



# SPEECH

GOVERNOR'S COMMUNICATIONS OFFICE

## GOVERNOR BREDESEN'S PRESS REMARKS ON TENNCARE

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More than a year ago, my Administration embarked on an earnest, good-faith effort to reform TennCare, our state's \$7.8 billion health plan. We took a systematic approach toward analyzing the problems and the root of the problems within this financially troubled program.

What we found was startling.

We found that TennCare, thanks in substantial part to enormous and continuing increases in the cost of its pharmaceutical benefit, would grow at an unsustainable rate in the years to come. We found that the average number of prescriptions per person in the United States is 10, in TennCare it is over 30. We found that we spend more in the pharmacy benefit alone in this program than we spend on higher education in this state.

Tennessee is #1 in the percentage of its population on Medicaid, Tennessee is #1 in the proportion of the state budget that goes to Medicaid, Tennessee is #3 in the growth rate of program costs, Tennessee is #48 in the per capita state and local tax collections. You don't need to be a health care expert or an economist—you only need common sense—to recognize that this is not a stable situation.

It was obvious that if we didn't act soon, we risked jeopardizing all the State's other priorities and the very financial health of our state government. Scrambling to keep up with the TennCare bills would mean starving to death other things that in the end are equally important, like education.

We made a pledge to act. And in February, I introduced a plan in the General Assembly to do just that. There were ... as there have always been ... two fundamental options for reforming TennCare.

First, Option A: Protect enrollment by implementing broad structural changes to control pharmaceutical and medical costs, accompanied by innovative disease-management and new technology initiatives. We would attempt to maintain everyone with health coverage by asking everyone to give a little, the bronze plan for everyone rather than the platinum plan for some and nothing for others.

And, if the first route proved unworkable, there was a second and less desirable path, Option B: a return to traditional Medicaid. Make broad cuts in enrollment. The reality is: Only one-third of all we spend on TennCare is mandatory benefits and enrollment. As I told the General Assembly in February, if we are forced to amputate a limb to save the patient, we would do so. But I would make every effort to make the more humane and I think American alternative work.

Fortunately, the General Assembly ... in its wisdom ... supported the first option in an overwhelmingly bipartisan manner and passed legislation to begin the process of its implementation. And for that I'm grateful.

The reform proposals also received virtually universal support from TennCare stakeholders across the state, including countless enrollees, the Tennessee Medical Association, the Tennessee Hospital Association, the Tennessee Pharmacists Association, the Children's Hospital Alliance of Tennessee.

But in May, we hit a legal stumbling block as I feared we would. The Tennessee Justice Center, a nonprofit public-interest law firm based in Nashville, took us to court in an effort to block our reform. And the Justice Center has declined to give us relief from a series of burdensome "consent decrees" ... entered into by the State years ago ... that prevent us from making the necessary changes in TennCare.

We have asked them, repeatedly, to stand down from these consent decrees and allow us to implement reforms that have been approved by the federal government. They have said "no".

So we have arrived at a crossroads. TennCare is a noble and worthwhile initiative that has made significant contributions to public health in Tennessee. But the sad reality is: We can't afford it in its current form.

Over the past year, I've made every possible effort to reform the program.

We've had some good news: new enrollments are less than we budgeted, and the Preferred Drug List we implemented last winter has exceeded expectations.

We've had some bad news: we have unexpectedly lost over \$100 million in federal funding as Medicaid tightens up its own ship in Washington, and especially, that drug utilization continues to soar out of control, eating up all our PDL savings and more. We now fill more than 700,000 prescriptions a week. Think about that: for every one of the 1.3 million men, women and small children on TennCare, that is a prescription every 13 days. Judge Nixon has proposed an order in one of the lawsuits which would basically eliminate state control over the provision of TennCare to half our population; the federal court would run it and we pay the bills.

The reason that these lawsuits and consent decrees have taken on such importance is that many of their provisions specifically gut our ability to use the management techniques—such as prior authorization—that other states and commercial plans today routinely use to control costs and frankly improve care. We have a formal hearing today to dispute a bill we have been presented for 3 years of rental car costs from an enrollee who used the rental car to drive to a methadone clinic.

So as of this morning, I have set in motion a process to dissolve TennCare and replace it with a traditional Medicaid program similar to what's found in at least 40 other states.

I have instructed the Bureau of TennCare and the Department of Human Services to prepare a plan for an orderly transition to traditional Medicaid.

Let me be clear: No TennCare enrollee will lose coverage overnight. We will give as much advance notice as possible. The process of notifying enrollees will begin in early January. And the conversion is expected to be complete in mid-2005.

We expect as many as 430,000 enrollees ... out of a total of 1.3 million ... could lose health coverage.

This action will mean the State spends less on health care. And it will mean sacrifice on the part of TennCare enrollees who will lose their health coverage. To those enrollees, I can only say: It pains me more than I can describe to take this path; this is not what I planned for; this is not what I dreamt about.

When I left the office last night, I thought that this is where I would say “TennCare is dead, rest in peace.”

I received late last evening a letter from Gordon Bonnyman of the Tennessee Justice Center, asking for an additional seven days to discuss and consider Tennessee’s request for wholesale modification of the consent decrees that are blocking our reform.

I of course said “yes”. While we are beginning the process of returning to traditional Medicaid today, it is certainly not irreversible if some agreement were reached in the next seven days.

I want to be clear that this is a faint glimmer of hope, not a bright light. I think it unlikely that we can reverse in seven days the deeply invested opposition of the past months. But I want to leave no stone unturned to save this program and am certainly willing to try.

One of the things that I learned from Andrea early on in our years together was that you deal with what is in front of you; you play the hand you’re dealt. It’s useless to cry about what has already gone, it’s useless to worry about things you have no control over in the future. You get up in the morning, you have a set of realities to deal with, you deal with them.

That’s where I am this morning. We’ve done the right things up to this point, but this Wednesday morning in November we have a TennCare that is losing federal money, a TennCare where utilization and costs continue to soar and our hands are tied in dealing with them, we have intransigent advocates who have the ability to block reforms in court. It’s time to deal with today’s realities.

Nine months ago, I told the General Assembly in a speech that TennCare was and is “a wonderful dream.” It has provided health care coverage to hundreds of thousands of Tennesseans who would not have otherwise had help. It has made a decade-long contribution to public health in our state. It appears this morning that the dream is over.

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