CENTERS FOR MEDICARE & MEDICAID SERVICES
EXPENDITURE AUTHORITY

NUMBER: **No. 11-W-00151/4 Title XIX**

TITLE: **TennCare II Medicaid Section 1115 Demonstration**

AWARDEE: **Tennessee Department of Finance and Administration**

Under the authority of Section 1115(a)(2) of the Social Security Act (the Act), expenditures made by the state for the items identified below, which are not otherwise included as expenditures under Section 1903, shall, for the period of this demonstration extension, be regarded as expenditures under the state's Medicaid title XIX state plan.

The following expenditure authorities shall enable Tennessee to implement the Medicaid Section 1115 demonstration (TennCare II).

1. Expenditures Related to MCO Enrollment and Disenrollment.
Expenditures made under contracts that do not meet the requirements in Section 1903(m) of the Act specified below. Tennessee managed care plans will be required to meet all requirements of Section 1903(m) except the following:

- Section 1903(m)(2)(A)(vi) of the Act, Federal regulations at 42 CFR § 438.56, to the extent that the rules in Section 1932(a)(4) are inconsistent with the enrollment and disenrollment rules contained in paragraph 39 *(Plan Enrollment and Disenrollment)* of the demonstration's Special Terms and Conditions (STCs), such as restricting an enrollee's right to disenroll within 90 days of enrollment in a new managed care organization (MCO). Enrollees may change MCOs without cause within 45 days of enrollment in an MCO. After 45 days, enrollees may disenroll from an MCO with cause at any time.

2. Expenditures Related to Expansion of Existing Eligibility Groups.
To enable Tennessee to use streamlined eligibility procedures and include eligibility standards and requirements that differ from those required by law.

a. Expenditures for Medical Assistance furnished to state plan optional Medically Needy children and pregnant women for the remainder of a 12-month eligibility period after the 1-month budget period used for determining eligibility. The "budget period" is the period of time used by the state to determine whether an individual has "spent down" enough to meet the Medically Needy Income Standard.

b. Expenditures for Medical Assistance furnished to mandatory state plan Transitional Medical Assistance beneficiaries, who are eligible in accordance with section 1931(c)(1) of the Act, for the remainder of a 12-month eligibility period after the 4-month period specified in the statute.

3. Expenditures for Expanded Benefits and Coverage of Cost-Effective Alternative Services.

a. Expenditures for TennCare Medicaid and TennCare Standard child enrollees for cost-effective alternative services, to the extent those services are provided in compliance with the Federal managed care regulations at 42 CFR §§ 438 *et seq*. and paragraph 29 *(Cost-Effective Alternatives)* of the demonstration's STCs.

b. Expenditures for TennCare Medicaid and TennCare Standard adult enrollees for optional services not covered under Tennessee's state plan or beyond the state plan's service limitations and for cost-effective alternative services, to the extent those services are provided in compliance with the Federal managed care regulations at 42 CFR §§ 438 *et seq*., paragraph 28 *(TennCare Benefits),* and paragraph 29 *(Cost-Effective Alternatives)* of the demonstration's STCs.

4. Expenditures for Pool Payments.
Expenditures for Graduate Medical Education, Essential Access Hospital, Critical Access Hospital, Meharry Medical College, Unreimbursed Public Hospital Costs for Certified Public Expenditures, Unreimbursed Hospital Cost, and Public Hospital Supplemental Payment pool payments to the extent specified in paragraph 55.d. through h. and j. through l. *(Extent of Federal Financial Participation for the Demonstration)* of the demonstration's STCs. This expenditure authority will expire December 31, 2015, unless otherwise approved based on the requirements of paragraph 8 *(Extension of the Demonstration)* of these STCs.

5. Indirect Payment of Graduate Medical Education.
Expenditures, up to $50 million in total computable expenditures for each demonstration year, for payments to universities that operate graduate physician medical education programs, which are restricted for use by those universities to fund graduate medical education activities of associated teaching hospitals or clinics.

6. Payments for Non-Risk Contractor.
Payments to the TennCare Select prepaid inpatient health plan (PIHP), non-risk, non-capitated contractor more than what Medical Assistance would have paid fee-for-service under the state plan in accordance with the upper limits at 42 CFR § 447.362.

7. Expenditures Related to Eligibility Expansion.
Expenditures to provide Medical Assistance coverage to the following demonstration populations that are not covered under the Medicaid state plan and are enrolled in TennCare Standard :

a. **Medically Eligible Demonstration Population Children, Not CHIP Eligible.**
Uninsured children under age 19 who lose eligibility in TennCare Medicaid, have been determined to be "medically eligible" (uninsurable), have family income at

or above 200 percent of the Federal poverty level (FPL), and do not meet the definition of an optional targeted low-income child.

b. **Adult Demonstration Population Eligibles-Standard Spend Down (SSD):** Non-pregnant, non-postpartum adults aged 21 or older who have been determined to meet criteria patterned after the state plan Medically Needy requirements (see paragraph 21.a., *Standard Spend Down (SSD) Adult Non-State Plan Demonstration Population Category* of the STCs), comprising:

- Aged, blind, or disabled individuals; or
- Caretaker relatives.

8. CHIP-Related Medicaid Expansion Demonstration Population Children.
Expenditures to provide Medical Assistance coverage to uninsured children who lose eligibility under TennCare, who meet the definition of optional targeted low-income child, and who have family income up to 200 percent of the FPL.

9. The CHOICES 217-Like HCBS Group.
Expenditures for TennCare CHOICES enrollees who are age 65 and older and adults age 21 and older with disabilities and who would otherwise be Medicaid-eligible under Section 1902(a)(10)(A)(ii)(VI) of the Act and 42 CFR § 435.217 in conjunction with Section 1902(a)(10)(A)(ii)(V) of the Act, if the services they receive under TennCare CHOICES were provided under an HCBS waiver granted to the state under Section 1915(c) of the Act, as of the initial approval date of the TennCare CHOICES component of this demonstration. This includes the application of the spousal impoverishment eligibility rules. These expenditures are limited to those necessary to provide:

a. Services as presented in Table 2a of the STCs;

b. Home and community-based waiver-like services as specified in Table 2b, subject to the definitions in Attachment D of the STCs, net of beneficiary regular and spousal impoverishment post-eligibility responsibility for the cost of care, and with post-eligibility treatment of income for individuals receiving short-term nursing facility care calculated as if they were receiving HCBS in the community.

10. HCBS Services for SSI-Eligibles.
Expenditures for the provision of home and community-based waiver-like services as specified in Table 2b and Attachment D of the STCs that are not described in Section 1905(a) of the Act and not otherwise available under the approved state plan but could be provided under the authority of Section 1915(c) waivers, that are furnished to TennCare CHOICES enrollees who are age 65 and older and adults age 21 and older with disabilities with income at 100 percent of the Supplemental Security Income/Federal Benefit Rate and resources at or below $2,000 who either:

a. Meet the nursing facility institutional level of care; or

b. Do not meet the nursing facility institutional level of care but who, in the absence of TennCare CHOICES services, are "at risk" of institutionalization.

11. The At Risk Demonstration Group.

Elderly adults and adults age 21 and older with physical disabilities who have not been determined eligible for Medicaid or TennCare under any other category and who (1) meet the financial eligibility standards for the special income level group; (2) meet the nursing facility level of care criteria in place on June 30, 2012, but not the criteria in place on July 1, 2012; and (3) in the absence of TennCare Interim CHOICES 3 services, are "at risk" of institutionalization. The At Risk Demonstration Group is open new to enrollment until December 31, 2013. Persons enrolled in the At Risk Demonstration Group as of December 31, 2013, may continue to qualify in the group as long as they continue to meet nursing facility financial eligibility standards and the nursing facility level of care criteria in place on June 30, 2012, and remain continuously eligible and enrolled in the At Risk Demonstration Group.

Expenditures for these individuals are:

a. Services as presented in Table 2a of the STCs.

b. Home and community-based waiver-like services as specified in Table 2b and Attachment D of the STCs, net of beneficiary post-eligibility responsibility for the cost of care (including application of spousal impoverishment rules), and with post-eligibility treatment of income for individuals receiving short-term nursing facility care calculated as if they were receiving HCBS in the community.

12. Continuing Receipt of Nursing Facility Care.

Expenditures for CHOICES-enrolled individuals receiving nursing facility or home and community-based waiver-like services for the disabled and elderly who do not meet the nursing facility level of care criteria in effect as of July 1, 2012, but who continue to meet the level of care criteria in place at the time of enrollment. For purposes of this demonstration, individuals meeting these criteria constitute the CHOICES 1 and 2 Carryover Group.

13. Continuing Receipt of Home and Community-Based Services.

Expenditures for CHOICES-enrolled individuals receiving nursing facility or home and community-based waiver-like services for the disabled and elderly who do not meet the nursing facility level of care criteria in effect as of July 1, 2012, but who continue to meet the level of care criteria in place at the time of enrollment. For purposes of this demonstration, individuals meeting these criteria constitute the CHOICES 1 and 2 Carryover Group.

14. Continuing Receipt of Program of All-Inclusive Care for the Elderly (PACE) Services.

Expenditures for PACE-enrolled individuals, who upon redetermination do not meet the current nursing facility level of care criteria, but who continue to meet the level of care

criteria in place at the time of enrollment. For purposes of this demonstration, individuals meeting these criteria constitute the PACE Carryover Group.

15. LTC Partnership.
Expenditures for individuals in CHOICES 2 to participate in the Long Term Care Partnership Program.

REQUIREMENTS NOT APPLICABLE TO TENNCARE STANDARD TITLE XIX DEMONSTRATION ELIGIBLE GROUPS

All Title XIX requirements that are waived for the TennCare Medicaid Groups are also not applicable to the TennCare Standard Title XIX Demonstration Eligible Groups. In addition, the following is not applicable to the Title XIX Demonstration Eligible Groups.

Cost Sharing	**Section 1902(a)(14) and Section 1916** **42 CFR §§ 447.51 – 447.56**

To enable the state to charge cost sharing beyond applicable Medicaid limits to TennCare Standard demonstration populations, with cost-sharing subject to a quarterly aggregate cap of 5 percent of family income for children.