Date: December 18, 2025

To: TennCare Managed Care Organizations
Department of Disability and Aging

From: Dallas Dowell, Assistant Deputy of Long-Term Services and Supports Business Operations

Re: Revised Cost Neutrality Caps for the CHOICES Program

The purpose of this memo is to revise the Cost Neutrality Cap (as specified below) for calendar year 2026 in the CHOICES program.

The revised cost neutrality cap is effective **beginning January 1, 2026**

Average Cost of Medicaid Nursing Facility Reimbursement:

The average cost of Medicaid Nursing Facility reimbursement is used to determine the Individual Cost Neutrality Cap **in the CHOICES Program** for persons enrolled in CHOICES Group 2 who would qualify to receive Nursing Facility Care, but who have instead elected to receive HCBS.

Effective January 1, 2026, the **new** average cost of Nursing Facility reimbursement is as follows: $294.87 per day and **$107,627.55 per year.** This represents an increase of $3,201.55 per year.

As a reminder, MCOs are not required to notify members of the higher cost neutrality cap. However, Care Coordinators should be mindful of CHOICES Group 2 members who may need covered benefits that have not been available based on the previous cost cap, and should prioritize contacts with those individuals to assess whether changes to the Person-Centered Support Plan are needed.

The average cost of Nursing Facility reimbursement is based on a weighted average (by distribution of bed days) of the blended per diem rates for Nursing Facility care as determined by the Division of TennCare. The rates are not discounted for patient liability which would result in a lower average cost. These amounts will be adjusted annually once the rate setting process is completed, and effective beginning January 1 of the following calendar year.

CHOICES Individual Cost Neutrality Cap amounts for persons who would qualify for either the Chronic Ventilator or Tracheal Suctioning Enhanced Respiratory Care Nursing Facility rates will be updated as follows:

- **$173,010 per year ($14,417.50 per month)** for persons who would qualify for the **Tracheal Suctioning** rate of reimbursement for Nursing Facility services; and
- **$249,977.55 per year ($20,831.40 per month)** for persons who would qualify for the **Chronic Ventilator** rate of reimbursement for Nursing Facility services.

As a reminder, there is **not** a Cost Neutrality Cap amount based on the short-term Ventilator Weaning rate, as short-term Vent Weaning services would be provided only in an institutional (hospital or NF) setting.

Note that the above amounts are applicable **only to CHOICES** and **not to Expenditure Caps in the Employment and Community First CHOICES program**.

CHOICES Members Eligible for Private Duty Nursing, Home Health Nursing or Home Health Aide[1][1]

For purposes of PCSP planning within cost neutrality caps for CHOICES members, the following rates are applicable effective January 1, 2025:

Private Duty Nursing:[2] $53.27/hour

Home Health Nursing:[3] $53.27/hour

Home Health Aide: $27.82/hour

CC: Katie Evans, Director of LTSS
Zane Seals, Chief Financial Officer
Dr. Victor Wu, Chief Medical Officer
Meghann Galland, Deputy Director of LTSS
Kristeena Ashby, Deputy Director of LTSS Operations
Tabitha Satterfield, Deputy Director of LTSS Programs and Contracts

[1] CHOICES Group 2 Members' Individual Cost Neutrality Cap functions as a limit on the total cost of HCBS that can be provided to the Member in the home or community setting, including CHOICES HCBS, HH (Home Health) Services and PDN (Private Duty Nursing) Services. Tenn. Comp. R. & Reg. 1200-13-01-.05(4)(c).

[2] Private duty nursing services are covered for adults aged 21 and older only when medically necessary to support the use of ventilator equipment or other life-sustaining technology when constant nursing supervision, visual assessment, and monitoring of both equipment and patient are required. Tenn. Comp. R. & Reg. 1200-13-13-.01(104). Rates are an average based upon 2024 encounter data.

[3] Home health services are covered within allowable limits when medically necessary as intermittent nursing services or home health aide services. Tenn. Comp. R. & Reg. 1200-13-13-.01(58)