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BREDESEN OUTLINES 'LAST CHANCE' STRATEGY TO SAVE TENNCARE CHANGES WOULD GENERATE \$2.5 BILLION IN COST-SAVINGS OVER FOUR YEARS

NASHVILLE - Governor Phil Bredesen today laid out a comprehensive strategy for fixing TennCare that is specifically designed to protect children, pregnant women and the disabled while asking other enrollees to accept affordable and reasonable coverage limits.

In a 40-minute speech before State Senators and Representatives meeting in a joint convention Tuesday evening, Bredesen outlined a broad strategy to adjust TennCare benefits and to establish limited co-pays for services and pharmaceuticals as part of a "last chance" effort to salvage the financially troubled program. The overall strategy is expected to generate an estimated \$2.5 billion in cost-savings over four years.

Bredesen emphasized his short-term goal is to contain runaway growth in TennCare spending before the state is forced to turn back to a bare-bones Medicaid program, which would strip more than 261,000 Tennesseans of medical coverage. Longer-term, the Governor is focused on continued improvement through better management, including promoting innovative disease management and evidence-based medicine initiatives.

"I want to save TennCare, not dismantle it," Bredesen assured TennCare enrollees, healthcare providers, advocates and others observing the speech in the House chamber. "To do it, we need to take the reins back and to establish that we are going to do more than just pay the bills."

TennCare – the state's healthcare program for the poor, disabled and uninsured – serves 1.3 million Tennesseans in both rural and urban areas. It began in 1994 as a well-meaning experiment to expand Tennessee's traditional Medicaid program by using managed care principles to deliver health care to a larger number of people for the same amount of money.

But over time, TennCare's costs have grown at an unexpected and exponential rate. The \$7.1 billion program now accounts for roughly one in four dollars in the state budget. An independent report by McKinsey & Company, a global management-consulting firm, found that TennCare – if left unchecked – will consume 91% of new state tax revenues in 2008. "That means backsliding on all our other priorities," Bredesen said. "That is obviously unacceptable."

Bredesen characterized the unchecked growth of TennCare as "the clear danger" to the State of Tennessee's fiscal situation and to its ability to maintain other vital commitments. "Scrambling to keep up with the TennCare bills means we starve to death other things that in the end are equally important, like education," the Governor said.

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To underscore the imbalance between education and TennCare, the Governor noted the state spends more on two drugs – Zyprexa and Zocor – than it appropriates to the University of Tennessee medical school. “That’s a fire bell in the night,” Bredeesen told lawmakers. “Something is wrong.”

The Governor outlined four “guiding principles” that will serve as the foundation for a long-term TennCare strategy:

- **Fix the problem, don’t pass it off.** The Governor said shifting TennCare’s financial burden by simply passing a provider tax or another new source of revenue only delays the inevitable. “A new tax just takes an inefficient system and delays the day of reckoning for the year or two it takes to run through that new money,” he said.
- **Protect children and the disabled.** Bredeesen said children, pregnant women and those who qualify as disabled under Social Security standards will not be subject to certain restrictions such as limits on physician visits or pharmaceutical co-pays. “They are among the most vulnerable of our citizens,” he said. “We need to be especially vigilant in looking out for them.”
- **Eliminate fraud and abuse.** The Governor said clamping down on fraud and abuse is critical to re-building public confidence and protecting TennCare’s integrity. He asked the General Assembly to establish a new independent law-enforcement unit to pursue those who would cheat the system. “When someone abuses the system, there needs to be legal and financial consequences beyond just saying, ‘Don’t do it again.’”
- **Provide benefits we can afford.** The Governor said TennCare enrollees who truly need help should continue receiving it. At the same time, he said TennCare needs to establish a reasonable level of benefits. Rather than strip enrollees of coverage, the Governor’s strategy is to place limited financial responsibility on able-bodied adults and others who are not children, pregnant women or disabled. “By accepting the responsibility to pay for everything for everybody, we foster an inefficient and unfair system,” Bredeesen said.

The Governor asked lawmakers to “to stay focused on what we have to do,” despite pressure and difficult decisions that may lie ahead. He also called on TennCare enrollees, advocates and healthcare providers to maintain a productive dialogue as changes begin going into effect later this year. “We will get a better result with your involvement and expertise,” he said.

The Governor acknowledged, “TennCare is and was a wonderful dream. Hundreds of thousands of Tennesseans today have health insurance who in other states would have none. Every single one of those Tennessee families with health insurance is a victory, and makes our struggle worthwhile.”

But he added unchecked growth in the program must be brought under control. “All great enterprises are powered by the heart, but steered by the head,” the Governor said. “It’s time to do some steering.”

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