SUMMARY OF BILL: Directs the Commissioner of the Department of Finance and Administration to submit a waiver amendment to the existing TennCare II waiver to the federal Centers for Medicare and Medicaid Services (CMS) imposing reasonable work requirements upon able-bodied working age adult enrollees without dependent children under the age of six, and if approved, implement the waiver amendment.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $646,600/FY19-20
Net Impact $18,733,300/FY20-21 and Subsequent Years

Increase Federal Expenditures - $5,126,600/FY19-20
Net Impact $15,338,200/FY20-21 and Subsequent Years

Other Fiscal Impact – There will be additional savings as the program continues to grow and additional enrollees either no longer qualify due to income limits or do not meet work requirements. There could be additional costs related to staffing needs of the Division of TennCare. The exact amounts and timing of such amounts cannot be quantified due to the uncertainty of the program parameters.

Assumptions:

- Based on the language of the proposed legislation, the Division of TennCare (TennCare) will have flexibility in drafting the proposed waiver including flexibility in negotiations with CMS on the final waiver document.
- According to TennCare, there are currently no parameters of the proposed program that have been considered to an extent to guarantee they will be included in the waiver proposal. Therefore, the basis of this analysis is from CMS guidance (letter dated January 11, 2018) and proposals approved or currently being considered by CMS for similar programs in other states.
- TennCare assumes any work requirements will not be fully implemented until July 1, 2020.
- CMS guidance instructs states to align Medicaid work and community involvement requirements with those of Temporary Assistance for Needy Families (TANF) or
Supplemental Nutrition Assistance Program (SNAP) including excepted populations, protections and supports for individuals with disabilities, allowable activities and required hours of participation, allowable activities due to economic or environmental factors, enrollee reporting requirements, and the availability of work support programs.

**Eligible Enrollees:**

- As of January 1, 2018, there were approximately 307,700 total enrollments in the TennCare adult parent and caretaker relative eligibility category. For purposes of this analysis, it is assumed there are at least 300,000 enrollees in TennCare in the effected population at any given point and this number will remain constant.

- CMS requires enrollees meeting TANF/SNAP work requirements, as well as individuals exempt from TANF/SNAP work requirements, to be considered as compliant with Medicaid work requirements. Based on information from TennCare, this will reduce the effected population by approximately 50 percent to 150,000 individuals (300,000 x 50.0%).

- Approximately 47 percent have children under the age of five and are considered exempted based on the proposed language of the legislation. TennCare cannot currently determine how many of these individuals are part of a two parent home.

- In 2016, the U.S. Census Bureau reported approximately 69 percent of children lived in two parent households. Therefore, it is assumed that 69 percent of the 47 percent (69.0% x 47.0%) or 32.43 percent will be exempted.

- The effected population without children under six years of age is estimated to be 101,355 [150,000 x (100% - 32.43%)].

- Further, approximately two percent of this population is over the age of 65 and assumed to be exempted resulting in an effected population of 99,328 [101,355 x (100% - 2%)].

- According to the U.S. Census Bureau, approximately 11.2 percent of Tennesseans under the age of 65 have a disability. Therefore, it is assumed 11.2 percent of the effected population will be exempt. It is assumed approximately 88,203 [99,328 x (100% - 11.2%)] will be exempted by the work requirements.

- CMS guidance further suggests states consider drug addiction treatment as an exempted population. The Department of Mental Health and Substance Abuse Services is quoted as estimating 82,000 Tennesseans addicted to drugs. [https://www.tennessean.com/story/news/politics/2018/01/22/gov-bill-haslams-plan-combat-opioid-crisis-include-boosts-prevention-treatment-and-law-enforcement/1054217001/ (last visited 2/11/2018)]. This equates to 1.22 percent of the state population based on July 2017 U.S. Census Bureau estimates (82,000/6,715,984).

- For purposes of this analysis, it is assumed approximately two percent will be exempted for drug treatment.

- The total population effected by Medicaid work and community involvement requirements is estimated to be 86,439 [88,203 (100% - 2%)].

*Tennessee Eligibility Determination System (TEDS)*

- TennCare is in the final year of development of the Tennessee Eligibility Determination System (TEDS). The system is scheduled to go live on January 1, 2019.

- The current structure of TEDS will collect a great deal of information on each enrollee. TennCare can construct the work program requirements to only apply to categories that
will be collected by TEDS. Therefore, it is assumed no additional enrollment categories will need to be constructed within the TEDS program.

- Based on currently approved waivers and the guidance from CMS, TennCare will be required to implement new reporting standards. This will require reporting functions to be added to the TEDS system.
- Based on information provided by TennCare, approximately $5,600,000 in systems changes will be necessary. These one-time changes will occur in FY19-20 and will receive a 90 percent federal match; therefore the one-time increase in expenditures will be $560,000 state ($5,600,000 x 10.0%) and $5,040,000 federal funds ($5,600,000 x 90.0%).

Appeals:

- According to TennCare, the new work requirements will result in an increased number of appeals.
- Since the reverification activity was increased, appeals have also increased greatly.
- Annual appeals have been as follows: 39,193 in 2015; 68,903 in 2016; and 138,486 in 2017. Total appeals for 2018 indicate that appeals will surpass 2016 appeals numbers.
- TennCare established 250 temporary positions in 2014 and an additional 200 temporary positions in 2015 for eligibility verification and appeals. These positions were made permanent in FY17-18 and FY18-19.
- TennCare has not provided any information as to a tentative verification schedule, but it is assumed that verification for compliance with the work requirements will correspond with each enrollee’s reverification.
- Based on information from the Kaiser Family Foundation, 57 percent of non-SSI and non-elderly TennCare enrollees are working. Therefore, approximately 49,270 (86,439 x 57.0%) will not be dis-enrolled because they will meet the work requirements and therefore not appeal.
- Of the remaining 37,169 (86,439 – 49,270), it is unknown how many will meet the work or other requirements due to a lack of data related to this population. For purposes of this analysis, it is assumed an additional 40 percent, or 14,868 (37,169 x 40.0%), will meet the new work requirements for the program.
- Therefore, it is assumed approximately 22,301 (37,169 – 14,868) will not meet requirements, be dis-enrolled and will appeal the dis-enrollment decision.
- It is assumed appeals will not exceed 2017 numbers of 138,486 with the additional dis-enrollments; therefore any increase in expenditures can be accommodated within existing resources.

Case Management Costs:

- Based on projections from other states for the per-member per-month (pmpm) case management of the work requirement, these costs are dependent on current programs that are in place and the degree of assistance provided enrollees.
- It is assumed that at a minimum, TennCare will incur a $100 pmpm case management cost.
- The total case management costs are based on the total work requirement population that is not currently working of 37,169. The estimated increase in expenditures will be $44,602,800 (37,169 x $100 x 12 months).
• It is assumed these costs will receive a 50 percent federal match due to CMS’s encouragement to implement work requirements; therefore $22,301,400 is state funds ($44,602,800 x 50.0%) and $22,301,400 is federal funds. These increased expenditures will not be realized until FY20-21 due to the work requirement implementation date of July 1, 2020.

Staffing:
• TennCare will need two program administrator positions to assist in the implementation and oversight of the program. It is assumed salary and benefits for each position will be $86,642. The total increase in expenditures for the additional positions will be $173,284.
• It is assumed these expenditures will not be realized until FY19-20 and will receive a 50 percent federal match resulting in an increase of $86,642 in state funds ($173,284 x 50.0%) and $86,642 in federal funds ($173,284 x 50.0%).
• TennCare may need to hire additional staff in future years, but due to the uncertainty of the program and the waiver requirements approved by CMS it is not possible to quantify with any certainty.

Savings:
• There will be savings from TennCare enrollees being dis-enrolled from the program from not meeting the work requirements or for reaching an income level in which they no longer qualify for TennCare assistance.
• The amount of savings is difficult to quantify due to the uncertainty of the requirements of the program that will be approved by CMS. It is also unknown as to the timeframe in which a dis-enrolled individual is able to prove compliance with the new requirements and re-enroll into the program.
• The 2017 medical and pharmacy costs for someone enrolled in TennCare is $380 pmpm.
• Should 10 percent of the 37,169 enrollee population be dis-enrolled for at least a six month period, the estimated savings would be $10,704,672 [(37,169 x 10.0%) x ($380 pmpm medical and pharmacy costs x $100 case management) x 6 months]. Of this amount, the federal match is 65.858.
• There will be $3,654,789 ($10,704,672 x 34.142%) reduction in state funds and $7,049,883 ($10,704,672 x 65.858%) reduction in federal funds.
• These potential savings will not be realized until FY20-21 due to the work requirement implementation date of July 1, 2020.

CERTIFICATION:

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

Krista M. Lee, Executive Director

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HB 1551 - SB 1728