

## **Table of Contents**

**State/Territory Name: Tennessee**

**State Plan Amendment (SPA) #: 11-011**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop 52-26-12  
Baltimore, Maryland 21244-1850



Centers for Medicaid and CHIP Services

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Mr. Darin J. Gordon  
Director, Bureau of TennCare  
State of Tennessee  
Department of Finance and Administration  
Division of Health Care Finance and Administration  
Bureau of TennCare  
310 Great Circle Road  
Nashville, Tennessee 37243

**APR -6 2012**

RE: State Plan Amendment TN 11-011

Dear Mr. Keck:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-011. Effective October 1, 2011 this amendment proposes to revise the payment methodology for inpatient and outpatient hospital services and other outpatient services for surgical procedures. Specifically, the amendment proposes to deny payment for Provider Preventable conditions (PPC).

We conducted our review of your submittal according to the statutory requirements at sections 1902(a), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of October 1, 2011. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332.

Sincerely

//s//

Cindy Mann  
Director, CMCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE & MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:  
11-011

2. STATE  
TENNESSEE

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE  
July 1, 2011

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:  
42 CFR 447, 434, 438, and 1902(a)(4), 1902(a)(6), and 1903.

7. FEDERAL BUDGET IMPACT:  
a. FFY 2011 Required by Federal statute; budget impact unknown.  
b. FFY 2012 Required by Federal statute; budget impact unknown.

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Attachment 4.19A, page 1 of 1; Attachment 4.19B, page 1 of 1, Item  
2.a.3.; Attachment 4.19B, Item 5.b.; Attachment 4.19B, Item 9.b.2.;  
Supplement 2 to Attachment 4.19B.

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable)

10. SUBJECT OF AMENDMENT:  
Prohibition on Payment for Provider-Preventable Conditions.

11. GOVERNOR'S REVIEW (Check One):

☒ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ OTHER, AS SPECIFIED:

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:  
//s//

13. TYPED NAME: Darin J. Gordon

14. TITLE: Director, Bureau of TennCare

15. DATE SUBMITTED: 09/30/11

16. RETURN TO:  
Tennessee Department of Finance and Administration  
Bureau of TennCare  
310 Great Circle Road  
Nashville, Tennessee 37243  
Attention: George Woods

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
09/30/11

18. DATE APPROVED: 04/06/12

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
10/01/11

20. SIGNATURE OF REGIONAL OFFICIAL:  
//s//

21. TYPED NAME:  
Cindy Mann

22. TITLE: Director, CMS

23. REMARKS:

Approved with the following changes as authorize by the state agency:

Block #7 FFY 12 \$60,000 and FFY 13 \$60,000

Block #8 changed to read: Attachment 4.19-A, pages 1 and 2; Attachment 4.19-B pages 1 and 2; 4.19-B; Item 2a.3, Attach 4.19-B Item 5.b,  
Attachment 4.19-B item 9.b.2, Supp2 to Attachment 4.19-B

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR INPATIENT HOSPITAL SERVICES

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

1. The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and Sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions. These requirements apply to inpatient hospitals and inpatient psychiatric hospitals.
2. No reduction in payment for a provider-preventable condition (PPC) will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.
3. Reductions in provider payment may be limited to the extent that the following apply:
  - a. The identified provider-preventable conditions would otherwise result in an increase in payment.
  - b. The State can reasonably isolate for non-payment the portion of the payment directly related to treatment for, and related to, the provider-preventable conditions in the following manner:

Hospitals are paid based on a daily per diem rate. It is the responsibility of the hospital to identify any Provider-Preventable Condition and not seek payment for any additional days that have lengthened a recipient's stay due to a PPC. In adjusting their claims for payment, hospitals are required to identify these non-covered days.

- c. Non-payment of provider-preventable conditions shall not prevent access to services for Medicaid beneficiaries.
4. Hospital records will be retroactively reviewed by the State or its agent. If any days are identified that are associated with a lengthened stay due to a PPC, then the State or its agent will initiate recoupment for the identified overpayment.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE TENNESSEE  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR INPATIENT HOSPITAL SERVICES

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

Health Care-Acquired Conditions

The State identifies the following Health Care-Acquired Conditions for non-payment under Section 4.19A.

X Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Sections 4.19A and 4.19B.

X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

\_\_\_\_ Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

2.a.3. Outpatient Hospital Services.

1. The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and Sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for other provider-preventable conditions (PPCs).
2. No reduction in payment for Other Provider-Preventable Conditions (OPPCs) will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.
3. Reductions in provider payment may be limited to the extent that the following apply:
  - a. The identified provider-preventable conditions would otherwise result in an increase in payment.
  - b. The State can reasonably isolate for non-payment the portion of the payment directly related to treatment for, and related to, the provider-preventable conditions in the following manner:

Outpatient hospital services providers are paid based on a fee-for-service payment methodology. It is the responsibility of the outpatient hospital services provider to identify and report any OPPC and not seek payment from Medicaid for services provided to treat an OPPC.
  - c. Non-payment of provider-preventable conditions shall not prevent access to services for Medicaid beneficiaries.
4. Outpatient hospital records will be retroactively reviewed by the State or its agent. If any services are identified that are due to a PPC, then the State or its agent will initiate recoupment for the identified overpayment.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

2.a.3. Outpatient Hospital Services, continued.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Sections 4.19A and 4.19B.

X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

\_\_\_\_ Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

On and after the effective date below, Medicaid will make zero payments to providers for Other Provider-Preventable Conditions which includes Never Events (NEs) as defined by the National Coverage Determination (NCD). The Never Events (NEs) as defined in the NCD include Inpatient Hospitals, Outpatient Hospitals, Clinics, Ambulatory Surgical Centers (ASCs), and practitioners, and these providers will be required to report NEs.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

5.b. Physician services furnished in the office, the patient's home, a hospital, a skilled facility, or elsewhere.

1. The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and Sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for other provider-preventable conditions (PPCs).
2. No reduction in payment for Other Provider-Preventable Conditions (OPPCs) will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.
3. Reductions in provider payment may be limited to the extent that the following apply:
  - a. The identified provider-preventable conditions would otherwise result in an increase in payment.
  - b. The State can reasonably isolate for non-payment the portion of the payment directly related to treatment for, and related to, the provider-preventable conditions in the following manner:

Physician services providers are paid based on a fee-for-service payment methodology. It is the responsibility of the physician providing services to identify and report any OPPC and not seek payment from Medicaid for services provided to treat an OPPC.
  - c. Non-payment of provider-preventable conditions shall not prevent access to services for Medicaid beneficiaries.
4. Physician records will be retroactively reviewed by the State or its agent. If any services are identified that are due to a PPC, then the State or its agent will initiate recoupment for the identified overpayment.



STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

- 5.b. Physician services furnished in the office, the patient's home, a hospital, a skilled facility, or elsewhere, continued.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Sections 4.19A and 4.19B.

X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

       Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

On and after the effective date below, Medicaid will make zero payments to providers for Other Provider-Preventable Conditions which includes Never Events (NEs) as defined by the National Coverage Determination (NCD). The Never Events (NEs) as defined in the NCD include Inpatient Hospitals, Outpatient Hospitals, Clinics, Ambulatory Surgical Centers (ASCs), and practitioners, and these providers will be required to report NEs.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

9.b.2. Clinic Services – Ambulatory Surgical Centers.

1. The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and Sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for other provider-preventable conditions (PPCs).
2. No reduction in payment for Other Provider-Preventable Conditions (OPPCs) will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.
3. Reductions in provider payment may be limited to the extent that the following apply:
  - a. The identified provider-preventable conditions would otherwise result in an increase in payment.
  - b. The State can reasonably isolate for non-payment the portion of the payment directly related to treatment for, and related to, the provider-preventable conditions in the following manner:

Ambulatory Surgical Centers/Clinics are paid based on a fee-for-service payment methodology. It is the responsibility of the Ambulatory Surgical Center (ASC) or clinic providing services to identify and report any OPPC and not seek payment from Medicaid for services provided to treat an OPPC.
  - c. Non-payment of provider-preventable conditions shall not prevent access to services for Medicaid beneficiaries.
4. Ambulatory Surgical Center/Clinic records will be retroactively reviewed by the State or its agent. If any services are identified that are due to a PPC, then the State or its agent will initiate recoupment for the identified overpayment.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER TYPES OF  
CARE

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

9.b.2. Clinic Services – Ambulatory Surgical Centers, continued.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Sections 4.19A and 4.19B.

X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

\_\_\_\_ Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

On and after the effective date below, Medicaid will make zero payments to providers for Other Provider-Preventable Conditions which includes Never Events (NEs) as defined by the National Coverage Determination (NCD). The Never Events (NEs) as defined in the NCD include Inpatient Hospitals, Outpatient Hospitals, Ambulatory Surgical Centers (ASCs), and practitioners, and these providers will be required to report NEs.

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TN No. 11-011  
Supersedes  
TN No. NEW

Approval Date APR -6 2012

Effective Date 10/1/11

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – OTHER  
TYPES OF CARE

Payment of Medicare Part A and Part B Deductible/Coinsurance

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**PAYMENT ADJUSTMENT FOR PROVIDER PREVENTABLE CONDITIONS**

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and Sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

Health Care-Acquired Conditions

The State identifies the following Health Care-Acquired Conditions for non-payment under Section 4.19A.

X Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Sections 4.19A and 4.19B.

X Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

\_\_\_\_ Additional Other Provider-Preventable Conditions identified below (*please indicate the section(s) of the plan and specific service type and provider type to which the provisions will be applied. For example – 4.19(d) nursing facility services, 4.19(b) physician services*) of the plan:

No reduction in payment for a provider preventable condition will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.

Reductions in provider payment may be limited to the extent that the following apply:

- i. The identified provider-preventable conditions would otherwise result in an increase in payment.
- ii. The State can reasonably isolate for nonpayment the portion of the payment directly related to treatment for, and related to, the provider-preventable conditions.
- iii. Non-payment of provider-preventable conditions shall not prevent access to services for Medicaid beneficiaries.