

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1271 - SB 1351

March 17, 2015

SUMMARY OF BILL: Directs the Commissioner of Finance and Administration to submit a waiver amendment to the existing TennCare II waiver or to submit a new waiver in order to provide medical assistance to the TennCare population and expand medical assistance eligibility to persons with income of less than 138 percent of the federal poverty level by means of a block grant within 120 days of the bill becoming law.

The block grant authorized by this section shall convert the federal share of all medical assistance funding for the state into an allotment tailored to meet the needs of the state and is indexed for inflation and population growth.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Other Fiscal Impact – If approved by the federal government, the block grant received will be at the current federal funding level of \$6,417,781,500 for FY15-16. Additional state funds will be needed to cover the expanded population of 280,000 enrollees or the TennCare benefit structure will need to be amended so that benefits can be provided to the entire population at the current funding level.

Assumptions:

- The Bureau of TennCare will not incur a significant increase in expenditures to submit a waiver amendment to the federal Centers for Medicare and Medicaid Services (CMS).
- Should CMS approve the waiver amendment, the state would receive all current federal matching funds, estimated to be \$6,417,781,500 in FY15-16, that the state would then use in providing current TennCare enrollees with medical and behavioral health services.
- The bill would also expand the TennCare enrollee population to persons with income levels of less than 138 percent of the federal poverty level. Based on information provided by TennCare, this would increase the enrollee population by approximately 280,000 individuals.
- Since the block grant will be in the amount of the current federal funding level, either additional state funds will be necessary to provide current benefit levels to the expanded population; or the benefit structure for all enrollees will have to be altered in order to provide services to the expanded population at the current funding levels.

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IMPACT TO COMMERCE:

Other Business Impact – Due to a number of unknown factors, the exact impact to commerce cannot be reasonably determined.

Assumptions:

- The bill will expand the current TennCare enrollee population by approximately 280,000 individuals.
- Expanding the number of individuals who have health insurance coverage through TennCare will result in increased revenue and expenditures for the managed care organizations (MCOs) that contract with the state to provide benefits.
- Additionally, health care providers in the contracted MCO networks will incur increased expenditures and revenues to provide medical, behavioral health, and pharmacy services to the newly enrolled population.
- The bill does not include a mechanism to increase funding to cover the expanded population. If funds are not increased, the benefit structure of TennCare will have to be altered in order to provide benefits to the increased population at the current funding level.
- It is unknown what impact an altered benefit structure will have on capitation and payment rates and covered services to the MCOs and various health care providers. Due to these unknowns, the exact impact to commerce cannot be quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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