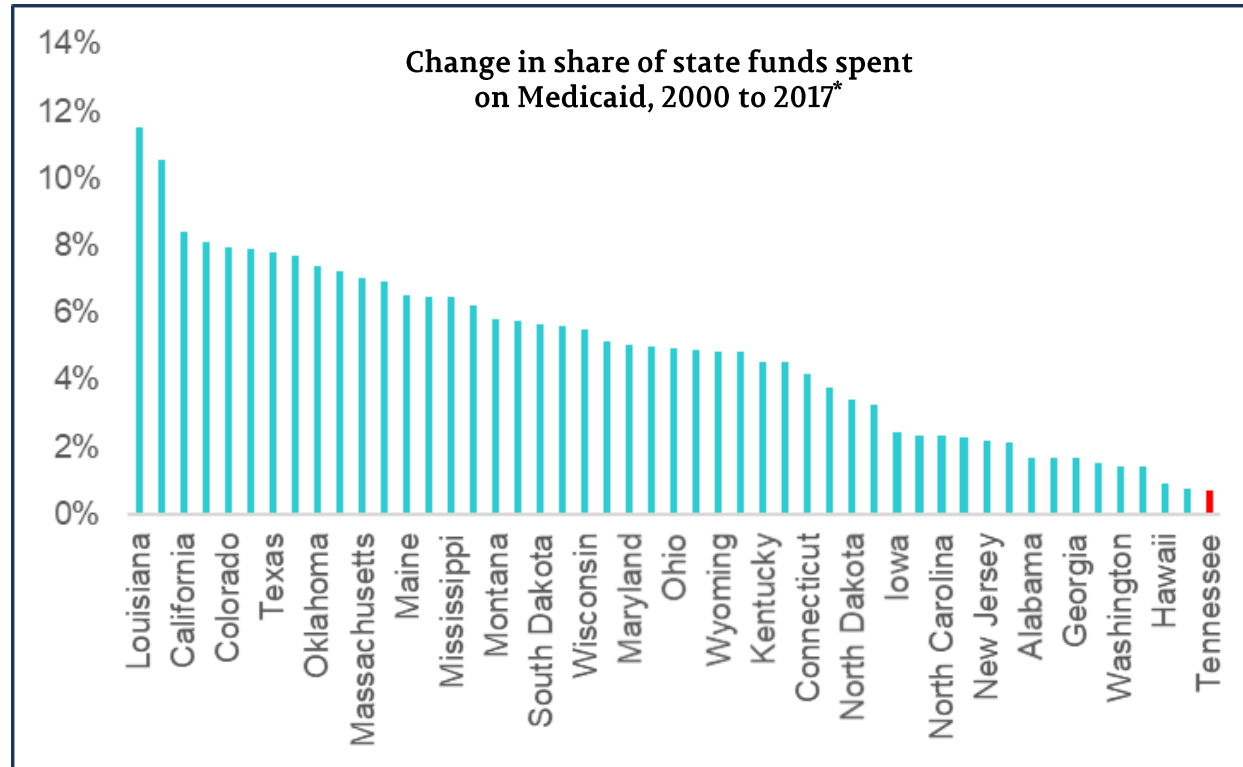
TennCare reduced the total number of opioid pills dispensed by 48% since 2017.

Over 6,500 TennCare members received Medication Assisted Treatment (MAT) from a high-quality provider in 2020.

Our quality initiatives and their success are reflected in annual surveys of TennCare members, with **member satisfaction at 94%, continuing a trend of being above 90% for more than a decade.** And **90% of licensed physicians** practicing in TN **participate** with at least one of our MCOs.



Managing Trend/Expense Growth

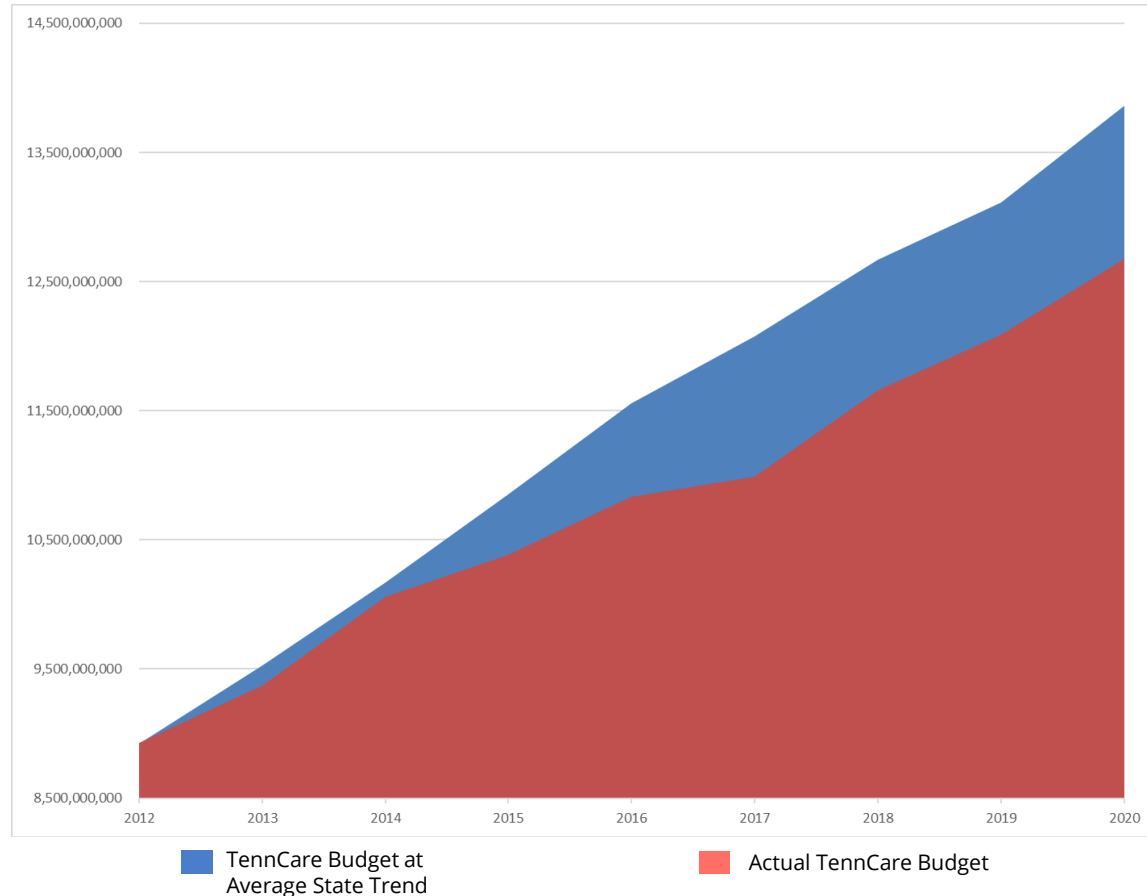


According to a Pew Trust study, from 2000 to 2017 TennCare **outperformed all other states** in limiting the growth of the share of the state budget going to support Medicaid. For Fiscal Year 2022, the TennCare budget represents **19.7%** of the total state budget – down from 20.5% in FY21.



*Based on Pew Trust study released January 2020.

Managing Medicaid Growth is About Much More Than TennCare



If TennCare's trend rate had tracked equal to the national Medicaid state average rate since 2012 TN would have spent a cumulative total of **\$2.0 billion more state dollars** to run the current program.



Continued Innovation - Katie Beckett

- Serves children with complex medical needs and disabilities who otherwise would not be eligible for benefits due to their parents' income or assets
- First-of-its-kind approach with two parts – Part A, which is a full Medicaid benefit for those with the most significant needs and Part B, which is a Medicaid-diversion program capped at \$10,000 per year for wraparound services
- Program launched November 23, 2020, in partnership with DIDD
- As of 3/1/2021, 462 children have been enrolled in the Katie Beckett program
- TennCare and DIDD continue to meet with the Katie Beckett Technical Advisory Group, families and advocates to ensure proper communication, transparency and effective implementation
- Total annual budget of approximately \$77 million (\$27 million state funds)

Continued Innovation - TennCare III

- Establishes a new financing structure for TennCare, creates an unprecedented opportunity for Tennessee to be rewarded through shared savings for its successful management of its Medicaid program
- Provides Tennessee with greater ability to run and operate its own Medicaid program through additional flexibilities
- Reinforces TennCare's commitment to quality
- Commits to utilizing shared savings to make enhancements to the TennCare program and benefit the health of TennCare members and Tennessee communities
- No reductions to people served, benefits, provider rates, quality or access

COVID 19: Member & Provider Response

Overriding Priority = Access to Care

- Flexibilities extended
 - Telehealth
 - Pharmacy
 - Primary care
 - Hospital administrative requirements
 - Long-Term Services and Supports

- Financial relief provided
 - Accelerated payments to hospitals and other primary care providers
 - Targeted relief to providers who serve a higher proportion of Medicaid members (HCBS, Behavioral Health, Dental, Primary Care)
 - Nursing Facilities

- COVID Skilled Care Centers/Units established

COVID 19: Utilization & Care Coordination

Health Care Utilization During COVID-19*

Utilization Category	2019 vs. 2020 (Mar – May)	2019 vs. 2020 (Jun – Oct)	△
Adult Inpatient Services	-22%	-20%	+2%
Pediatric Inpatient Services	-23%	-9%	+14%
Adult Outpatient Services	-25%	-10%	+15%
Pediatric Outpatient Services	-41%	-18%	+23%
Pediatric Well Child Visits	-24%	+2%	+26%
Vaccinations	-23%	-18%	+5%
Dental Services	-57%	-10%	+47%
Pediatric Pharmacy Rx Fills	-19%	-6%	+13%

Key Observations:

Health care utilization for TennCare members decreased significantly early in the pandemic and is beginning to return to pre-COVID utilization in some areas.

Telehealth use increased significantly to bridge the gap on outpatient services and continues to be used as an important tool.

Potential care gaps still exist, such as childhood immunization and preventive care. These remain a heavy focus area for TennCare.

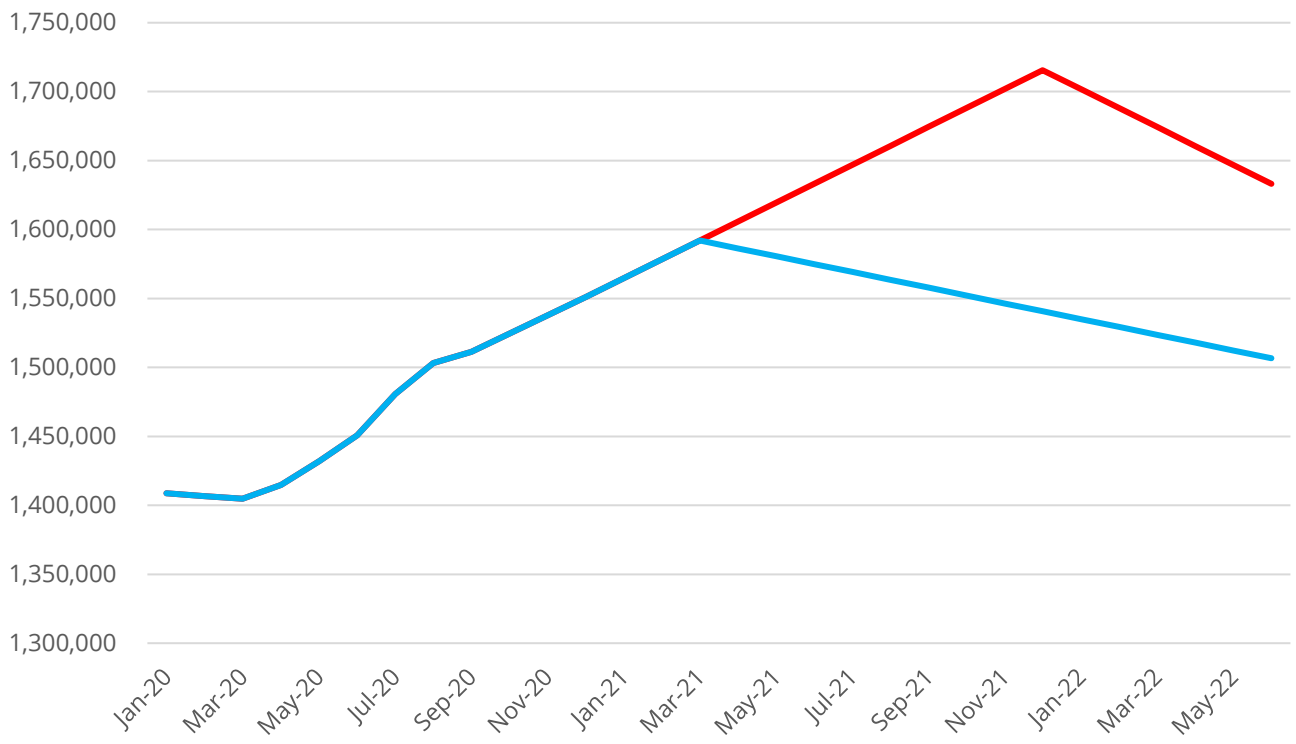
TennCare has significantly increased supports and care coordination to members to help them get care during COVID.



*Based on preliminary TennCare Claims data March to Oct 2020. Subject to change due to claims lag.

COVID 19: Impact on Enrollment

Enrollment Projections – Federal E-FMAP Impacts



- Assumes E-FMAP ends December 2021
- Assumes E-FMAP ends March 2021



COVID 19: Impact on Revenue

Projected Enhanced Federal Matching Assistance Percentage Impact

CY2020 Q1 & Q2 E-FMAP	\$243 million
CY2020 Q3 E-FMAP	\$171 million
CY2020 Q4 E-FMAP	\$140 million
CY2021 Q1 E-FMAP	\$140 million
TOTAL	\$694 million

FY21 Vacancy Reductions

Total Positions	Program
33	TennCare Administration
1	Health Care Planning and Innovation
Total Positions: 34	Total State Savings: \$1,587,000



Cost Increases

Recurring Cost Increases

Request	Total	State	Federal
Medical Inflation and Utilization	\$112,632,400	\$37,962,800	\$74,669,600
HMO Federal Revenue Maximization	70,792,000	22,998,900	47,793,100
Eligibility Systems	31,089,700	7,772,400	23,317,300
Medicaid Management Information System	21,871,500	4,867,900	17,003,600
Employment and Community First CHOICES - Crisis Population	32,636,100	11,000,000	21,636,100
Dental Pregnancy Coverage	5,930,200	1,998,800	3,931,400
Coverage for Adopted Youth	1,038,400	350,000	688,400

Non-Recurring Cost Increases

Request	Total	State	Federal
Eligibility Systems	\$121,801,000	\$21,220,500	\$100,580,500
Medicaid Management Information System	86,504,200	9,180,600	77,323,600
Pilot of Extended Postpartum Coverage	19,473,500	6,563,500	12,910,000
Closed Loop Referral System	7,000,000	700,000	6,300,000

TOTAL Recurring	\$275,990,300	\$86,950,800	\$189,039,500
TOTAL Non-Recurring	\$234,778,700	\$37,664,600	\$197,114,100
TOTAL Cost Increases	\$510,769,000	\$124,615,400	\$386,153,600

TennCare is 19.7% of the state share of the overall budget for FY2022.



Reductions

Request	Total	State	Federal
Risk Margin in Capitation	(\$9,300,000)	(\$3,134,600)	(\$6,165,400)
Estate Recovery/Third Party Liability	(4,500,000)	(1,761,200)	(2,738,800)
Reduced Pharmacy Trend	(73,266,500)	(24,694,500)	(48,572,000)
Crisis Services	(1,131,400)	(381,300)	(750,100)
Workforce Development	(2,185,900)	(736,800)	(1,449,100)
CoverKids Pharmacy Efficiencies	(2,000,000)	(471,900)	(1,528,100)
CoverRx Administration	(2,200,000)	(2,200,000)	0
IT Administration Efficiencies	(54,570,700)	(5,832,800)	(48,737,900)
Eliminate Retro Cap Payments	(12,015,700)	(4,049,900)	(7,965,800)

Request	Total	State	Federal
90-day Refills for Maintenance Medications	(\$10,000,000)	(\$3,370,500)	(\$6,629,500)
Longer Term Refills for Long-Term Care Facilities	(2,400,000)	(808,900)	(1,591,100)
340b Pharmacy Improvements	(48,911,600)	(16,485,700)	(32,425,900)
Administration Efficiencies	(5,744,400)	(1,634,700)	(4,109,700)
Waste, Fraud, and Abuse Recoveries	(5,000,000)	(1,685,200)	(3,314,800)
Department of Health Contracts Adjustments	0	(2,000,000)	2,000,000
Admin Legislation - Estate Recovery	(3,227,700)	(1,087,900)	(2,139,800)
FMAP Rate Change	0	(37,789,400)	37,789,400
TOTAL	(\$236,453,900)	(\$108,125,300)	(\$128,328,600)



THANK YOU