

HB 372 - SB 334

FISCAL NOTE



Fiscal Review Committee
Tennessee General Assembly

February 15, 2025

Fiscal Analyst: Chris Higgins | Email: chris.higgins@capitol.tn.gov | Phone: 615-741-2564

SUMMARY OF BILL: Enacts the *Tennessee Medicaid Modernization and Access Act of 2025*. Requires TennCare reimbursements for key services in calendar year 2025 and subsequent years to be updated to match the Medicare fee schedule, or the average commercial rate, whichever is higher.

Requires the Department of Health (DOH), in consultation with the Division of TennCare (Division), to conduct an annual review to ensure TennCare reimbursement rates align with changes in the Medicare fee schedule and average commercial rates and with the Centers for Medicare and Medicaid Services (CMS) 2024 final rule.

Authorizes a healthcare provider of key services who alleges a delay in payment or receives an erroneous level of reimbursement to request an administrative hearing. Authorizes healthcare providers to receive additional incentive payments based on metrics for quality of care and improved patient access, particularly in rural and underserved areas.

Requires the DOH and the Division to actively seek and apply for federal, private, or other available funds, and actively direct available state funds, to support reimbursement adjustments, with particular attention to key services.

Requires the DOH and the Division to submit, by February 1, 2026 and each February 1 thereafter, an annual joint report to certain legislative committees that details fiscal impacts, provider participation rates, access improvements, and outcome metrics for key services impacted by this section.

Takes effect upon becoming a law, and unless otherwise prohibited by the United States Constitution or the Tennessee Constitution, applies to all TennCare reimbursements for key services occurring on or after January 1, 2025.

FISCAL IMPACT:

STATE GOVERNMENT	
EXPENDITURES	General Fund
FY25-26 & Subsequent Years	\$604,126,000

FEDERAL GOVERNMENT	
EXPENDITURES	
FY25-26 & Subsequent Years	\$1,089,194,500

Assumptions:

- The proposed legislation requires TennCare reimbursement for certain key services, defined as obstetrics-gynecology (OB/GYN), primary care, outpatient mental health (MH), and substance use disorder (SUD) services, to match the Medicare fee schedule, or the average commercial rate, whichever is higher.
- It is assumed that the average commercial rate exceeds Medicare in most cases, and will be used as the standard repricing comparison.
- Based on information provided by the Division, repricing key services based on average commercial rates will result in the following increases in expenditures:

Key Services	TennCare Claims	Commercial Repricing	Total Increase
OB/GYN - Deliveries	\$115,635,097	\$456,355,607	\$340,720,510
OB/GYN - Professional	\$60,337,130	\$115,926,691	\$55,589,561
Primary Care	\$523,895,369	\$1,060,812,376	\$536,917,007
MH - Outpatient	\$260,862,570	\$834,248,507	\$573,385,937
MH – SUD	\$80,840,796	\$267,548,268	\$186,707,472
Total	\$1,041,570,962	\$2,734,891,449	\$1,693,320,487

- Article II, Section 20 of the *Constitution of the State of Tennessee* states that no retrospective law, or law impairing the obligations of contracts, shall be made. Therefore, it is assumed that the impacts from the proposed legislation will begin in FY25-26 and subsequent years.
- The total increase in expenditures from key services repricing is estimated to be \$1,693,320,487 in FY25-26 and subsequent years.
- Medicaid expenditures receive matching funds at a rate of 64.323 percent federal to 35.677 percent state. Of this amount \$604,125,950 ($\$1,693,320,487 \times 35.677\%$) will be in state funds and \$1,089,194,537 ($\$1,693,320,487 \times 64.323\%$) will be in federal funds.
- Pursuant to CMS regulation 42 CFR 438.6(c)(2)(iii), the total payment rate for each state directed payment for which written prior approval is required must not exceed the average commercial rate.
- The Division is required to submit an average commercial rate demonstration to CMS at least once every three years, including a comparison of the total payment rate for services included in a state directed payment to the average commercial rate.
- It is assumed that the DOH and the Division can perform an annual review and submit the required reports utilizing existing personnel and resources, without an increase in expenditures.

IMPACT TO COMMERCE:

BUSINESS IMPACT	
FISCAL YEAR	REVENUE
FY25-26 & Subsequent Years	\$1,693,320,500

Assumptions:

- Healthcare providers will experience an increase in business revenue of approximately \$1,693,320,487 in FY25-26 and subsequent years. While additional services may be provided due to increased reimbursement rates, any increase in business expenses is estimated to be not significant.
- The proposed legislation only increases reimbursement rates; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Executive Director