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Court Rules TennCare Wrongfully Denied Health Coverage

Federal Court Rules TennCare Violated
Due Process, the Medicaid Act, and the Americans with Disabilities Act

August 26, 2024 - Today a federal court in Nashville ruled that the State of Tennessee has violated Plaintiffs' rights under federal law in a long-running class action against TennCare, Tennessee's Medicaid safety net program. The suit challenged the state's procedures that resulted in the termination of TennCare health coverage for thousands of Tennessee families. The Court ruled that the State violated the Constitution, federal Medicaid law, and federal protections for people with disabilities.

The court stated that, "Poor, disabled, and otherwise disadvantaged Tennesseans should not require luck, perseverance, and zealous lawyering to receive healthcare benefits they are entitled to under the law." The court found, however, that TennCare failed to properly evaluate the eligibility of thousands of families. The state also intentionally withheld information those families needed to try to retain their coverage. As a result, they "more likely than not faced both financial hardships and adverse health outcomes on account of TennCare's unlawful actions."

The lawsuit was filed in March 2020 by 35 children and adults whom the state had terminated from TennCare. Plaintiffs charged that a new computer system and improper state policies were systematically depriving tens of thousands of eligible families of health coverage. The lawsuit also asserted that the state's heavy paperwork requirements made it especially difficult for people with disabilities to maintain their health coverage. The case was delayed during the Covid pandemic, when federal law required the state to maintain the coverage of almost everyone enrolled in TennCare. The court held a trial in the case in November 2023 and issued its ruling today.

As the state's Medicaid program, TennCare provides health coverage for around 1.5 million Tennesseans including half of all children and most nursing home residents in the state. TennCare is also the principal health coverage in rural areas and for people with disabilities of all ages.

Tennessee is one of only ten states that still refuses to expand Medicaid at federal expense to low-wage uninsured adults. The legislature has blocked the expansion, which would provide health coverage to over 300,000 uninsured adults, including 25,000 military veterans.

The lawsuit was brought by the nonprofit Tennessee Justice Center, the National Health Law Program, National Center for Law and Economic Justice, and by the law firm Selendy Gay PLLC. Michele Johnson, the Tennessee Justice Center's executive director, said, "This is a tremendous win for the plaintiffs and all TennCare members who have lost their vital health coverage due to TennCare's unlawful policies and practices. We are proud to have stood with the courageous families that brought the case in order to protect the health coverage of many thousands of their neighbors across the state. We will continue to fight as this case moves forward."

The ruling is attached. The certified issues that the Court found Plaintiffs to have prevailed on, in whole or in part, include:

1. Whether the State considers/considered all categories and bases of eligibility before terminating enrollees' coverage, ("Certified Issue 1");
2. Whether TennCare Notices of Determination ("NODs") mislead/misled recipients to think that TennCare considers/considered all bases of eligibility, all program rules, and all facts in determining eligibility, ("Certified Issue 2");
3. Whether the NODs' citation to a 95-page compendium of TennCare regulations, Chapter 1200-13-20, satisfies and/or satisfied the notice requirements of 42 U.S.C. § 1396a(a)(3) and/or the Due Process Clause, ("Certified Issue 3");
4. Whether the NODs' omissions of information concerning the good cause exception and good cause hearings violates/violated the Medicaid Act or the Due Process Clause, ("Certified Issue 6");
5. Whether the NODs' omission about the 90-day reconsideration period violates/violated the Medicaid Act or the Due Process Clause, ("Certified Issue 7");
6. Whether the State's Valid Factual Dispute Policy ("VFD Policy") violates/violated the Medicaid Act or the Due Process Clause, ("Certified Issue 9");
7. Whether the State's policy of denying good cause exceptions or hearings based on "allegations of non-receipt" of a notice violates/violated the Medicaid Act or the Due Process Clause, ("Certified Issue 11");
8. Whether the State systemically fails/failed to provide fair hearings at any time, ("Certified Issue 12"); and
9. Whether the State fails/failed to evaluate disability-related eligibility categories in making termination decisions and, if so, whether that violates the ADA, ("Certified Issue 15").

The ruling addresses only liability and reserves a decision on the Plaintiffs' requested injunctive relief until after the parties have tried to resolve the case. Appeals may follow.