



Case Explainer: *AMC v. Smith*

[Sarah Grusin](#) & [Elizabeth Edwards](#)

On August 26, 2024, a federal court handed down a major victory for Medicaid enrollees in Tennessee, including people with disabilities, in the case [A.M.C. v. Smith](#). The case was brought by the [Tennessee Justice Center](#), National Health Law Program, [National Center for Law and Economic Justice](#), and pro bono firm [Selendy Gay, PLLC](#).

The detailed decision describes pervasive flaws in Tennessee’s Medicaid program, called TennCare, that harm access to health care for low-income Tennesseans. These flaws included significant issues with the State’s Deloitte-operated automated eligibility system (Tennessee Eligibility Determination System or TEDS), the notices it generates, and barriers to legally-required hearings for people wrongfully terminated. As the federal court explained “when an enrollee is entitled to state-administered Medicaid, it should not require luck, perseverance, and zealous lawyering for him or her to receive that healthcare coverage.” But that is exactly what Medicaid enrollees in Tennessee have needed to maintain access to vital health coverage.

This case explainer highlights key aspects of the [116-page decision](#) and describes what the next steps are.

Significant Holdings and Key Quotes

The Court found that TennCare violates the Due Process Clause of the United States Constitution, the Medicaid Act, and the Americans with Disabilities Act (ADA).

The holdings relate to three aspects of Tennessee’s Medicaid program (1) notices terminating Medicaid coverage, (2) the state’s policies for conducting hearings, and (3) the state’s failure to accurately screen individuals for disability-related coverage, including through TEDS.

Notices

The Court found that the notices Tennessee issues when terminating Medicaid coverage:

- violate the Medicaid Act and the Due Process Clause by including only a generic citation to a 95-page collection of rules, rather than identifying specific rules.
- violate the Due Process Clause by failing to explain how individuals can seek “good cause” for missing a deadline, such as when they failed to respond to a request for information that was never delivered.
- violate the Due Process Clause by failing to explain that individuals who were procedurally terminated for not supplying requested information can supply the missing information within 90 days and have their coverage retroactively restored.

Key Quotes

“TennCare does not lay out what facts it believes render that person ineligible for healthcare coverage even when that person previously received coverage. . . . Instead, TennCare asks Tennesseans to trust its process for making eligibility determinations—to trust TEDS [the computerized eligibility system]. But TEDS is flawed, and TennCare knows that it is flawed.”

“TennCare’s disclosures were flatty untrue and inherently misleading.”

“[F]or over three years, TennCare knew that Medicaid regulations required it to cite a specific regulation when providing the reason for a termination or denial decision but continued to send [notices] containing the Stock Citation.”

Hearings

The Medicaid Act and the Due Process Clause grant individuals a right to a hearing to challenge a Medicaid termination that they disagree with. The Court found that Tennessee fails to provide these legally-required fair hearings as a result of two policies:

- TennCare illegally screens every request for a fair hearing to determine whether it establishes a “valid factual dispute,” and refuses to provide a hearing to an individual unless they can prove at the outset that they will ultimately win.

- TennCare does not provide individuals an opportunity to establish “good cause” for missing a deadline. TennCare does not accept late appeals even when someone alleges they never received a notice, even though TennCare’s written policy treats such allegations as sufficient to establish good cause.

Key Quotes

“[TennCare’s] implementation of the [Valid Factual Dispute] Policy creates barriers to appellants who believe that the agency has taken an action erroneously and denies them the fair hearing they are due.”

“TennCare does not suggest that enrollees bolster their good cause reason with supporting evidence or tell them that in certain circumstances it requires such evidence. . . . Thus, any enrollee who might otherwise seek a good cause exception has no reason to believe that nonreceipt might qualify them for an exception or that to receive that exception they must provide TennCare with supporting evidence.”

“At trial, the Court heard credible testimony from multiple witnesses that . . . they would have retained or more quickly regained TennCare healthcare coverage had TennCare [granted a good cause exception or hearing].”

“TennCare’s unwritten policy directly contravenes its written rules.”

ADA

TennCare is obligated to administer its program in a manner that does not discriminate against individuals with disabilities. The Court concluded that TennCare was discriminating because:

- Although TennCare was aware that its computer system, built and maintained by Deloitte, was not accurately determining eligibility for three disability-related Medicaid eligibility groups, it nonetheless kept terminating their coverage, waiting months to fix the problem. As a result, individuals with disabilities were not able to access health care to which they are entitled.

The Court also noted problems with TennCare’s methods for providing help to individuals with disabilities “all but guarantees that disabled enrollees slip through the cracks” and found that the state’s compliance office and “TennCare’s methods of addressing the needs of its disabled enrollees requires revision.”

Key Quotes

“Aware that TEDS either ignored or could not assess available data that was essential to eligibility determinations, TennCare closed off SSI-related categories of eligibility to its disabled enrollees who were eligible for TennCare in those categories.”

“When TEDS launched, ingrained systemic errors pervaded eligibility considerations of enrollees whose eligibility hinged on prior or ongoing receipt of SSI.”

“TennCare sat on its hands for months before it fixed system-wide errors that caused data issues that resulted in wrongful terminations of disabled individuals.”

“Although TennCare knew that TEDS was rife with flaws and that those flaws led to erroneous eligibility terminations for disabled individuals, TennCare’s response was slow to address them. By doing so, TennCare violated the ADA.”

“TennCare cannot divorce itself from TEDS or its workers, and their errors and mistakes are ultimately TennCare’s errors and mistakes.”

What’s Next?

The Court emphasized that the next step in the case is to ensure that all TennCare enrollees who have been harmed by TennCare’s “unlawful actions . . . receive their deserved relief.”

The Court has ordered the parties to discuss potential remedies to address these unlawful practices and remedy the financial and health harms suffered by Tennessee’s Medicaid enrollees.