

## **Table of Contents**

**State/Territory Name: TN**

**State Plan Amendment (SPA) #: 22-0004**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
233 North Michigan Ave., Suite 600  
Chicago, Illinois 60601



---

**Financial Management Group**

December 20, 2022

Mr. Stephen M. Smith  
Director, Division of TennCare  
310 Great Circle Road  
Nashville, Tennessee 37243

RE: State Plan Amendment (SPA) Transmittal # TN-22-0004

Dear Medicaid Director:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 22-0004. This SPA introduces methods and standards for establishing payment rates for Inpatient Hospital Services and payments for Graduate Medical Education.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1923 and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. This letter is to inform you that Tennessee 22-0004 is approved effective July 1, 2022. The CMS-179 and approved plan pages are enclosed.

If you have any additional questions or need further assistance, please contact Douglas Spitler at [douglas.spitler@cms.hhs.gov](mailto:douglas.spitler@cms.hhs.gov)

Sincerely,

  
Rory Howe  
Director  
Financial Management Group

Enclosures

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

1. TRANSMITTAL NUMBER

2 2 — 0 0 0 4

2. STATE

T N

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT

XIX  XXI

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2022

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2022 \$ 13,220,000  
b. FFY 2023 \$ 52,880,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A, pages "1 of 2 and 2 of 2" (new).

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-A, pages "1 of 2 and 2 of 2" (new).

9. SUBJECT OF AMENDMENT

Methods and Standards for Establishing Payment Rates for Inpatient Hospital Services - Payments for Graduate Medical Education.

10. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL

[Redacted Signature]

15. RETURN TO

Tennessee Department of Finance and Administration  
Division of TennCare  
310 Great Circle Road  
Nashville, Tennessee 37243

12. TYPED NAME  
Stephen Smith

13. TITLE  
Director, Division of TennCare

14. DATE SUBMITTED  
May 19, 2022

Attention: George Woods

**FOR CMS USE ONLY**

16. DATE RECEIVED  
May 19, 2022

17. DATE APPROVED  
December 20, 2022

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
July 1, 2022

19. SIGNATURE OF APPROVING OFFICIAL

[Redacted Signature]

20. TYPED NAME OF APPROVING OFFICIAL  
Rory Howe

21. TITLE OF APPROVING OFFICIAL  
Director, FMG

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR INPATIENT HOSPITAL SERVICES

---

---

**Payments for Graduate Medical Education**

Beginning July 1, 2022, for each state fiscal year (July 1 – June 30), the Division of TennCare shall make payments to eligible hospitals in Tennessee to support graduate medical education (GME) residency programs.

Hospitals eligible for GME payment are Tennessee-based teaching hospitals that are either affiliated with an accredited Tennessee medical school GME program or have a GME program that is accredited with the Accreditation Council for Graduate Medical Education (ACGME). Eligible hospitals must also have residents performing services for that hospital.

GME payments are made from a pool totaling up to \$80,000,000 annually, based on available state funding. This pool is divided into two equal sub-pools (up to \$40,000,000 each, dependent on available state funding).

**Sub-Pool A (up to \$40,000,000)**

The payment methodology for Sub-pool A (up to \$40,000,000) is based on Medicaid utilization data. Medicaid utilization for each hospital shall be determined by identifying TennCare adjusted days (TennCare Days \* (TennCare Charges / TennCare Inpatient Charges)) reported on the most recently available and approved Tennessee Joint Annual Report of Hospitals (JAR). The amount of payment an eligible hospital shall receive is based on each hospital's proportionate share of Medicaid utilization during the state fiscal year reflected in the most recently available and approved JAR.

Distributions from Sub-pool A are calculated as follows:

1. For each eligible hospital, divide the hospital's number of TennCare Adjusted Days by the sum total of TennCare Adjusted Days from all eligible hospitals to arrive at a hospital-specific Ratio of TennCare Adjusted Days.
2. Multiply each eligible hospital's Ratio of TennCare Adjusted Days by the total amount available for Sub-pool A to arrive at the hospital's payment from Sub-pool A.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: TENNESSEE

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
FOR INPATIENT HOSPITAL SERVICES

---

---

**Sub-Pool B (up to \$40,000,000)**

The payment methodology for Sub-pool B (up to \$40,000,000) is based on resident data. A filled resident position is a GME program position for which a resident is enrolled in an accredited Tennessee medical school program or is considered a resident at the Tennessee hospital accredited through the ACGME program, is enrolled in a full-time residency program and providing services in an eligible hospital and is receiving a salary. The number of filled resident positions in a program shall be determined by the hospital and the GME program. Once determined, the number of filled resident positions per eligible hospital shall be established and reported annually to TennCare in July of each year. The amount of payment an eligible hospital is entitled to receive is determined based on the hospital's proportionate share of residents for a given state fiscal year, weighted in favor of primary care residency.

Distributions from Sub-pool B are calculated as follows:

1. For each eligible hospital, add the number of Primary Care Residents and the number Non-Primary Care Residents to arrive at the number of Total Residents.
2. For each eligible hospital, add the number of Primary Care Residents to the number of Total Residents to arrive at the number of Weighted Total Residents.
3. For each hospital, divide the hospital's number of Weighted Total Residents by the sum of Weighted Total Residents for all eligible hospitals to arrive at a hospital-specific Ratio of Hospital Residents.
4. Multiply each eligible hospital's Ratio of Hospital Residents by the total amount available in Sub-pool B to arrive at each eligible hospital's payment from Sub-pool B.

A hospital's total payment for Graduate Medical Education is the sum of its payment from Sub-pool A and Sub-pool B described above.

TennCare shall establish payment totals at the beginning of each state fiscal year based on the above criteria. Payment totals from Sub-pool A and Sub-pool B for each eligible hospital shall be added together and divided into four equal payments that shall be distributed in lump sums to the eligible hospitals on a quarterly basis throughout the year.