

State Appropriations

The following amounts were provided by the Bureau of TennCare as the reconciliation of state appropriations for the first quarter (July 1 – September 30, 2005) of fiscal year 2006.

| <u>Medical and Administrative</u> | |
|--|-----------------------|
| Expenditures | \$ 1,563,025,169 |
| <i>less:</i> Federal Revenue | \$ 900,840,923 |
| <i>less:</i> Other Revenue | <u>\$ 205,842,125</u> |
| State Appropriations Requirement | \$ 456,342,121 |
| <u>Long Term Care</u> | |
| Expenditures | \$ 282,978,883 |
| <i>less:</i> Federal Revenue | \$ 181,665,455 |
| <i>less:</i> Other Revenue | <u>\$ -</u> |
| State Appropriations Requirement | \$ 101,313,428 |
| Total State Appropriation Requirement | \$ 557,655,549 |
| <u>Reconciliation of State Appropriations</u> | |
| State Appropriations | \$ 635,001,775 |
| Balance Forward at 6/30/05 | \$ 257,027,900 |
| App. Transferred Through Revision | <u>\$ -</u> |
| Sub-total State Appropriations Available | \$ 635,001,775 |
| State Dollars Required to Fund Qtr 1 FY2006 | \$ 557,655,549 |
| Balance Carried Forward to Next Quarter | \$ 77,346,226 |

*Other Revenue represents one-fourth of fiscal year 2006 budgeted drug rebates, premiums, current services, and certified public expenditures. The report for the fourth quarter of fiscal year 2006 will represent the net actual collections for fiscal year 2006.

First Quarter Fiscal Year 2006 Expenditures of Allotment Code 318.00

The following amounts were provided by the Bureau of TennCare as the actual expenditures to the Bureau for the first quarter of fiscal year 2006.

Administration

TennCare Administration establishes policy, provides oversight, and directs the TennCare Program and contracts with other agencies that provide administrative service components for the TennCare Program.

Administration is divided into four areas:

- Program Administration
- Policy and Planning
- Quality Assurance
- Long Term Care

| | | <u>First Quarter FY05-06</u> |
|------------------------------------|-----------|-------------------------------------|
| Total Allotment Code 318.65 | \$ | 15,808,194 |

Long Term Care

Long Term Care provides funding for individuals that are in need of long term institutional care. This program provides funding for:

- General intermediate care facilities
- Skilled nursing facilities
- State mentally retarded intermediate care facilities
- Private mentally retarded intermediate care facilities.

| | | <u>First Quarter FY05-06</u> |
|------------------------------------|-----------|-------------------------------------|
| I. ICF Long Term Care | | |
| A. General | \$ | 196,432,379 |
| B. Skilled | \$ | 24,477,791 |
| C. Client Assessment Tool Grant | \$ | 20,000 |
| II. ICF - MR Long Term Care | | |
| A. State Facilities | \$ | 29,985,348 |
| B. Private Facilities | \$ | 32,063,365 |
| Total Allotment Code 318.68 | \$ | 282,978,883 |

Services

TennCare Services provides funding for traditional basic health care and mental health services that were previously paid for by Medicaid. The program provides funding to:

- Managed Care Organizations that provide basic medical services
- Behavioral health organizations that provide mental health services
- Agencies that provide medical services.

| | <u>First Quarter FY05-06</u> | |
|---------------------------------------|-------------------------------------|----------------------|
| I. Medical | | |
| A. MCO Services | \$ | 633,861,257 |
| B. MCO Administration | \$ | 62,995,545 |
| C. Hospital Payments | \$ | 25,000,000 |
| D. Pharmacy Services | \$ | 481,910,067 |
| E. Dental - Medical | \$ | 36,524,343 |
| F. Dental - Administration | \$ | 1,505,784 |
| G. Federally Qualified Health Clinics | \$ | 5,727,431 |
| H. Critical Access Hospitals | \$ | 905,602 |
| I. Misc: Reductions in Exp.- | \$ | (3,284,656) |
| II. Behavioral Health | | |
| A. TennCare Partners | \$ | 92,055,507 |
| B. Non-TennCare Partners | \$ | 68,363 |
| III. Children's Services | \$ | 7,729,814 |
| IV. Dental Services - Local Health | \$ | (677,159) |
| V. Graduate Medical Education | \$ | 12,000,000 |
| VI. Meharry Medical College Grant | \$ | - |
| VI. School-Based Direct Medical Care | \$ | 238,428 |
| Total Allotment Code 318.66 | \$ | 1,356,560,326 |

Waiver and Crossover Services

Waiver and Crossover Services provide funding for Home and Community Based Services waivers, as well as co-payments and premiums for individuals eligible for TennCare and Medicare. The waivers serve the developmentally delayed population and people who require nursing services.

Funding for Medicare premiums and co-payments allows TennCare recipients, who are eligible for Medicare, the ability to receive medical services that would otherwise be unavailable to recipients due to financial constraints.

| | <u>First Quarter FY05-06</u> | |
|------------------------------------|-------------------------------------|--------------------|
| I. Statewide Elderly HCBS Waiver | \$ | 398,514 |
| II. Pace Program | \$ | 2,531,597 |
| III. MR Waiver | | |
| A. Administration | \$ | 27,257,420 |
| B. Services | \$ | 65,345,806 |
| C. Arlington Waiver | \$ | 6,950,006 |
| D. Self Determination Waiver | | |
| IV. Senior/Adapt Waiver | | |
| A. Senior Waiver | \$ | 728,673 |
| B. ADAPT Waiver | \$ | 157,872 |
| V. Medicare Crossover Services | | |
| A. Buy-in Premiums | \$ | 60,138,329 |
| B. Cost-Sharing (Crossover) | \$ | 27,148,432 |
| Total Allotment Code 318.67 | \$ | 190,656,649 |

Breakdown of Expenditures Among State, Federal and Other Funds

| <u>Administration</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|---------------------|---------------------|------------------|
| Total Allotment Code 318.65 | \$ 7,870,597 | \$ 7,904,097 | \$ 33,500 |

| <u>Long Term Care</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|-----------------------|-----------------------|--------------|
| I. ICF Long Term Care | | | |
| A. General | \$ 70,332,613 | \$ 126,099,766 | \$ - |
| B. Skilled | \$ 8,764,273 | \$ 15,713,518 | \$ - |
| C. Client Assessment Tool Grant | \$ - | \$ 20,000 | \$ - |
| II. ICF - MR Long Term Care | | | |
| A. State Facilities | \$ 10,736,254 | \$ 19,249,094 | \$ - |
| B. Private Facilities | \$ 11,480,288 | \$ 20,583,077 | \$ - |
| Total Allotment Code 318.68 | \$ 101,313,428 | \$ 181,665,455 | \$ - |

| <u>Medical Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| I. Medical | | | |
| A. MCO Services | \$ 175,237,248 | \$ 406,907,234 | \$ 51,716,775 |
| B. MCO Administration | \$ 22,555,555 | \$ 40,439,990 | \$ - |
| C. Hospital Payments | \$ 8,951,250 | \$ 16,048,750 | \$ - |
| D. Pharmacy Services | \$ 118,859,833 | \$ 213,104,509 | \$ 149,945,725 |
| E. Dental - Medical | \$ 13,077,541 | \$ 23,446,802 | \$ - |
| F. Dental - Administration | \$ 752,892 | \$ 752,892 | \$ - |
| G. Federally Qualified Health Clinics | \$ 2,050,707 | \$ 3,676,724 | \$ - |
| H. Critical Access Hospitals | \$ 324,251 | \$ 581,351 | \$ - |
| I. Misc: Reductions in Exp.- | \$ (1,176,071) | \$ (2,108,585) | \$ - |
| II. Behavioral Health | | | |
| A. TennCare Partners | \$ 28,814,349 | \$ 59,095,033 | \$ 4,146,125 |
| B. Non-TennCare Partners | \$ 68,363 | \$ - | \$ - |
| III. Children's Services | \$ 2,767,660 | \$ 4,962,154 | \$ - |
| IV. Dental Services - Local Health | \$ (242,457) | \$ (434,702) | \$ - |
| V. Graduate Medical Education | \$ 4,296,600 | \$ 7,703,400 | \$ - |
| VI. Meharry Medical College Grant | \$ - | \$ - | \$ - |
| VI. School-Based Direct Medical Care | \$ - | \$ 238,428 | \$ - |
| Total Allotment Code 318.66 | \$ 376,337,721 | \$ 774,413,980 | \$ 205,808,625 |

| <u>Waiver and Crossover Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---|----------------------|-----------------------|---------------------|
| I. Statewide Elderly HCBS Waiver | \$ 142,688 | \$ 255,826 | \$ - |
| II. Pace Program | \$ 906,438 | \$ 1,625,159 | \$ - |
| III. MR Waiver | | | |
| A. Administration | \$ 13,628,710 | \$ 13,628,710 | \$ - |
| B. Services | \$ 23,397,066 | \$ 41,948,740 | \$ - |
| C. Arlington Waiver | \$ 2,488,450 | \$ 4,461,556 | \$ - |
| D. Self Determination Waiver | \$ - | \$ - | \$ - |
| IV. Senior/Adapt Waiver | | | |
| A. Senior Waiver | \$ 260,901 | \$ 467,772 | \$ - |
| B. ADAPT Waiver | \$ 56,526 | \$ 101,346 | \$ - |
| V. Medicare Crossover Services | | | |
| A. Buy-in Premiums | \$ 21,532,529 | \$ 38,605,800 | \$ - |
| B. Cost-Sharing (Crossover) | \$ 9,720,496 | \$ 17,427,936 | \$ - |
| Total Allotment Code 318.67 | \$ 72,133,804 | \$ 118,522,845 | \$ - |

Total TennCare Expenditures – First Quarter FY05-06

| | <u>First Quarter</u> |
|-----------------------------------|-----------------------------|
| Medical/MCO Administration | \$ 777,478,300 |
| Pharmacy (includes Clawback) | \$ 616,318,400 |
| Dental/Dental Administration | \$ 36,702,300 |
| Behavioral Health | \$ 33,086,000 |
| Misc. Medical Services | \$ 111,726,500 |
| Mental Retardation Programs | \$ 257,595,800 |
| Medicare Cost Sharing | \$ 97,218,200 |
| Nursing Home Services | \$ 278,315,400 |
| Long Term Care Waivers | \$ 7,830,800 |
| Children's Services | \$ 89,818,400 |
| Administration | \$ 120,243,200 |
| Total FY05-06 Expenditures | \$ 1,846,004,052 |

Total TennCare Expenditures for FY05-06 as a Percentage of FY05-06 Budget

| | |
|------------------------------|------------------|
| Total Qtr 1 Expenditures | \$ 1,846,004,052 |
| Percentage of Total Budgeted | 22.34% |
| | |
| Total FY05-06 Expenditures | \$ 1,846,004,052 |
| Percentage of Total Budgeted | 22.34% |
| | |
| FY05-06 Budget | \$ 8,261,813,800 |

TennCare Enrollees by County

| <u>County</u> | <u>Enrollees</u> | <u>County</u> | <u>Enrollees</u> |
|---------------|------------------|---------------|------------------|
| Anderson | 15,927 | Lauderdale | 8,100 |
| Bedford | 8,785 | Lawrence | 9,536 |
| Benton | 5,003 | Lewis | 3,244 |
| Bledsoe | 3,085 | Lincoln | 6,929 |
| Blount | 19,263 | Loudon | 7,345 |
| Bradley | 17,755 | Macon | 5,214 |
| Campbell | 14,617 | Madison | 22,654 |
| Cannon | 2,904 | Marion | 7,313 |
| Carroll | 7,740 | Marshall | 4,953 |
| Carter | 13,290 | Maury | 14,236 |
| Cheatham | 5,617 | McMinn | 3,307 |
| Chester | 3,474 | McNairy | 10,478 |
| Claiborne | 11,025 | Meigs | 23,337 |
| Clay | 2,540 | Monroe | 836 |
| Cocke | 11,674 | Montgomery | 5,446 |
| Coffee | 10,851 | Moore | 11,294 |
| Crockett | 3,706 | Morgan | 8,414 |
| Cumberland | 10,926 | Obion | 7,110 |
| Davidson | 111,190 | Overton | 5,228 |
| Decatur | 3,276 | Perry | 1,586 |
| Dekalb | 4,583 | Pickett | 1,451 |
| Dickson | 8,750 | Polk | 3,934 |
| Dyer | 10,916 | Putnam | 14,126 |
| Fayette | 6,451 | Rhea | 7,716 |
| Fentress | 6,913 | Roane | 11,464 |
| Franklin | 6,911 | Robertson | 9,829 |
| Gibson | 12,691 | Rutherford | 28,765 |
| Giles | 6,053 | Scott | 8,938 |
| Grainger | 5,986 | Sequatchie | 3,127 |
| Greene | 14,405 | Sevier | 15,540 |
| Grundy | 5,308 | Shelby | 236,956 |
| Hamblen | 13,340 | Smith | 3,628 |
| Hamilton | 56,537 | Stewart | 2,493 |
| Hancock | 2,895 | Sullivan | 30,726 |
| Hardeman | 7,574 | Sumner | 21,845 |
| Hardin | 7,863 | Tipton | 11,942 |
| Hawkins | 12,932 | Trousdale | 1,875 |
| Haywood | 6,261 | Unicoi | 4,752 |
| Henderson | 6,542 | Union | 5,421 |
| Henry | 7,715 | Van Buren | 1,474 |
| Hickman | 5,491 | Warren | 9,797 |
| Houston | 2,091 | Washington | 20,109 |
| Humphreys | 4,009 | Wayne | 3,754 |
| Jackson | 3,154 | Weakley | 6,733 |
| Jefferson | 10,774 | White | 6,221 |
| Johnson | 5,106 | Williamson | 7,844 |
| Knox | 66,605 | Wilson | 12,340 |
| Lake | 2,394 | Other | 3,407 |
| Total | | | 1,255,665 |

**Schedule Showing New Employees
July 1, 2005 through September 30, 2005**

| <u>Name</u> | <u>Position</u> | <u>Salary</u> |
|-----------------------|---|---------------|
| Leigh Trull | Public Health Nurse Consultant 1 | \$ 43,476 |
| Robin Lowe | EDP Auditor | \$ 55,752 |
| Vickie Dutton | Administrative Services Assistant 3 | \$ 38,028 |
| Sandra Shepard | Managed Care Specialist 1 | \$ 23,028 |
| Mandy Middleton | Executive Administrative Assistant 1 | \$ 31,944 |
| Janice Tomlinson | Administrative Assistant 1 | \$ 25,128 |
| Karen Spann | Public Health Nurse Consultant 1 | \$ 50,544 |
| Paul Mantebello | Statistical Research Specialist | \$ 61,800 |
| Rocelyn McDonald | Accounting Technician 2 | \$ 24,864 |
| Marsha Neuenschwander | Public Health Nurse Consultant Manager | \$ 49,308 |
| Katie Long | Administrative Services Assistant 4 | \$ 36,000 |
| Reginald Brock | Managed Care Specialist 1 | \$ 22,896 |
| John Scoggin | Public Health Nurse Consultant 1 | \$ 41,604 |
| Robbie Newsom | Clerk 2 | \$ 16,260 |
| Britt Horsley | Administrative Assistant 1 | \$ 25,008 |
| Amy Sanders | Administrative Services Assistant 3 | \$ 38,004 |
| Mary Williams | Legal Assistant | \$ 34,212 |
| Thomas Catron | Director of GOCCC | \$ 200,004 |
| Molly Elmore | Administrative Services Assistant 3 | \$ 31,920 |
| Deborah Coleman | Public Health Nurse Consultant Manager | \$ 52,500 |
| Tavarski Hughes | Administrative Services Assistant 5 | \$ 35,004 |
| Kerry Pogue | Managed Care Manager 2 | \$ 55,008 |
| Ginger McLaughlin | Legal Assistant | \$ 32,052 |
| Ronnie Watson | Administrative Assistant 1 | \$ 32,004 |
| Deborah West | Clerk 2 | \$ 16,260 |
| Gean White | Accounting Technician 2 | \$ 24,864 |
| Karen Carothers | Executive Administrative Assistant 3 | \$ 71,004 |
| Thomas Holter | Executive Administrative Assistant 3 | \$ 87,564 |
| Raichon Morand | Information Resource Support Specialist 3 | \$ 37,176 |



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FISCAL REVIEW

STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 GREAT CIRCLE ROAD
NASHVILLE, TENNESSEE 37243

November 16, 2005

Mr. Jim White
Executive Director
Fiscal Review Committee
Rachel Jackson Bldg., 8th Floor
320 6th Avenue North
Nashville, TN 37219

Dear Mr. White:

This letter is to inform the Fiscal Review Committee of the policy changes in the Medicaid/TennCare program during the first quarter of Fiscal Year 2005-2006.

1. Amount, Duration and Scope of Assistance; Provider Reimbursement.

The Bureau of TennCare promulgated public necessity rules to point out that effective August 1, 2005, coverage of payments to reserve a level I (Intermediate) bed during a recipient's temporary absence from a nursing facility care is eliminated.

2. Amount, Duration and Scope of Assistance; Provider Reimbursement.

The Bureau of TennCare promulgated public necessity rules to point out that effective October 1, 2005, coverage of payments to reserve a level I (intermediate) bed during a recipient's temporary absence from a nursing facility is being reinstated with a limit of ten (10) days per state fiscal year.

3. Definitions – TennCare Medicaid.

The Bureau of TennCare promulgated a rule to correct the definition of "TennCare Standard". One of the criteria to receive TennCare Standard in the previous rules was to be a Tennessee resident and "had Medicare as of December 31, 2002". It should have read "had Medicare as of December 31, 2001".

4. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to point out the TennCare Medicaid covered services as of August 1, 2005.

5. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to point out that TennCare is covering prescribed drugs for the non-pregnant Medically Needy adults age 21 and older who are not in a Nursing Facility, Intermediate Care Facility for the Mentally Retarded, or a Home and Community Based Services Waiver. Prescriptions are limited to five (5) per month, pursuant to which at least three (3) out of the five (5) prescriptions or refills must be generic.

6. Enrollee Cost Sharing – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rule to point out that effective August 1, 2005, TennCare Medicaid adults (age 21 and older) who receive pharmacy services will have nominal copays for certain services.

7. Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to clarify applicable appeal rights for enrollees who are denied services that are no longer covered by TennCare effective August 1, 2005, including when an enrollee has exceeded the monthly pharmacy benefit limit.

8. Other Appeals By TennCare Applicants and Enrollees – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to enable the State to narrow the scope of appeals hearings on factual disputes before a Hearing Officer or an Administrative Law Judge as determined by the Department of Human Services. In addition, this rule set forth a provision addressing the finality of initial orders issued by the Department of Human Services, clarify previously filed public necessity rules which define the processes for granting fair hearings based on valid factual disputes before a Hearing Officer or an Administrative Law Judge and refine the requirements for timely submission of eligibility-based appeals and the continuation of benefits pending resolution of such appeals, including appeals related to disenrollment and changes in eligibility.

9. TennCare Partners State-Only Program – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to delete the section of the TennCare Medicaid rules that address the TennCare Partners State-Only Program since the responsibility for these services was transferred to the Tennessee Department of Mental Health and Developmental Disabilities. These services are not provided with Medicaid funds, but with State-only funds under the direction of TDMHDD.

10. Definitions – TennCare Standard.

The Bureau of TennCare promulgated a rule to correct the definition of “TennCare Standard”. One of the criteria to receive TennCare Standard in the previous rules was to be a Tennessee resident and “had Medicare as of December 31, 2002”. It should have read “had Medicare as of December 31, 2001”.

11. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated a public necessity rule to point out TennCare Standard covered services as of August 1, 2005.

12. Enrollee Cost Sharing – TennCare Standard.

The Bureau of TennCare promulgated public necessity rules to point out that effective August 1, 2005, there is no Out-of-Pocket Maximum for enrollee copays and pharmacy services.

13. Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Standard.

The Bureau of TennCare promulgated public necessity rules to clarify applicable appeal rights for enrollees who are denied services that are no longer covered by TennCare effective August 1, 2005, including when an enrollee has exceeded the monthly pharmacy benefit limit.

14. Other Appeals By TennCare Applicants and Enrollees – TennCare Standard.

The Bureau of TennCare promulgated a public necessity rule to enable the State to narrow the scope of appeals hearing on factual disputes before a Hearing Officer or an Administrative Law Judge as determined by the Department of Human Services. In addition, this rule set clear time requirements for appeals and continuation of service pending appeals through the Department of Human Services, address the finality of initial orders issued by the Department of Human Services, and include certain clarifications to previously filed public necessity rules which define the processes for granting fair hearings based on valid factual disputes before a Hearing Officer or an Administrative Law Judge.

15. TennCare Partners State-Only Program – TennCare Standard.

The Bureau of TennCare promulgated a public necessity rule to delete the section of the TennCare Standard rules that address the TennCare Partners State-Only Program since the responsibility for these services was transferred to the Tennessee Department of Mental Health and Developmental Disabilities. These services are not provided with Medicaid funds, but with State-only funds under the direction of TDMHDD.

16. General Program Administration – Recipient Cost Sharing and Similar Charges; Limitation on Amount, Duration and Scope of Medical Care and Services Provided – Prescribed Drugs.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective August 1, 2005. This amendment allows the Bureau of TennCare to institute nominal co-pays on outpatient pharmacy services for Medicaid adults.

17. Methods and Standards for Establishing Payment Rates – Nursing Facilities – Behavioral Unit Enhanced Rate Program.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective July 1, 2005. This amendment discontinued the Tennessee Medicaid/TennCare Behavioral Unit Enhanced Rate Program.

18. Amount, Duration and Scope of Medical Remedial Care and Services Provided to Categorically and Medically Needy; Limitations on Amount, Duration and Scope of Medical Care and Services Provided to Categorically and Medically Needy – Clinic Services and Adult Dental.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective August 1, 2005. The amendment discontinued Medicaid/TennCare coverage of adult dental and points out that methadone clinic services are not provided.

19. Limitation on Amount Duration and Scope of Medical Care and Services Provided – Prescribed Drugs.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective July 1, 2005. This amendment points out that prescription drugs for the Medically Needy is covered with applicable limitations.

Sincerely,



J. D. Hickey
Deputy Commissioner

JDH/D1015318

State Appropriations

The following amounts were provided by the Bureau of TennCare as the reconciliation of state appropriations for the second quarter (October 1 – December 31, 2005) of fiscal year 2006.

| <u>Medical and Administrative</u> | |
|--|-----------------------|
| Expenditures | \$ 1,496,538,245 |
| <i>less: Federal Revenue</i> | \$ 838,273,749 |
| <i>less: Other Revenue</i> | \$ 205,842,125 |
| State Appropriations Requirement | \$ 452,422,371 |
| <u>Long Term Care</u> | |
| Expenditures | \$ 289,924,210 |
| <i>less: Federal Revenue</i> | \$ 186,124,007 |
| <i>less: Other Revenue</i> | \$ - |
| State Appropriations Requirement | \$ 103,800,203 |
| Total State Appropriation Requirement | \$ 556,222,574 |
| <u>Reconciliation of State Appropriations</u> | |
| State Appropriations | \$ 635,001,775 |
| Balance Forward at 9/30/05 | \$ 77,346,226 |
| App. Transferred Through Revision | \$ - |
| Sub-total State Appropriations Available | \$ 712,348,001 |
| State Dollars Required to Fund Qtr 2 FY2006 | \$ 556,222,574 |
| Balance Carried Forward to Next Quarter | \$ 156,125,427 |

*Other Revenue represents one-fourth of fiscal year 2006 budgeted drug rebates, premiums, current services, and certified public expenditures. The report for the fourth quarter of fiscal year 2006 will represent the net actual collections for fiscal year 2006.

Second Quarter Fiscal Year 2006 Expenditures of Allotment Code 318.00

The following amounts were provided by the Bureau of TennCare as the actual expenditures to the Bureau for the second quarter of fiscal year 2006.

Administration

TennCare Administration establishes policy, provides oversight, and directs the TennCare Program and contracts with other agencies that provide administrative service components for the TennCare Program.

Administration is divided into four areas:

- Program Administration
- Policy and Planning
- Quality Assurance
- Long Term Care

| Second Quarter FY05-06 | |
|------------------------------------|----------------------|
| Total Allotment Code 318.65 | \$ 66,430,206 |

Long Term Care

Long Term Care provides funding for individuals that are in need of long term institutional care. This program provides funding for:

- General intermediate care facilities
- Skilled nursing facilities
- State mentally retarded intermediate care facilities
- Private mentally retarded intermediate care facilities.

| Second Quarter FY05-06 | |
|------------------------------------|-----------------------|
| I. ICF Long Term Care | |
| A. General | \$ 194,879,324 |
| B. Skilled | \$ 23,823,574 |
| C. Client Assessment Tool Grant | \$ 20,000 |
| II. ICF - MR Long Term Care | |
| A. State Facilities | \$ 54,661,042 |
| B. Private Facilities | \$ 16,540,268 |
| Total Allotment Code 318.68 | \$ 289,924,208 |

Services

TennCare Services provides funding for traditional basic health care and mental health services that were previously paid for by Medicaid. The program provides funding to:

- Managed Care Organizations that provide basic medical services
- Behavioral health organizations that provide mental health services
- Agencies that provide medical services.

| Second Quarter FY05-06 | | |
|--|-----------|----------------------|
| I. Medical | | |
| A. MCO Services | \$ | 583,661,534 |
| B. MCO Administration | \$ | 51,296,224 |
| C. Hospital Payments | \$ | 25,000,000 |
| D. Pharmacy Services | \$ | 334,746,678 |
| E. Dental - Medical | \$ | 31,438,710 |
| F. Dental - Administration | \$ | 1,493,238 |
| G. Federally Qualified Health Clinics | \$ | 2,047,316 |
| H. Critical Access Hospitals | \$ | 2,424,307 |
| I. Misc: Reductions in Exp.- TPL, Estate Reconciliation, etc. | \$ | (4,413,386) |
| II. Behavioral Health | | |
| A. TennCare Partners | \$ | 116,291,269 |
| B. Non-TennCare Partners | \$ | - |
| III. Children's Services | \$ | 48,610,331 |
| IV. Dental Services - Local Health | \$ | 834,016 |
| V. Graduate Medical Education | \$ | 2,639,751 |
| VI. Meharry Medical College Grant | \$ | 5,000,000 |
| VI. School-Based Direct Medical Care | \$ | 21,978 |
| Total Allotment Code 318.66 | \$ | 1,201,091,966 |

Waiver and Crossover Services

Waiver and Crossover Services provide funding for Home and Community Based Services waivers, as well as co-payments and premiums for individuals eligible for TennCare and Medicare. The waivers serve the developmentally delayed population and people who require nursing services.

Funding for Medicare premiums and co-payments allows TennCare recipients, who are eligible for Medicare, the ability to receive medical services that would otherwise be unavailable to recipients

due to financial constraints.

| | <u>Second Quarter FY05-06</u> | |
|------------------------------------|--------------------------------------|--------------------|
| I. Statewide Elderly HCBS Waiver | \$ | 484,250 |
| II. Pace Program | \$ | 2,527,658 |
| III. MR Waiver | | |
| A. Administration | \$ | 116,501,974 |
| B. Services | \$ | 4,501,580 |
| C. Arlington Waiver | \$ | 7,510,969 |
| D. Self Determination Waiver | | |
| IV. Senior/Adapt Waiver | | |
| A. Senior Waiver | \$ | 756,497 |
| B. ADAPT Waiver | \$ | 663,839 |
| V. Medicare Crossover Services | | |
| A. Buy-in Premiums | \$ | 70,276,241 |
| B. Cost-Sharing (Crossover) | \$ | 25,793,066 |
| Total Allotment Code 318.67 | \$ | 229,016,074 |

Breakdown of Expenditures Among State, Federal and Other Funds

| <u>Administration</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|----------------------|----------------------|------------------|
| Total Allotment Code 318.65 | \$ 33,181,603 | \$ 33,215,103 | \$ 33,500 |

| <u>Long Term Care</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|-----------------------|-----------------------|--------------|
| I. ICF Long Term Care | | | |
| A. General | \$ 69,776,542 | \$ 125,102,782 | \$ - |
| B. Skilled | \$ 8,530,031 | \$ 15,293,543 | \$ - |
| C. Client Assessment Tool Grant | \$ - | \$ 20,000 | \$ - |
| II. ICF - MR Long Term Care | | | |
| A. State Facilities | \$ 19,571,386 | \$ 35,089,656 | \$ - |
| B. Private Facilities | \$ 5,922,243 | \$ 10,618,025 | \$ - |
| Total Allotment Code 318.68 | \$ 103,800,202 | \$ 186,124,006 | \$ - |

| <u>Medical Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| I. Medical | | | |
| A. MCO Services | \$ 157,263,237 | \$ 374,681,522 | \$ 51,716,775 |
| B. MCO Administration | \$ 18,366,613 | \$ 32,929,611 | \$ - |
| C. Hospital Payments | \$ 8,951,250 | \$ 16,048,750 | \$ - |
| D. Pharmacy Services | \$ 66,167,981 | \$ 118,632,972 | \$ 149,945,725 |
| E. Dental - Medical | \$ 11,256,630 | \$ 20,182,080 | \$ - |
| F. Dental - Administration | \$ 746,619 | \$ 746,619 | \$ - |
| G. Federally Qualified Health Clinics | \$ 733,041 | \$ 1,314,275 | \$ - |
| H. Critical Access Hospitals | \$ 868,023 | \$ 1,556,284 | \$ - |
| I. Misc: Reductions in Exp.- | \$ (1,580,213) | \$ (2,833,173) | \$ - |
| II. Behavioral Health | | | |
| A. TennCare Partners | \$ 37,491,964 | \$ 74,653,180 | \$ 4,146,125 |
| B. Non-TennCare Partners | \$ - | \$ - | \$ - |
| III. Children's Services | \$ 17,404,929 | \$ 31,205,402 | \$ - |
| IV. Dental Services - Local Health | \$ 298,619 | \$ 535,397 | \$ - |
| V. Graduate Medical Education | \$ 945,163 | \$ 1,694,588 | \$ - |
| VI. Meharry Medical College Grant | \$ 1,790,250 | \$ 3,209,750 | \$ - |
| VI. School-Based Direct Medical Care | \$ - | \$ 21,978 | \$ - |
| Total Allotment Code 318.66 | \$ 320,704,106 | \$ 674,579,235 | \$ 205,808,625 |

| <u>Waiver and Crossover Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---|----------------------|-----------------------|---------------------|
| I. Statewide Elderly HCBS Waiver | \$ 173,386 | \$ 310,864 | \$ - |
| II. Pace Program | \$ 905,028 | \$ 1,622,630 | \$ - |
| III. MR Waiver | | | |
| A. Administration | \$ 58,250,987 | \$ 58,250,987 | \$ - |
| B. Services | \$ 1,611,791 | \$ 2,889,789 | \$ - |
| C. Arlington Waiver | \$ 2,689,302 | \$ 4,821,667 | \$ - |
| D. Self Determination Waiver | \$ - | \$ - | \$ - |
| IV. Senior/Adapt Waiver | | | |
| A. Senior Waiver | \$ 270,864 | \$ 485,633 | \$ - |
| B. ADAPT Waiver | \$ 237,688 | \$ 426,151 | \$ - |
| V. Medicare Crossover Services | | | |
| A. Buy-in Premiums | \$ 25,162,408 | \$ 45,113,833 | \$ - |
| B. Cost-Sharing (Crossover) | \$ 9,235,207 | \$ 16,557,859 | \$ - |
| Total Allotment Code 318.67 | \$ 98,536,661 | \$ 130,479,413 | \$ - |

Total TennCare Expenditures – Second Quarter FY05-06

| | <u>Second Quarter</u> |
|---------------------------------|------------------------------|
| Medical/MCO Administration | \$ 634,957,758 |
| Pharmacy (includes Clawback) | \$ 334,746,678 |
| Dental/Dental Administration | \$ 32,931,948 |
| Behavioral Health | \$ 116,291,269 |
| Misc. Medical Services | \$ 33,553,982 |
| Mental Retardation Programs | \$ 199,715,835 |
| Medicare Cost Sharing | \$ 96,069,308 |
| Nursing Home Services | \$ 218,722,899 |
| Long Term Care Waivers | \$ 4,432,242 |
| Children's Services | \$ 48,610,331 |
| Administration | \$ 66,430,206 |
| Total Qtr 2 Expenditures | \$ 1,786,462,456 |

Total TennCare Expenditures for FY05-06 as a Percentage of FY05-06 Budget

| | |
|------------------------------|------------------|
| Total Qtr 2 Expenditures | \$ 1,786,462,456 |
| Percentage of Total Budgeted | 21.62% |
| Total Qtr 1 Expenditures | \$ 1,846,004,052 |
| Percentage of Total Budgeted | 22.34% |
| Total FY05-06 Expenditures | \$ 3,632,466,508 |
| Percentage of Total Budgeted | 43.97% |
| FY05-06 Budget | \$ 8,261,813,800 |

TennCare Enrollees by County

| <u>County</u> | <u>Enrollees</u> | <u>County</u> | <u>Enrollees</u> |
|---------------|------------------|---------------|------------------|
| Anderson | 15,086 | Lauderdale | 7,907 |
| Bedford | 8,746 | Lawrence | 9,239 |
| Benton | 4,600 | Lewis | 3,075 |
| Bledsoe | 2,913 | Lincoln | 6,656 |
| Blount | 18,397 | Loudon | 7,032 |
| Bradley | 17,355 | Macon | 5,115 |
| Campbell | 14,055 | Madison | 21,963 |
| Cannon | 2,792 | Marion | 6,879 |
| Carroll | 7,443 | Marshall | 4,915 |
| Carter | 12,688 | Maury | 13,659 |
| Cheatham | 5,238 | McMinn | 10,763 |
| Chester | 3,387 | McNairy | 7,796 |
| Claiborne | 10,242 | Meigs | 3,147 |
| Clay | 2,362 | Monroe | 10,163 |
| Cocke | 11,162 | Montgomery | 22,321 |
| Coffee | 10,722 | Moore | 803 |
| Crockett | 3,563 | Morgan | 5,225 |
| Cumberland | 10,429 | Obion | 6,830 |
| Davidson | 109,568 | Overton | 4,870 |
| Decatur | 2,974 | Perry | 1,494 |
| Dekalb | 4,348 | Pickett | 1,366 |
| Dickson | 8,479 | Polk | 3,844 |
| Dyer | 10,577 | Putnam | 13,800 |
| Fayette | 6,165 | Rhea | 7,646 |
| Fentress | 6,593 | Roane | 11,063 |
| Franklin | 6,752 | Robertson | 9,494 |
| Gibson | 12,175 | Rutherford | 28,274 |
| Giles | 5,881 | Scott | 8,522 |
| Grainger | 5,447 | Sequatchie | 3,093 |
| Greene | 13,865 | Sevier | 14,846 |
| Grundy | 5,156 | Shelby | 234,998 |
| Hamblen | 12,662 | Smith | 3,475 |
| Hamilton | 55,724 | Stewart | 2,364 |
| Hancock | 2,610 | Sullivan | 29,093 |
| Hardeman | 7,330 | Sumner | 20,694 |
| Hardin | 7,448 | Tipton | 11,422 |
| Hawkins | 12,494 | Trousdale | 1,773 |
| Haywood | 6,086 | Unicoi | 4,317 |
| Henderson | 6,380 | Union | 5,119 |
| Henry | 7,403 | Van Buren | 1,383 |
| Hickman | 5,393 | Warren | 9,596 |
| Houston | 1,974 | Washington | 19,248 |
| Humphreys | 3,900 | Wayne | 3,575 |
| Jackson | 2,982 | Weakley | 6,460 |
| Jefferson | 10,532 | White | 6,019 |
| Johnson | 4,887 | Williamson | 7,286 |
| Knox | 63,417 | Wilson | 11,821 |
| Lake | 2,253 | Total | 1,213,078 |

**Schedule Showing New Employees
October 1, 2005 through December 31, 2005**

| <u>Name</u> | <u>Position</u> | <u>Salary</u> |
|----------------------|--------------------------------------|---------------|
| Carol Sorbo | Public Health Nurse Consultant 2 | \$ 37,176 |
| Ellice Goldstein | Legal Assistant | \$ 29,340 |
| Shameki Duncan | Legal Assistant | \$ 29,340 |
| Evo Emmaliz | Administrative Assistant 1 | \$ 22,944 |
| Robert Bushong | Managed Care Specialist 3 | \$ 39,084 |
| Rosalyn Pope | Auditor 3 | \$ 46,104 |
| Jane Graves | Managed Care Specialist 1 | \$ 23,004 |
| Ladonna Etter | Managed Care Specialist 1 | \$ 23,004 |
| Cathy Andrews | Managed Care Operator | \$ 21,372 |
| James Schick Jr. | Clerk 2 | \$ 16,260 |
| Connie Wilson | Clerk 2 | \$ 16,260 |
| Tami Jefferson | Clerk 2 | \$ 16,260 |
| Jo Schumann | Auditor 1 | \$ 36,504 |
| Barbara Frey | Statistical Research Specialist | \$ 65,004 |
| Conchita Vines | Administrative Services Assistant 4 | \$ 35,004 |
| Carolyn Hutchins | Legal Assistant | \$ 30,660 |
| Anita Lee | Information Systems Analyst 4 | \$ 58,428 |
| Sarah Shea | Public Health Nurse Consultant 1 | \$ 41,604 |
| Van Perkins | Managed Care Specialist 1 | \$ 23,004 |
| Wesley Thompson | Statistical Programmer Specialist 2 | \$ 43,008 |
| Lisa Evans | Managed Care Director | \$ 65,004 |
| Lisa Kinakin | Managed Care Tag Consultant | \$ 65,004 |
| Mary Rolando | Medical Social Worker 2 | \$ 51,504 |
| Thor Carden | Information Systems Analyst 3 | \$ 35,580 |
| Na Lin | Information Systems Analyst 2 | \$ 34,176 |
| Omari Winbush | Managed Care Director | \$ 69,000 |
| Linda Ballard | Managed Care Operator | \$ 21,144 |
| Sharon Hayes | Executive Administrative Assistant 3 | \$ 58,008 |
| Anne Nyanda | Legal Assistant | \$ 29,340 |
| Jeanette Newton | Legal Assistant | \$ 29,340 |
| Carla Dotson | Legal Assistant | \$ 29,340 |
| Sally Solis | Legal Assistant | \$ 29,340 |
| Nneka Nwon | Legal Assistant | \$ 29,340 |
| Claudia Gray | Legal Assistant | \$ 29,340 |
| Barbara Esmond | Legal Assistant | \$ 29,340 |
| Adrienne Corlew-Bell | Legal Assistant | \$ 29,340 |
| Pam Johnson | Legal Assistant | \$ 29,340 |
| Lee McDougal | Legal Assistant | \$ 29,340 |
| Daniel Porter | Legal Assistant | \$ 29,340 |
| Theresa Colton | Legal Assistant | \$ 29,340 |
| Donna Perkins | Legal Assistant | \$ 29,340 |
| Roger Betts | Legal Assistant | \$ 29,340 |



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
BUREAU OF TENNCARE
310 GREAT CIRCLE ROAD
NASHVILLE, TENNESSEE 37243

January 17, 2006

RECEIVED

JAN 19 2006

FISCAL REVIEW

Mr. Jim White
Executive Director
Fiscal Review Committee
Rachel Jackson Bldg., 8th Floor
320 6th Avenue North
Nashville, TN 37219

Dear Mr. White:

This letter is to inform the Fiscal Review Committee of the policy changes in the Medicaid/TennCare program during the second quarter of Fiscal Year 2005-2006.

1. Criteria for Medicaid Reimbursement of Care in Nursing Facilities.

The Bureau of TennCare promulgated a rule to allow for the discontinuance of the Medicaid/TennCare Behavioral Unit Enhanced Rate Program.

2. Definitions – TennCare Medicaid.

The Bureau of TennCare promulgated a rule to point out the TennCare definition of Handicapping Malocclusion.

3. Definitions; Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Medicaid.

The Bureau of TennCare promulgated rules to comply with the federally passed Balanced Budget Act of 2003. The Balanced Budget Act of 2003 sets forth regulations for Managed Care Organizations regarding the provision of care for Medicaid enrollees.

4. Eligibility; Enrollment, Disenrollment, Re-enrollment, and Reassignment – TennCare Medicaid.

The Bureau of TennCare promulgated rules to conform the TennCare Medicaid rules to comply with federal approval of certain eligibility amendments to the TennCare Demonstration Project.

5. Definitions; Eligibility – TennCare Medicaid.

The Bureau of TennCare promulgated rules to enable the state to terminate eligibility for non-pregnant Medically Needy adults when their period of eligibility ends.

6. Other Appeals By TennCare Applicants and Enrollees – TennCare Medicaid.

The Bureau of TennCare promulgated a rule to enable the State to narrow the scope of appeals hearings on factual disputes before a Hearing Officer or an Administrative Law Judge as determined by the Department of Human Services. In addition, these rules set forth a provision addressing the finality of initial orders issued by the Department of Human Services, clarify previously filed public necessity rules which define the processes for granting fair hearings based on valid factual disputes before a Hearing Officer or an Administrative Law Judge and refine the requirements for timely submission of eligibility-based appeals and the continuation of benefits pending resolution of such appeals, including appeals related to disenrollment and changes in eligibility.

7. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated rules to point out TennCare Medicaid covered services under the managed care program.

8. Definitions; Eligibility – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to allow for the disenrollment of Medically Needy dual eligibles.

9. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to point out that effective January 1, 2006 persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations. They point out that effective January 1, 2006 persons dually eligible for Medicaid and Medicare will receive their pharmacy services through Medicare Part D. These rules also allow for the discontinuance of coverage of benzodiazepines and barbiturates drugs effective January 1, 2006.

10. Definitions; Enrollment, Disenrollment, Re-enrollment, and Reassignment; Providers; Appeal of Adverse Actions Affecting TennCare Services or Benefits; Members Abuse and Overutilization of the TennCare Program – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to comply with the November 15, 2005 Grier Consent Decree which imposes obligations upon the Bureau of TennCare with respect to providing due process rights to individuals enrolled in the TennCare program.

11. Definitions – TennCare Standard.

The Bureau of TennCare promulgated a rule to point out the TennCare definition of Handicapping Malocclusion.

12. Definitions; Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Standard.

The Bureau of TennCare promulgated rules to comply with the federally passed Balanced Budget Act of 2003. The Balanced Budget Act of 2003 sets forth regulations for Managed Care Organizations regarding the provision of care for Medicaid enrollees.

13. Eligibility – TennCare Standard.

The Bureau of TennCare promulgated rules to conform the current TennCare Standard rules to comply with federal approval of certain eligibility amendments to the TennCare Demonstration Project.

14. Definitions; Eligibility; Enrollee Cost Sharing – TennCare Standard.

The Bureau of TennCare promulgated rules to enable the state to disenroll adult uninsured in accordance with due process and to provide clarification of the TennCare Enrollee Cost Sharing poverty percentages. The rules also point out that effective August 1, 2005 the copayment amounts for pharmacy services for persons at or above 100% poverty is \$3.00 per branded drug.

15. Other Appeals By TennCare Applicants and Enrollees – TennCare Standard.

The Bureau of TennCare promulgated a rule to enable the State to narrow the scope of appeals hearings on factual disputes before a Hearing Officer or an Administrative Law Judge as determined by the Department of Human Services. In addition, these rules set clear time requirements for appeals and continuation of service pending appeals through the Department of Human Services, address the finality of initial orders issued by the Department of Human Services, and include certain clarifications to previously filed public necessity rules which define the processes for granting fair hearings based on valid factual disputes before a Hearing Officer or an Administrative Law Judge.

16. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated a rule to point out TennCare Standard covered services under the managed care program.

17. Enrollee Cost Sharing – TennCare Standard.

The Bureau of TennCare promulgated rules to point out that effective August 1, 2005, there is no Out-of-Pocket Maximum for enrollee copays and pharmacy services. The

rules also point out the circumstances in which TennCare Standard enrollees will have nominal copayments on pharmacy services.

18. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated public necessity rules to point out that effective January 1, 2006 persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations. The rules also allow for the discontinuance of coverage of benzodiazepines and barbiturates drugs effective January 1, 2006.

19. Definitions; Enrollment, Disenrollment, Re-enrollment, and Reassignment; Enrollee Cost Sharing; Providers; Appeal of Adverse Actions Affecting TennCare Services or Benefits; Members Abuse and Overutilization of the TennCare Program – TennCare Standard.

The Bureau of TennCare promulgated public necessity rules to comply with the November 15, 2005 Grier Consent Decree which imposes obligations upon the Bureau of TennCare with respect to providing due process rights to individuals enrolled in the TennCare program.

20. Eligibility, Conditions and Requirements – Reasonable Limits on Amounts for Necessary Medical or Remedial Care not Covered Under Medicaid.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective August 1, 2005. The amendment points out deductions that may be made from total income available from the cost of long-term nursing home care.

21. Methods of Reimbursing for Reserved Beds in Nursing Facilities and Intermediate Care Facilities for the Mentally Retarded.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective October 1, 2005. This amendment reinstates Medicaid/TennCare reimbursement to level I nursing facilities reserving a bed during a recipient's temporary absence from the facility.

22. Groups Covered and Agencies Responsible for Eligibility Determination – Requirements Relating to Determining Eligibility for Medicare Prescription Drug Low-Income Subsidies.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective July 1, 2005. The amendment assures CMS that the state has the capacity to accept and provide assistance with Low-Income Subsidy (LIS) applications in accordance with the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA).

23. Limitation on Amount, Duration and Scope of Medical Care and Services Provided – Prescribed Drugs.

Mr. Jim White
January 17, 2006
Page 5

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective January 1, 2006. The amendment points out that benzodiazepines and barbiturates are excluded outpatient drugs from coverage under TennCare.

Sincerely,

A handwritten signature in black ink, appearing to read "J. D. Hickey / kwr". The signature is written in a cursive style with a horizontal line extending to the right.

J. D. Hickey
Deputy Commissioner

JDH/D1016013

State Appropriations

The following amounts were provided by the Bureau of TennCare as the reconciliation of state appropriations for the third quarter (January 1 – March 31, 2006) of fiscal year 2006.

| <u>Medical and Administrative</u> | |
|--|-----------------------|
| Expenditures | \$ 1,362,650,252 |
| <i>less:</i> Federal Revenue | \$ 762,761,143 |
| <i>less:</i> Other Revenue | <u>\$ 205,842,125</u> |
| State Appropriations Requirement | \$ 394,046,984 |
| <u>Long Term Care</u> | |
| Expenditures | \$ 273,521,138 |
| <i>less:</i> Federal Revenue | \$ 175,586,895 |
| <i>less:</i> Other Revenue | <u>\$ -</u> |
| State Appropriations Requirement | \$ 97,934,243 |
| Total State Appropriation Requirement | \$ 491,981,227 |
| <u>Reconciliation of State Appropriations</u> | |
| State Appropriations | \$ 635,001,775 |
| Balance Forward at 12/31/05 | \$ 156,125,428 |
| App. Transferred Through Revision | <u>\$ -</u> |
| Sub-total State Appropriations Available | \$ 791,127,203 |
| State Dollars Required to Fund Qtr 3 FY2006 | \$ 491,981,227 |
| Balance Carried Forward to Next Quarter | \$ 299,145,976 |

*Other Revenue represents one-fourth of fiscal year 2006 budgeted drug rebates, premiums, current services, and certified public expenditures. The report for the fourth quarter of fiscal year 2006 will represent the net actual collections for fiscal year 2006.

Third Quarter Fiscal Year 2006 Expenditures of Allotment Code 318.00

The following amounts were provided by the Bureau of TennCare as the actual expenditures to the Bureau for the third quarter of fiscal year 2006.

Administration

TennCare Administration establishes policy, provides oversight, and directs the TennCare Program and contracts with other agencies that provide administrative service components for the TennCare Program.

Administration is divided into four areas:

- Program Administration
- Policy and Planning
- Quality Assurance
- Long Term Care

| <u>Third Quarter FY05-06</u> | | |
|-------------------------------------|-----------|-------------------|
| Total Allotment Code 318.65 | \$ | 73,251,470 |

Long Term Care

Long Term Care provides funding for individuals that are in need of long term institutional care. This program provides funding for:

- General intermediate care facilities
- Skilled nursing facilities
- State mentally retarded intermediate care facilities
- Private mentally retarded intermediate care facilities.

| <u>Third Quarter FY05-06</u> | | |
|-------------------------------------|-----------|--------------------|
| I. ICF Long Term Care | | |
| A. General | \$ | 188,303,036 |
| B. Skilled | \$ | 22,376,093 |
| C. Client Assessment Tool Grant | \$ | 40,000 |
| II. ICF - MR Long Term Care | | |
| A. State Facilities | \$ | 38,362,060 |
| B. Private Facilities | \$ | 24,439,949 |
| Total Allotment Code 318.68 | \$ | 273,521,138 |

Services

TennCare Services provides funding for traditional basic health care and mental health services that were previously paid for by Medicaid. The program provides funding to:

- Managed Care Organizations that provide basic medical services
- Behavioral health organizations that provide mental health services
- Agencies that provide medical services.

| <u>Third Quarter FY05-06</u> | | |
|---|-----------|----------------------|
| I. Medical | | |
| A. MCO Services | \$ | 572,616,753 |
| B. MCO Administration | \$ | 65,135,029 |
| C. Hospital Payments | \$ | 75,000,000 |
| D. Pharmacy Services | \$ | 184,269,621 |
| E. Dental - Medical | \$ | 33,527,912 |
| F. Dental - Administration | \$ | 1,149,198 |
| G. Federally Qualified Health Clinics | \$ | 13,375,744 |
| H. Critical Access Hospitals | \$ | 3,083,487 |
| I. Misc: Reductions in Exp.- | \$ | (4,374,021) |
| II. Behavioral Health | | |
| A. TennCare Partners | \$ | 106,471,104 |
| B. Non-TennCare Partners | \$ | 655,448 |
| III. Children's Services | \$ | 62,087,818 |
| IV. Dental Services - Local Health | \$ | (834,016) |
| V. Graduate Medical Education | \$ | 14,089,787 |
| VI. Meharry Medical College Grant | \$ | 2,517,007 |
| VI. School-Based Direct Medical Care | \$ | - |
| Total Allotment Code 318.66 | \$ | 1,128,770,871 |

Waiver and Crossover Services

Waiver and Crossover Services provide funding for Home and Community Based Services waivers, as well as co-payments and premiums for individuals eligible for TennCare and Medicare. The waivers serve the developmentally delayed population and people who require nursing services.

Funding for Medicare premiums and co-payments allows TennCare recipients, who are eligible for Medicare, the ability to receive medical services that would otherwise be unavailable to recipients due to financial constraints.

| | <u>Third Quarter FY05-06</u> | |
|------------------------------------|-------------------------------------|--------------------|
| I. Statewide Elderly HCBS Waiver | \$ | 1,070,398 |
| II. Pace Program | \$ | 2,754,494 |
| III. MR Waiver | | |
| A. Administration | \$ | 33,480,720 |
| B. Services | \$ | 1,938,177 |
| C. Arlington Waiver | \$ | 5,015,672 |
| D. Self Determination Waiver | | |
| IV. Senior/Adapt Waiver | | |
| A. Senior Waiver | \$ | 2,287,973 |
| B. ADAPT Waiver | \$ | 478,096 |
| V. Medicare Crossover Services | | |
| A. Buy-in Premiums | \$ | 70,608,406 |
| B. Cost-Sharing (Crossover) | \$ | 42,993,974 |
| Total Allotment Code 318.67 | \$ | 160,627,910 |

Breakdown of Expenditures Among State, Federal and Other Funds

| <u>Administration</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|----------------------|----------------------|------------------|
| Total Allotment Code 318.65 | \$ 36,592,235 | \$ 36,625,735 | \$ 33,500 |

| <u>Long Term Care</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|----------------------|-----------------------|--------------|
| I. ICF Long Term Care | | | |
| A. General | \$ 67,421,902 | \$ 120,881,134 | \$ - |
| B. Skilled | \$ 8,011,760 | \$ 14,364,333 | \$ - |
| C. Client Assessment Tool Grant | \$ 14,322 | \$ 25,678 | \$ - |
| II. ICF - MR Long Term Care | | | |
| A. State Facilities | \$ 13,735,536 | \$ 24,626,524 | \$ - |
| B. Private Facilities | \$ 8,750,724 | \$ 15,689,225 | \$ - |
| Total Allotment Code 318.68 | \$ 97,934,244 | \$ 175,586,894 | \$ - |

| <u>Medical Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| I. Medical | | | |
| A. MCO Services | \$ 153,308,653 | \$ 367,591,325 | \$ 51,716,775 |
| B. MCO Administration | \$ 23,321,597 | \$ 41,813,432 | \$ - |
| C. Hospital Payments | \$ 26,853,750 | \$ 48,146,250 | \$ - |
| D. Pharmacy Services | \$ 12,289,671 | \$ 22,034,225 | \$ 149,945,725 |
| E. Dental - Medical | \$ 12,004,669 | \$ 21,523,243 | \$ - |
| F. Dental - Administration | \$ 574,599 | \$ 574,599 | \$ - |
| G. Federally Qualified Health Clinics | \$ 4,789,185 | \$ 8,586,559 | \$ - |
| H. Critical Access Hospitals | \$ 1,104,043 | \$ 1,979,444 | \$ - |
| I. Misc: Reductions in Exp.- | \$ (1,566,118) | \$ (2,807,903) | \$ - |
| II. Behavioral Health | | | |
| A. TennCare Partners | \$ 33,975,854 | \$ 68,349,125 | \$ 4,146,125 |
| B. Non-TennCare Partners | \$ 655,448 | \$ - | \$ - |
| III. Children's Services | \$ 22,230,543 | \$ 39,857,275 | \$ - |
| IV. Dental Services - Local Health | \$ (298,619) | \$ (535,397) | \$ - |
| V. Graduate Medical Education | \$ 5,044,848 | \$ 9,044,939 | \$ - |
| VI. Meharry Medical College Grant | \$ 901,214 | \$ 1,615,793 | \$ - |
| VI. School-Based Direct Medical Care | \$ - | \$ - | \$ - |
| Total Allotment Code 318.66 | \$ 295,189,337 | \$ 627,772,909 | \$ 205,808,625 |

| <u>Waiver and Crossover Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---|----------------------|-----------------------|---------------------|
| I. Statewide Elderly HCBS Waiver | \$ 383,256 | \$ 687,142 | \$ - |
| II. Pace Program | \$ 986,247 | \$ 1,768,247 | \$ - |
| III. MR Waiver | | | |
| A. Administration | \$ 16,740,360 | \$ 16,740,360 | \$ - |
| B. Services | \$ 693,964 | \$ 1,244,213 | \$ - |
| C. Arlington Waiver | \$ 1,795,861 | \$ 3,219,811 | \$ - |
| D. Self Determination Waiver | \$ - | \$ - | \$ - |
| IV. Senior/Adapt Waiver | | | |
| A. Senior Waiver | \$ 819,209 | \$ 1,468,764 | \$ - |
| B. ADAPT Waiver | \$ 171,182 | \$ 306,914 | \$ - |
| V. Medicare Crossover Services | | | |
| A. Buy-in Premiums | \$ 25,281,340 | \$ 45,327,066 | \$ - |
| B. Cost-Sharing (Crossover) | \$ 15,393,992 | \$ 27,599,982 | \$ - |
| Total Allotment Code 318.67 | \$ 62,265,411 | \$ 98,362,499 | \$ - |

Total TennCare Expenditures – Third Quarter FY05-06

| | <u>Third Quarter</u> |
|---------------------------------|-----------------------------|
| Medical/MCO Administration | \$ 637,751,783 |
| Pharmacy (includes Clawback) | \$ 184,269,621 |
| Dental/Dental Administration | \$ 34,677,110 |
| Behavioral Health | \$ 107,126,551 |
| Misc. Medical Services | \$ 102,857,987 |
| Mental Retardation Programs | \$ 103,236,578 |
| Medicare Cost Sharing | \$ 113,602,380 |
| Nursing Home Services | \$ 210,719,129 |
| Long Term Care Waivers | \$ 6,590,962 |
| Children's Services | \$ 62,087,818 |
| Administration | \$ 73,251,470 |
| Total Qtr 3 Expenditures | \$ 1,636,171,389 |

Total TennCare Expenditures for FY05-06 as a Percentage of FY05-06 Budget

| | |
|------------------------------|------------------|
| Total Qtr 3 Expenditures | \$ 1,636,171,389 |
| Percentage of Total Budgeted | 19.80% |
| Total Qtr 2 Expenditures | \$ 1,786,462,456 |
| Percentage of Total Budgeted | 21.62% |
| Total Qtr 1 Expenditures | \$ 1,846,004,052 |
| Percentage of Total Budgeted | 22.34% |
| Total FY05-06 Expenditures | \$ 5,268,637,897 |
| Percentage of Total Budgeted | 63.77% |
| FY05-06 Budget | \$ 8,261,813,800 |

TennCare Enrollees by County

| <u>County</u> | <u>Enrollees</u> | <u>County</u> | <u>Enrollees</u> |
|---------------|------------------|---------------|------------------|
| Anderson | 14,616 | Lauderdale | 7,705 |
| Bedford | 8,546 | Lawrence | 8,749 |
| Benton | 4,292 | Lewis | 2,982 |
| Bledsoe | 2,812 | Lincoln | 6,327 |
| Blount | 17,576 | Loudon | 6,676 |
| Bradley | 16,974 | Macon | 4,977 |
| Campbell | 13,502 | Madison | 21,462 |
| Cannon | 2,692 | Marion | 6,428 |
| Carroll | 7,109 | Marshall | 4,859 |
| Carter | 12,074 | Maury | 13,168 |
| Cheatham | 5,104 | McMinn | 2,992 |
| Chester | 3,248 | McNairy | 9,667 |
| Claiborne | 9,691 | Meigs | 22,002 |
| Clay | 2,230 | Monroe | 808 |
| Cocke | 10,668 | Montgomery | 4,915 |
| Coffee | 10,636 | Moore | 10,369 |
| Crockett | 3,427 | Morgan | 7,359 |
| Cumberland | 9,912 | Obion | 6,579 |
| Davidson | 107,920 | Overton | 4,634 |
| Decatur | 2,772 | Perry | 1,435 |
| Dekalb | 4,219 | Pickett | 1,233 |
| Dickson | 8,330 | Polk | 3,534 |
| Dyer | 10,111 | Putnam | 13,334 |
| Fayette | 5,962 | Rhea | 7,330 |
| Fentress | 6,185 | Roane | 10,550 |
| Franklin | 6,581 | Robertson | 9,229 |
| Gibson | 11,817 | Rutherford | 27,893 |
| Giles | 5,646 | Scott | 8,082 |
| Grainger | 5,144 | Sequatchie | 3,001 |
| Greene | 13,333 | Sevier | 14,364 |
| Grundy | 5,010 | Shelby | 233,610 |
| Hamblen | 12,198 | Smith | 3,327 |
| Hamilton | 54,885 | Stewart | 2,290 |
| Hancock | 2,447 | Sullivan | 27,966 |
| Hardeman | 7,156 | Sumner | 20,388 |
| Hardin | 7,153 | Tipton | 11,286 |
| Hawkins | 12,125 | Trousdale | 1,683 |
| Haywood | 5,845 | Unicoi | 4,020 |
| Henderson | 6,165 | Union | 4,891 |
| Henry | 7,193 | Van Buren | 1,287 |
| Hickman | 5,252 | Warren | 9,289 |
| Houston | 1,961 | Washington | 18,406 |
| Humphreys | 3,760 | Wayne | 3,360 |
| Jackson | 2,829 | Weakley | 6,149 |
| Jefferson | 10,070 | White | 5,686 |
| Johnson | 4,619 | Williamson | 7,060 |
| Knox | 61,537 | Wilson | 11,593 |
| Lake | 2,138 | Total | 1,180,406 |

**Schedule Showing New Employees
January 1, 2006 through March 31, 2006**

| <u>Name</u> | <u>Position</u> | <u>Salary</u> |
|----------------------|---|---------------|
| Priscilla Wainwright | Administrative Services Assistant 4 | \$ 34,896 |
| Debra Lampley | Managed Care Program Manager 2 | \$ 56,268 |
| Tina Camba | Attorney 3 | \$ 50,760 |
| Denise Quigley | Administrative Secretary | \$ 25,128 |
| Floyd Price | Managed Care Specialist 3 | \$ 39,996 |
| Susan Lee | Administrative Services Assistant 5 | \$ 42,636 |
| David Clayton | Information Systems Analyst 3 | \$ 35,580 |
| Linda Merriweather | Accountant 2 | \$ 34,884 |
| Bobbie Leath | Public Health Nurse Consultant 1 | \$ 45,432 |
| Nina Ash | TennCare Project Manager | \$ 54,996 |
| Bridget Franklin | EDP Auditor | \$ 39,792 |
| Trudi Martin | Clerk 3 | \$ 18,636 |
| Miguel Sanchez | Administrative Services Assistant 3 | \$ 30,780 |
| Ernest Williamson | Accountant 2 | \$ 34,884 |
| Judith Womack | Managed Care Director QO | \$ 62,952 |
| Crystal Colon | Accountant/Auditor 1 | \$ 30,612 |
| Sonja Jack | Information Resource Support Specialist 3 | \$ 35,580 |
| Vijay Aluru | Statistical Programmer Specialist 2 | \$ 33,372 |
| Jian Sun | Statistical Research Specialist | \$ 33,372 |
| James Barnhill | Attorney 3 | \$ 50,760 |
| Eric Fowlie | TennCare Project Manager | \$ 54,996 |
| Barbara Cook | Public Health Nurse Consultant 2 | \$ 51,840 |
| Virginia Edwards | Attorney 3 | \$ 53,556 |
| Alvinita Jones | Legal Assistant | \$ 29,340 |
| Rhonda Fletcher | Administrative Services Assistant 3 | \$ 28,248 |
| Kate Norton | Administrative Services Assistant 5 | \$ 36,000 |
| Beth Murillo | Executive Administrative Assistant 1 | \$ 33,000 |
| Cheryl Green | Managed Care Specialist 3 | \$ 39,996 |
| Latesa Owens | Managed Care Specialist 3 | \$ 33,384 |



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 GREAT CIRCLE ROAD
NASHVILLE, TENNESSEE 37243

RECEIVED
MAY 05 2006
FISCAL REVIEW

April 20, 2006

Mr. Jim White
Executive Director
Fiscal Review Committee
Rachel Jackson Bldg., 8th Floor
320 6th Avenue North
Nashville, TN 37219

Dear Mr. White:

This letter is to inform the Fiscal Review Committee of the policy changes in the Medicaid/TennCare program during the third quarter of Fiscal Year 2005-2006.

1. Amount, Duration, and Scope of Assistance; Provider Reimbursement – General Rules.

The Bureau of TennCare promulgated rules to point out that effective October 1, 2005, coverage of payments to reserve a level 1 (intermediate) bed during a recipient's temporary absence from a nursing facility is being reinstated with a limit of ten (10) days per state fiscal year.

2. Eligibility – General Rules.

The Bureau of TennCare promulgated a public necessity rule to allow for a Presumptive Eligibility process that will provide short term temporary and limited eligibility to persons who are likely to qualify for regular institutional Medicaid eligibility.

3. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated a rule that points out TennCare Medicaid covered services under the managed care program.

4. Providers – TennCare Medicaid.

The Bureau of TennCare promulgated a rule to point out when a provider can bill an enrollee who has reached his/her established benefit limit.

5. Exclusions – TennCare Medicaid.

The Bureau of TennCare promulgated a rule to out items and services not covered by the TennCare Medicaid program.

6. TennCare Partners State – Only Program – TennCare Medicaid

The Bureau of TennCare promulgated a rule to delete this section of the TennCare Medicaid rules since the responsibility for these services was transferred to the Tennessee Department of Mental Health and Developmental Disabilities. These services are not provided with Medicaid funds, but with State-only funds under the direction of TDMHDD.

7. Definitions; Eligibility – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to point out the provisions for recertifying the eligibility of persons currently enrolled in the TennCare program's Core Medicaid Population. The rules also provide a process for review before the eligibility of persons enrolled in the Core Medicaid Population may be terminated.

8. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to point out that persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations.

9. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated a rule to point out TennCare Standard covered services under the managed care program.

10. Providers – TennCare Standard.

The Bureau of TennCare promulgated a rule to point out when a provider can bill an enrollee who has reached his/her established benefit limit.

Mr. Jim White
April 20, 2006
Page 3

11. Exclusions – TennCare Standard.

The Bureau of TennCare promulgated a rule to point out items and services that are not covered under the TennCare Standard program.

12. TennCare Partners State – Only Program – TennCare Standard.

The Bureau of TennCare promulgated a rule to delete this section of the TennCare Standard rules since the responsibility for these services was transferred to the Tennessee Department of Mental Health and Developmental Disabilities. These services are not provided with Medicaid funds, but with State-only funds under the direction of TDMHDD.

13. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated a public necessity rule to point out that persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations.

14. Financial Administration – State Financial Participation.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective October 1, 2005. The amendment updated the section of the Tennessee Medicaid State Plan concerning State Financial Participation.

Sincerely,



J. D. Hickey
Deputy Commissioner

JDH/GW/D1016102

State Appropriations

The following amounts were provided by the Bureau of TennCare as the reconciliation of state appropriations through the fourth quarter (April 1 – June 30, 2006) of fiscal year 2006.

| | |
|--|-------------------------|
| <u>Medical and Administrative</u> | |
| Expenditures | \$ 5,751,982,000 |
| <i>less: Federal Revenue</i> | \$ 3,678,464,100 |
| <i>less: Other Revenue</i> | \$ 399,787,900 |
| | \$ 1,673,730,000 |
| State Appropriations Requirement | \$ 1,673,730,000 |
| <u>Long Term Care</u> | |
| Expenditures | \$ 1,166,734,800 |
| <i>less: Federal Revenue</i> | \$ 781,222,900 |
| <i>less: Other Revenue</i> | \$ - |
| | \$ 385,511,900 |
| State Appropriations Requirement | \$ 385,511,900 |
| Total State Appropriation Requirement | \$ 2,059,241,900 |
| <u>Reconciliation of State Appropriations</u> | |
| State Appropriations | \$ 2,633,060,500 |
| Balance Forward at 3/31/05 | \$ 257,027,941 |
| App. Transferred Through Revision | \$ (134,597,894) |
| App. Transferred in Appropriations Bill | \$ (216,248,647) |
| | \$ 2,539,241,900 |
| Sub-total State Appropriations Available | \$ 2,539,241,900 |
| State Dollars Required to Fund Qtr 4 FY2006 | \$ 2,059,241,900 |
| Reserve for unresolved Federal Dollars | \$ (52,000,000) |
| Hospital Payment | \$ (25,000,000) |
| Universal Settlement | \$ (20,000,000) |
| | \$ 383,000,000 |
| Balance Carried Forward to Next Quarter | \$ 383,000,000 |

*Other Revenue represents the net actual collections of drug rebates, premiums, current services, and certified public expenditures for fiscal year 2006.

Fourth Quarter Fiscal Year 2006 Expenditures of Allotment Code 318.00

The following amounts were provided by the Bureau of TennCare as the actual expenditures to the Bureau through the fourth quarter of fiscal year 2006.

Administration

TennCare Administration establishes policy, provides oversight, and directs the TennCare Program and contracts with other agencies that provide administrative service components for the TennCare Program. Administration is divided into four areas:

- Program Administration
- Policy and Planning
- Quality Assurance
- Long Term Care

| <u>FY05-06 Closing</u> | | |
|------------------------------------|-----------|--------------------|
| Total Allotment Code 318.65 | \$ | 258,945,400 |

Long Term Care

Long Term Care provides funding for individuals that are in need of long term institutional care. This program provides funding for:

- General intermediate care facilities
- Skilled nursing facilities
- State mentally retarded intermediate care facilities
- Private mentally retarded intermediate care facilities.

| <u>FY05-06 Closing</u> | | |
|------------------------------------|-----------|----------------------|
| I. ICF Long Term Care | | |
| A. General | \$ | 810,111,500 |
| B. Skilled | \$ | 90,823,500 |
| C. Client Assessment Tool Grant | \$ | 120,200 |
| II. ICF - MR Long Term Care | | |
| A. State Facilities | \$ | 172,747,400 |
| B. Private Facilities | \$ | 92,932,200 |
| Total Allotment Code 318.68 | \$ | 1,166,734,800 |

Services

TennCare Services provides funding for traditional basic health care and mental health services that were previously paid for by Medicaid. The program provides funding to:

- Managed Care Organizations that provide basic medical services
- Behavioral health organizations that provide mental health services
- Agencies that provide medical services.

| | <u>FY05-06 Closing</u> | |
|---|-------------------------------|----------------------|
| I. Medical | | |
| A. MCO Services | \$ | 2,299,814,100 |
| B. MCO Administration | \$ | 219,655,400 |
| C. Hospital Payments | \$ | 150,000,000 |
| D. Pharmacy Services | \$ | 1,105,126,400 |
| Clawback | \$ | 110,095,300 |
| E. Dental - Medical | \$ | 133,921,300 |
| F. Dental - Administration | \$ | 5,344,500 |
| G. Federally Qualified Health Clinics | \$ | 24,841,800 |
| H. Critical Access Hospitals | \$ | 8,528,200 |
| I. Misc: Reductions in Exp.- | \$ | (4,385,800) |
| II. Behavioral Health | | |
| A. TennCare Partners | \$ | 391,382,700 |
| III. Children's Services | | |
| | \$ | 151,975,600 |
| IV. Dental Services - Local Health | | |
| | \$ | 6,061,100 |
| V. Graduate Medical Education | | |
| | \$ | 48,000,000 |
| VI. Meharry Medical College Grant | | |
| | \$ | 13,000,000 |
| Total Allotment Code 318.66 | \$ | 4,663,360,600 |

Waiver and Crossover Services

Waiver and Crossover Services provide funding for Home and Community Based Services waivers, as well as co-payments and premiums for individuals eligible for TennCare and Medicare. The waivers serve the developmentally delayed population and people who require nursing services.

Funding for Medicare premiums and co-payments allows TennCare recipients, who are eligible for

Medicare, the ability to receive medical services that would otherwise be unavailable to recipients due to financial constraints.

| | | <u>FY05-06 Closing</u> |
|------------------------------------|-----------|-------------------------------|
| I. Statewide Elderly HCBS Waiver | \$ | 6,672,100 |
| II. Pace Program | \$ | 11,772,400 |
| III. MR Waiver | | |
| A. Administration | \$ | 41,612,500 |
| B. Services | \$ | 334,378,000 |
| C. Arlington Waiver | \$ | 26,480,600 |
| D. Self Determination Waiver | \$ | 1,539,600 |
| IV. Senior/Adapt Waiver | \$ | 6,656,900 |
| V. Medicare Crossover Services | \$ | 400,563,900 |
| Total Allotment Code 318.67 | \$ | 829,676,000 |

Breakdown of Expenditures Among State, Federal and Other Funds

| <u>Administration</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|-----------------------|-----------------------|---------------------|
| Total Allotment Code 318.65 | \$ 126,846,700 | \$ 131,827,100 | \$ 271,600 |

| <u>Long Term Care</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|------------------------------------|-----------------------|-----------------------|---------------------|
| I. ICF Long Term Care | | | |
| A. General | \$ 285,572,700 | \$ 524,538,800 | \$ - |
| B. Skilled | \$ 3,914,300 | \$ 86,909,200 | \$ - |
| C. Client Assessment Tool Grant | \$ 25,000 | \$ 95,200 | \$ - |
| II. ICF - MR Long Term Care | | | |
| A. State Facilities | \$ 62,656,100 | \$ 110,091,300 | \$ - |
| B. Private Facilities | \$ 33,343,800 | \$ 59,588,400 | \$ - |
| Total Allotment Code 318.68 | \$ 385,511,900 | \$ 781,222,900 | \$ - |

| <u>Medical Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---------------------------------------|-------------------------|-------------------------|-----------------------|
| I. Medical | | | |
| A. MCO Services | \$ 374,258,200 | \$ 1,912,040,100 | \$ 13,515,800 |
| B. MCO Administration | \$ 94,910,800 | \$ 124,744,600 | \$ - |
| C. Hospital Payments | \$ 37,812,500 | \$ 112,187,500 | \$ - |
| D. Pharmacy Services | \$ 408,546,500 | \$ 316,206,600 | \$ 380,373,300 |
| Clawback | \$ 110,095,300 | \$ - | \$ - |
| E. Dental - Medical | \$ 47,871,700 | \$ 86,049,600 | \$ - |
| F. Dental - Administration | \$ 2,672,300 | \$ 2,672,200 | \$ - |
| G. Federally Qualified Health Clinics | \$ 8,959,300 | \$ 15,882,500 | \$ - |
| H. Critical Access Hospitals | \$ 3,061,200 | \$ 5,467,000 | \$ - |
| I. Misc: Reductions in Exp.- | \$ (1,356,600) | \$ (3,189,500) | \$ 160,300 |
| II. Behavioral Health | | | |
| A. TennCare Partners | \$ 76,699,100 | \$ 309,216,700 | \$ 5,466,900 |
| III. Children's Services | \$ 51,996,100 | \$ 99,979,500 | \$ - |
| IV. Dental Services - Local Health | \$ 3,662,100 | \$ 2,399,000 | \$ - |
| V. Graduate Medical Education | \$ 17,301,200 | \$ 30,698,800 | \$ - |
| VI. Meharry Medical College Grant | \$ 5,901,400 | \$ 7,098,600 | \$ - |
| Total Allotment Code 318.66 | \$ 1,242,391,100 | \$ 3,021,453,200 | \$ 399,516,300 |

| <u>Waiver and Crossover Services</u> | <u>State</u> | <u>Federal</u> | <u>Other</u> |
|---|-----------------------|-----------------------|---------------------|
| I. Statewide Elderly HCBS Waiver | \$ 2,659,200 | \$ 4,012,900 | \$ - |
| II. Pace Program | \$ 4,220,000 | \$ 7,552,400 | \$ - |
| III. MR Waiver | | | |
| A. Administration | \$ 20,806,300 | \$ 20,806,200 | \$ - |
| B. Services | \$ 121,145,900 | \$ 213,232,100 | \$ - |
| C. Arlington Waiver | \$ 9,478,700 | \$ 17,001,900 | \$ - |
| D. Self Determination Waiver | \$ 554,400 | \$ 985,200 | \$ - |
| IV. Senior/Adapt Waiver | \$ 2,418,600 | \$ 4,238,300 | \$ - |
| V. Medicare Crossover Services | \$ 143,209,100 | \$ 257,354,800 | \$ - |
| Total Allotment Code 318.67 | \$ 304,492,200 | \$ 525,183,800 | \$ - |

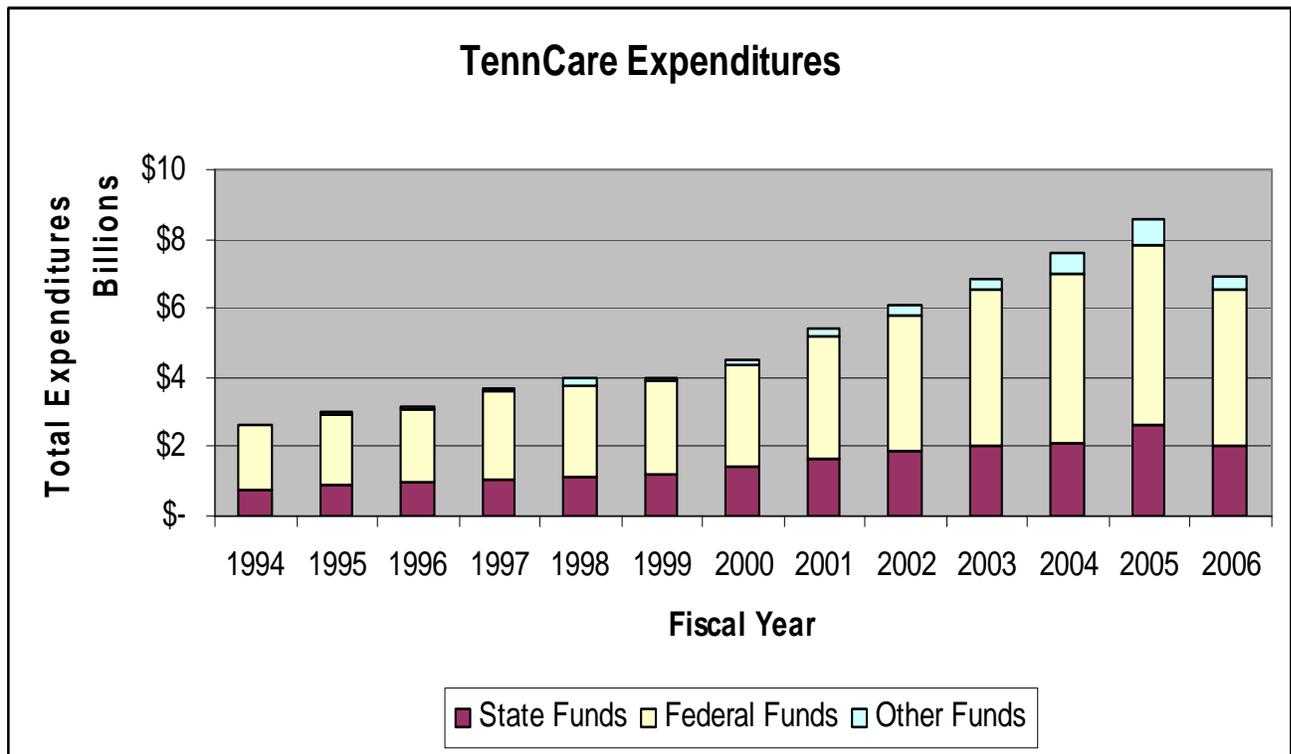
Total TennCare Expenditures – Fourth Quarter FY05-06

| | <u>Fourth Quarter</u> |
|-----------------------------------|------------------------------|
| Medical/MCO Administration | \$ 892,089,557 |
| Pharmacy (includes Clawback) | \$ 921,049,325 |
| Dental/Dental Administration | \$ 76,303,942 |
| Behavioral Health | \$ 150,515,125 |
| Misc. Medical Services | \$ 137,868,985 |
| Mental Retardation Programs | \$ 222,803,233 |
| Medicare Cost Sharing | \$ 216,136,148 |
| Nursing Home Services | \$ 424,783,145 |
| Long Term Care Waivers | \$ 100,230,968 |
| Children's Services | \$ 91,853,375 |
| Administration | \$ 258,945,400 |
| Total FY05-06 Expenditures | \$ 6,918,716,800 |

Expenditure Trends

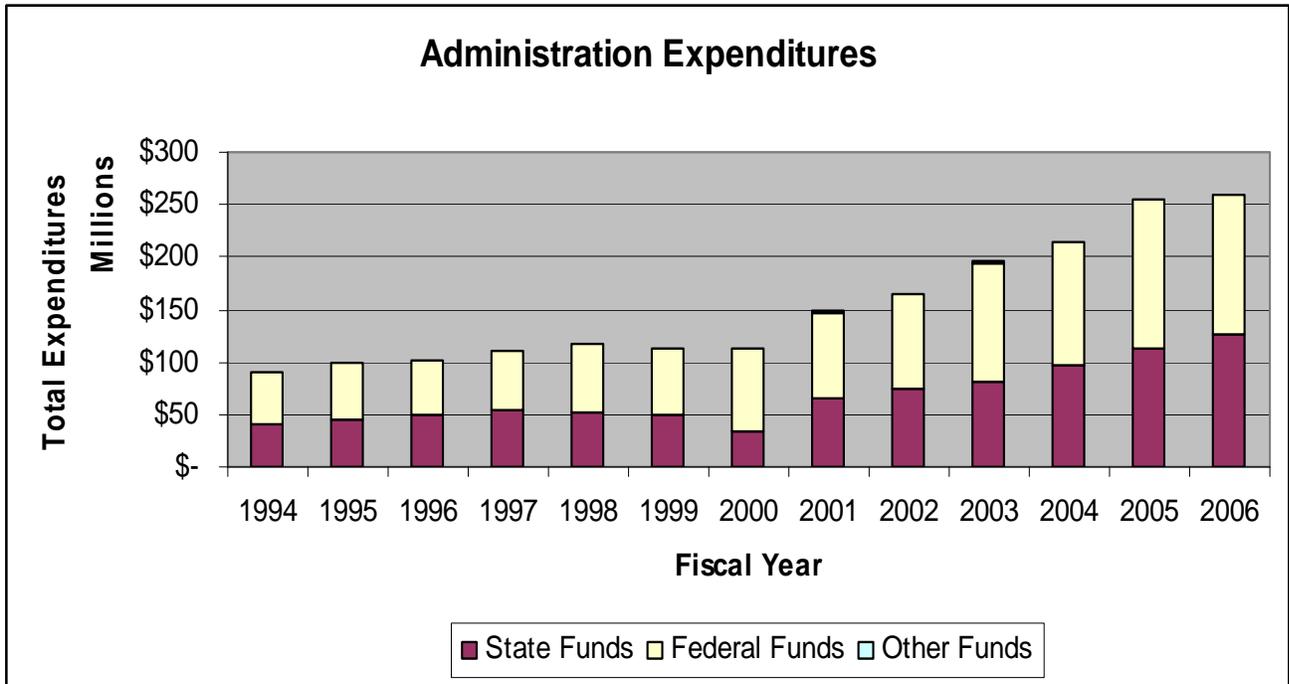
Total Expenditures – Allotment Code 318.00

| Year | State Funds | Federal Funds | Other Funds | Total | Rate of Growth |
|------|------------------|------------------|----------------|------------------|----------------|
| 1994 | \$ 784,681,700 | \$ 1,826,958,300 | \$ 32,402,500 | \$ 2,644,042,500 | |
| 1995 | \$ 865,126,500 | \$ 2,043,905,400 | \$ 81,742,000 | \$ 2,990,773,900 | 13.11% |
| 1996 | \$ 943,486,700 | \$ 2,175,983,200 | \$ 71,746,200 | \$ 3,191,216,100 | 6.70% |
| 1997 | \$ 1,063,578,200 | \$ 2,536,128,900 | \$ 107,617,600 | \$ 3,707,324,700 | 16.17% |
| 1998 | \$ 1,133,653,700 | \$ 2,643,128,200 | \$ 171,753,300 | \$ 3,948,535,200 | 6.51% |
| 1999 | \$ 1,189,086,000 | \$ 2,717,460,900 | \$ 70,850,100 | \$ 3,977,397,000 | 0.73% |
| 2000 | \$ 1,413,307,900 | \$ 2,982,229,700 | \$ 140,871,600 | \$ 4,536,409,200 | 14.05% |
| 2001 | \$ 1,624,129,300 | \$ 3,529,575,000 | \$ 277,102,300 | \$ 5,430,806,600 | 19.72% |
| 2002 | \$ 1,902,098,600 | \$ 3,864,678,200 | \$ 338,873,700 | \$ 6,105,650,500 | 12.43% |
| 2003 | \$ 2,057,203,600 | \$ 4,483,557,600 | \$ 323,723,900 | \$ 6,864,485,100 | 12.43% |
| 2004 | \$ 2,107,760,800 | \$ 4,857,137,900 | \$ 666,367,400 | \$ 7,631,266,100 | 11.17% |
| 2005 | \$ 2,627,055,200 | \$ 5,195,853,100 | \$ 746,383,900 | \$ 8,569,292,200 | 12.29% |
| 2006 | \$ 2,059,241,900 | \$ 4,459,687,000 | \$ 399,787,900 | \$ 6,918,716,800 | -19.26% |



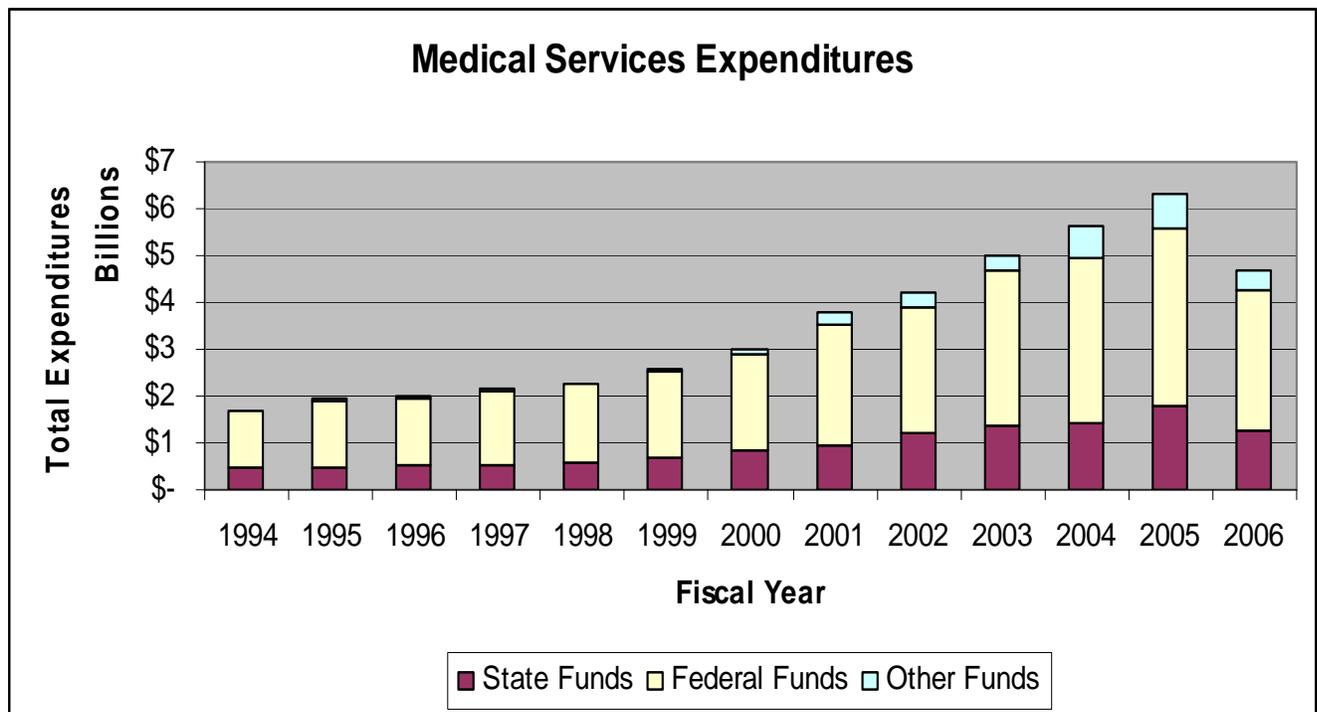
Administration – Allotment Code 318.65

| Year | State Funds | Federal Funds | Other Funds | Total | Rate of Growth |
|------|----------------|----------------|--------------|----------------|----------------|
| 1994 | \$ 39,886,100 | \$ 49,316,000 | \$ 154,300 | \$ 89,356,400 | |
| 1995 | \$ 44,390,000 | \$ 55,463,700 | \$ 18,300 | \$ 99,872,000 | 11.77% |
| 1996 | \$ 50,368,900 | \$ 51,463,200 | \$ - | \$ 101,832,100 | 1.96% |
| 1997 | \$ 55,065,500 | \$ 55,845,800 | \$ 150,800 | \$ 111,062,100 | 9.06% |
| 1998 | \$ 52,230,900 | \$ 63,948,700 | \$ 99,800 | \$ 116,279,400 | 4.70% |
| 1999 | \$ 48,879,200 | \$ 63,607,500 | \$ 363,400 | \$ 112,850,100 | -2.95% |
| 2000 | \$ 33,674,500 | \$ 79,306,300 | \$ 150,600 | \$ 113,131,400 | 0.25% |
| 2001 | \$ 64,955,600 | \$ 82,054,300 | \$ 765,500 | \$ 147,775,400 | 30.62% |
| 2002 | \$ 74,382,100 | \$ 90,056,800 | \$ 1,324,300 | \$ 165,763,200 | 12.17% |
| 2003 | \$ 81,205,800 | \$ 113,513,500 | \$ 422,600 | \$ 195,141,900 | 17.72% |
| 2004 | \$ 95,929,000 | \$ 118,436,200 | \$ 478,700 | \$ 214,843,900 | 10.10% |
| 2005 | \$ 112,730,900 | \$ 142,808,700 | \$ 49,700 | \$ 255,589,300 | 18.97% |
| 2006 | \$ 126,846,700 | \$ 131,827,100 | \$ 271,600 | \$ 258,945,400 | 1.31% |



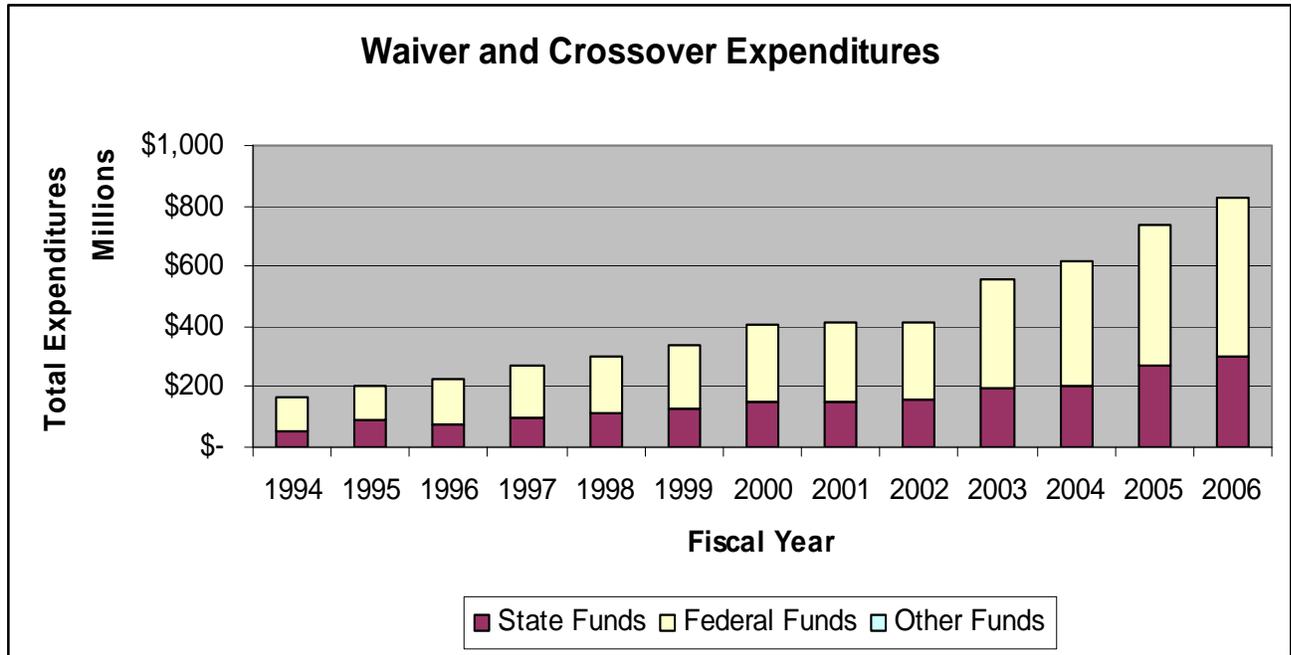
Medical Services – Allotment Code 318.66

| Year | State Funds | Federal Funds | Other Funds | Total | Rate of Growth |
|------|------------------|------------------|----------------|------------------|----------------|
| 1994 | \$ 466,699,800 | \$ 1,208,897,700 | \$ 31,754,800 | \$ 1,707,352,300 | |
| 1995 | \$ 484,929,000 | \$ 1,392,252,700 | \$ 81,723,700 | \$ 1,958,905,400 | 14.73% |
| 1996 | \$ 529,749,700 | \$ 1,421,112,400 | \$ 71,746,200 | \$ 2,022,608,300 | 3.25% |
| 1997 | \$ 519,069,300 | \$ 1,605,938,000 | \$ 29,013,300 | \$ 2,154,020,600 | 6.50% |
| 1998 | \$ 567,710,600 | \$ 1,669,623,200 | \$ 36,376,600 | \$ 2,273,710,400 | 5.56% |
| 1999 | \$ 667,119,500 | \$ 1,844,474,200 | \$ 70,486,700 | \$ 2,582,080,400 | 13.56% |
| 2000 | \$ 862,894,500 | \$ 2,019,597,800 | \$ 140,721,000 | \$ 3,023,213,300 | 17.08% |
| 2001 | \$ 969,509,600 | \$ 2,551,920,400 | \$ 276,336,800 | \$ 3,797,766,800 | 25.62% |
| 2002 | \$ 1,222,248,700 | \$ 2,663,225,200 | \$ 337,549,400 | \$ 4,223,023,300 | 11.20% |
| 2003 | \$ 1,376,527,600 | \$ 3,287,075,600 | \$ 323,301,300 | \$ 4,986,904,500 | 18.09% |
| 2004 | \$ 1,421,708,200 | \$ 3,537,810,300 | \$ 665,888,000 | \$ 5,625,406,500 | 12.80% |
| 2005 | \$ 1,795,948,600 | \$ 3,766,176,400 | \$ 746,334,200 | \$ 6,308,459,200 | 12.14% |
| 2006 | \$ 1,242,391,100 | \$ 3,021,453,200 | \$ 399,516,300 | \$ 4,663,360,600 | -26.08% |



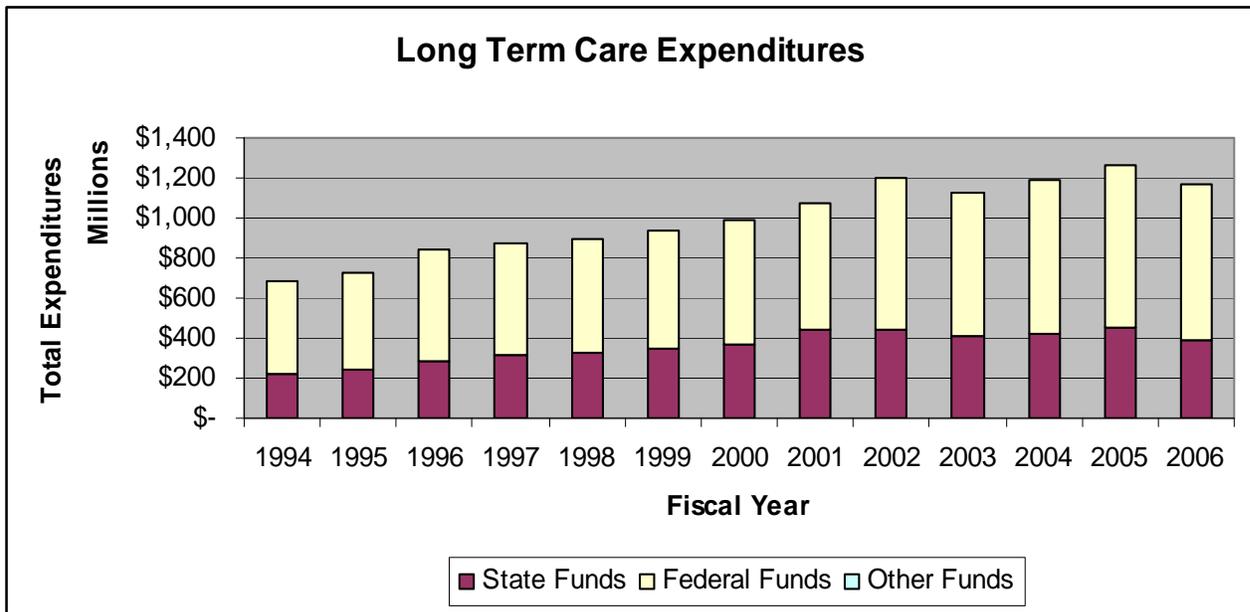
Waiver and Crossover – Allotment Code 318.67

| Year | State Funds | Federal Funds | Other Funds | Total | Rate of Growth |
|------|----------------|----------------|-------------|----------------|----------------|
| 1994 | \$ 54,250,800 | \$ 111,169,500 | \$ - | \$ 165,420,300 | |
| 1995 | \$ 90,209,400 | \$ 113,449,800 | \$ - | \$ 203,659,200 | 23.12% |
| 1996 | \$ 75,666,900 | \$ 146,810,900 | \$ - | \$ 222,477,800 | 9.24% |
| 1997 | \$ 100,456,200 | \$ 167,395,300 | \$ - | \$ 267,851,500 | 20.39% |
| 1998 | \$ 110,310,800 | \$ 192,093,200 | \$ 300 | \$ 302,404,300 | 12.90% |
| 1999 | \$ 125,768,900 | \$ 215,197,100 | \$ - | \$ 340,966,000 | 12.75% |
| 2000 | \$ 150,400,000 | \$ 257,200,600 | \$ - | \$ 407,600,600 | 19.54% |
| 2001 | \$ 149,515,400 | \$ 261,438,600 | \$ - | \$ 410,954,000 | 0.82% |
| 2002 | \$ 161,489,200 | \$ 252,800,500 | \$ - | \$ 414,289,700 | 0.81% |
| 2003 | \$ 193,780,100 | \$ 363,857,900 | \$ - | \$ 557,638,000 | 34.60% |
| 2004 | \$ 205,802,300 | \$ 407,547,800 | \$ - | \$ 613,350,100 | 9.99% |
| 2005 | \$ 270,730,300 | \$ 468,203,600 | \$ - | \$ 738,933,900 | 20.48% |
| 2006 | \$ 304,492,200 | \$ 525,183,800 | \$ - | \$ 829,676,000 | 12.28% |



Long Term Care – Allotment Code 318.68

| Year | State Funds | Federal Funds | Other Funds | Total | Rate of Growth |
|------|----------------|----------------|-------------|------------------|----------------|
| 1994 | \$ 223,845,000 | \$ 457,575,100 | \$ 493,400 | \$ 681,913,500 | |
| 1995 | \$ 245,598,100 | \$ 482,739,200 | \$ - | \$ 728,337,300 | 6.81% |
| 1996 | \$ 287,701,200 | \$ 556,596,700 | \$ - | \$ 844,297,900 | 15.92% |
| 1997 | \$ 311,210,100 | \$ 561,245,000 | \$ - | \$ 872,455,100 | 3.33% |
| 1998 | \$ 327,203,100 | \$ 571,338,200 | \$ 941,100 | \$ 899,482,400 | 3.10% |
| 1999 | \$ 347,318,400 | \$ 594,182,100 | \$ - | \$ 941,500,500 | 4.67% |
| 2000 | \$ 366,338,900 | \$ 626,125,000 | \$ - | \$ 992,463,900 | 5.41% |
| 2001 | \$ 440,148,700 | \$ 634,161,700 | \$ - | \$ 1,074,310,400 | 8.25% |
| 2002 | \$ 443,978,600 | \$ 758,593,700 | \$ - | \$ 1,202,572,300 | 11.94% |
| 2003 | \$ 405,690,100 | \$ 719,110,600 | \$ - | \$ 1,124,800,700 | -6.47% |
| 2004 | \$ 425,043,900 | \$ 765,036,717 | \$ - | \$ 1,190,080,617 | 5.80% |
| 2005 | \$ 447,645,400 | \$ 818,664,400 | \$ - | \$ 1,266,309,800 | 6.41% |
| 2006 | \$ 385,511,900 | \$ 781,222,900 | \$ - | \$ 1,166,734,800 | -7.86% |



TennCare Enrollees by County

| <u>County</u> | <u>Enrollees</u> | <u>County</u> | <u>Enrollees</u> |
|---------------|------------------|---------------|------------------|
| Anderson | 14,464 | Lauderdale | 7,664 |
| Bedford | 8,606 | Lawrence | 8,682 |
| Benton | 4,194 | Lewis | 2,979 |
| Bledsoe | 2,847 | Lincoln | 6,271 |
| Blount | 17,495 | Loudon | 6,644 |
| Bradley | 17,121 | Macon | 5,117 |
| Campbell | 13,371 | Madison | 21,446 |
| Cannon | 2,710 | Marion | 6,441 |
| Carroll | 7,036 | Marshall | 4,947 |
| Carter | 12,053 | Maury | 13,198 |
| Cheatham | 5,014 | McMinn | 2,996 |
| Chester | 3,232 | McNairy | 9,571 |
| Claiborne | 9,570 | Meigs | 22,098 |
| Clay | 2,183 | Monroe | 792 |
| Cocke | 10,623 | Montgomery | 4,878 |
| Coffee | 10,682 | Moore | 10,276 |
| Crockett | 3,436 | Morgan | 7,277 |
| Cumberland | 9,914 | Obion | 6,597 |
| Davidson | 108,759 | Overton | 4,641 |
| Decatur | 2,753 | Perry | 1,499 |
| Dekalb | 4,150 | Pickett | 1,201 |
| Dickson | 8,411 | Polk | 3,473 |
| Dyer | 9,955 | Putnam | 13,419 |
| Fayette | 5,965 | Rhea | 7,424 |
| Fentress | 6,148 | Roane | 10,497 |
| Franklin | 6,545 | Robertson | 9,248 |
| Gibson | 11,839 | Rutherford | 28,194 |
| Giles | 5,622 | Scott | 8,045 |
| Grainger | 5,015 | Sequatchie | 2,957 |
| Greene | 13,177 | Sevier | 14,175 |
| Grundy | 4,947 | Shelby | 234,702 |
| Hamblen | 12,271 | Smith | 3,414 |
| Hamilton | 54,535 | Stewart | 2,254 |
| Hancock | 2,440 | Sullivan | 27,898 |
| Hardeman | 7,218 | Sumner | 20,379 |
| Hardin | 7,157 | Tipton | 11,266 |
| Hawkins | 12,250 | Trousdale | 1,694 |
| Haywood | 5,757 | Unicoi | 3,982 |
| Henderson | 6,133 | Union | 4,814 |
| Henry | 7,199 | Van Buren | 1,242 |
| Hickman | 5,230 | Warren | 9,227 |
| Houston | 1,960 | Washington | 18,343 |
| Humphreys | 3,776 | Wayne | 3,382 |
| Jackson | 2,798 | Weakley | 6,147 |
| Jefferson | 9,993 | White | 5,675 |
| Johnson | 4,572 | Williamson | 7,208 |
| Knox | 61,558 | Wilson | 11,714 |
| Lake | 2,151 | Total | 1,180,823 |

**Schedule Showing New Employees
April 1, 2006 through June 30, 2006**

| <u>Name</u> | <u>Position</u> | <u>Salary</u> |
|------------------|--------------------------------------|---------------|
| Pauline McIntyre | Public Health Nurse Manager | \$ 63,972 |
| Marcus Thomas | Attorney 3 | \$ 52,284 |
| Delores Miliken | Administrative Services Assistant 2 | \$ 27,924 |
| Luz Cummings | Information System Analyst 3 | \$ 36,648 |
| Mary Walker | TennCare Project Director | \$ 85,140 |
| Marcus Smith | Legal Assistant | \$ 30,216 |
| Sharon Peters | Managed Care Specialist 3 | \$ 36,816 |
| Candance Knight | Managed Care Specialist 2 | \$ 34,956 |
| Penny Strickland | Legal Assistant | \$ 30,216 |
| Ajanta Roy | Statistical Programmer Specialist 2 | \$ 41,328 |
| Alita Mayo | Managed Care Operator | \$ 21,708 |
| Kathleen Dungan | Executive Administrative Assistant 2 | \$ 64,920 |
| Thomas Barrett | Administrative Services Assistant 4 | \$ 40,212 |
| Jacqueline Brown | Public Health Nurse Consultant 1 | \$ 48,912 |
| Robert Hagan | Managed Care Director | \$ 97,860 |
| Conrad Hilton | Administrative Services Assistant 3 | \$ 27,852 |
| Michael Cole | TennCare Project Director | \$ 87,564 |
| Lawayna Greene | Legal Assistant | \$ 30,216 |
| David Middleton | Managed Care Specialist 3 | \$ 42,612 |
| Jessica Nitti | Administrative Assistant 1 | \$ 22,620 |

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FISCAL REVIEW



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 GREAT CIRCLE ROAD
NASHVILLE, TENNESSEE 37243

July 18, 2006

Mr. Jim White
Executive Director
Fiscal Review Committee
Rachel Jackson Bldg., 8th Floor
320 6th Avenue North
Nashville, TN 37219

Dear Mr. White:

This letter is to inform the Fiscal Review Committee of the policy changes in the Medicaid/TennCare program during the fourth quarter of Fiscal Year 2005-2006.

1. Provider Reimbursement – General Rules.

The Bureau of TennCare promulgated a rule to delete the reimbursement section of the Medicaid/TennCare rules concerning Behavioral Unit Enhanced Rate Program which has been discontinued.

2. Definitions; Eligibility – TennCare Medicaid.

The Bureau of TennCare promulgated rules to allow for the disenrollment of Medically Needy dual eligibles on or after January 1, 2006.

3. Definitions; Enrollment, Disenrollment, Re-enrollment, and Reassignment; Providers; Appeal of Adverse Actions Affecting TennCare Services or Benefits; Member Abuse and Overutilization of the TennCare Program – TennCare Medicaid.

The Bureau of TennCare promulgated rules to comply with the November 15, 2005 *Grier Consent Decree* which imposes obligations upon the Bureau of TennCare with respect to providing due process rights to individuals enrolled in the TennCare program.

4. Covered Services – TennCare Medicaid.

The Bureau of TennCare promulgated rules to point out that persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations. The rules point out that persons dually eligible for Medicaid and Medicare will receive their pharmacy services through Medicare Part D. The rules allow for the discontinuance of coverage of benzodiazepines and barbiturates drugs.

5. Covered Services; Exclusions – TennCare Medicaid.

The Bureau of TennCare promulgated public necessity rules to conform the Bureau of TennCare's rules to statutory requirements and to comport with the requirements of *John B. v. Menke*, which provided specific initiatives for ensuring compliance with the requirements of Medicaid-based Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services.

6. Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Medicaid.

The Bureau of TennCare promulgated a public necessity rule to comply with a January 31, 2006 ruling of a federal district court's Orders in the *Grier Consent Decree* which provided that the failure of a TennCare MCC to act on a prior authorization request within twenty-one (21) days would result in the automatic authorization of the requested service.

7. Definitions; Enrollment, Disenrollment, Re-enrollment, and Reassignment; Enrollee Cost Sharing; Providers; Appeal of Adverse Actions Affecting TennCare Services or Benefits; Members Abuse and Overutilization of the TennCare Program – TennCare Standard.

The Bureau of TennCare promulgated rules to comply with the November 15, 2005 *Grier Consent Decree* which imposes obligations upon the Bureau of TennCare with respect to providing due process rights to individuals enrolled in the TennCare program.

8. Covered Services – TennCare Standard.

The Bureau of TennCare promulgated rules to point out that persons who are determined to be Severely and/or Persistently Mentally Ill are subject to lifetime limitations. The rules also allow for the discontinuance of coverage of benzodiazepines and barbiturates drugs.

9. Covered Services; Exclusions – TennCare Standard.

The Bureau of TennCare promulgated public necessity rules to conform the Bureau of TennCare's rules to statutory requirements and to comport with the requirements of *John B. v. Menke*, which provided specific initiative for ensuring compliance with the requirements of Medicaid-based Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services.

10. Appeal of Adverse Actions Affecting TennCare Services or Benefits – TennCare Standard.

The Bureau of TennCare promulgated a public necessity rule to comply with a January 31, 2006 ruling of a federal district court's Orders in *the Grier Consent Decree*, which provided that the failure of a TennCare MCC to act on a prior authorization request within twenty-one (21) days would result in the automatic authorization of the requested service.

11. Groups Covered and Agencies Responsible for Eligibility Determination.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective January 1, 2006. The amendment updates the language in the State Plan to show that the State uses 185% of the Federal Poverty Level (FPL) pertaining to the mandatory coverage for pregnant women and infants under one (1) year of age.

12. Eligibility Conditions and Requirements.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective April 1, 2006. The amendment uses the flexibility in Federal law and regulation to adopt a less restrictive methodology for determining unemployment for the purposes of determining eligibility.

13. Limitation on Amount, Duration and Scope of Medical Care and Services Provided – Prescribed Drugs.

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective July 1, 2006. This amendment sought authority to implement a special exemption "soft limits" process for prescription drugs. However, we are still awaiting approval from the Central Office.

14. Methods and Standards for Establishing Payment Rates – Nursing Facilities.

Mr. Jim White
July 18, 2006
Page 4

The Bureau of TennCare received approval of a State Plan Amendment from CMS effective October 1, 2005. This amendment discontinued the use of inter-governmental transfers as part of its nursing facilities reimbursement. The State moved to a new payment methodology that makes use of certified public expenditures for public facilities.

Some of the policy changes presented above are subject to revision as the result of recently received Court Orders.

Sincerely,



Darin Gordon
Deputy Commissioner

DG/GW/D1016188