



June 30, 2022

Mr. Stephen Smith
Director of TennCare
Tennessee Department of Finance and Administration
310 Great Circle Road
Nashville, TN 37243

Dear Mr. Smith,

This letter is to advise Tennessee of a decision by The Centers for Medicare & Medicaid Services (CMS) to propose changes to the waiver and expenditure authorities and the Special Terms and Conditions (STCs) for the TennCare III section 1115 demonstration (11-W-00369/4), in response to the federal public comment period which closed on September 9, 2021. After reviewing the public comments, CMS has significant concerns on the following items and whether they promote the objectives of Medicaid and should be supported under section 1115 authority. CMS is evaluating a range of actions, but is asking the state to make the following changes to address these concerns. Making these adjustments would significantly mitigate CMS concerns. The following list summarizes CMS' proposed changes to TennCare III.

Closed Formulary

Remove the expenditure authority for pharmacy and associated pharmacy flexibilities from the demonstration.

Financing of the Demonstration and Limitations on Reductions in Benefits or Coverage

Submit a new financing and budget neutrality model, based on a traditional per member per month cap instead of an aggregate cap. Additionally, modify the STCs to more explicitly state that Tennessee cannot cut benefits or coverage in effect December 31, 2021 without an amendment to the demonstration, subject to additional public comment period and CMS approval.

Demonstration Expenditure Authorities

We support the state's policy goals to expand coverage and benefits and propose that instead of the current framework for savings and investment, CMS will work with the state on necessary expenditure authorities to meet common goals. In place of the structure in the current demonstration, the state should include in the demonstration amendment a request for expenditure authority for state reinvestments for initiatives that the state would like to support

with budget neutrality savings (e.g., adult dental services, expanded 12-month postpartum coverage and enhanced home and community-based services; etc.).

We appreciate your state's commitment to improving the health of the people in Tennessee, and being responsive to the concerns raised during the public comment period. At this time, CMS requests that Tennessee submit an amendment to the demonstration including the changes listed above, subject to the requirements for an amendment as described in the STCs, by August 30, 2022.

We look forward to receipt of the amendment, and working in partnership with your team. If you have any questions, please contact your CMS project officer, Ms. April Wiley. Ms. Wiley can be reached at April.Wiley@cms.hhs.gov to answer any questions regarding you section 1115 demonstration. If you have any specific questions about this letter, please contact Ms. Judith Cash, Director, State Demonstrations Group, Center for Medicaid and CHIP Services, at (410) 786-9686.

Sincerely,



Daniel Tsai

Deputy Administrator and Director