

FOR IMMEDIATE RELEASE

June 14, 2016

## Budget Includes Measures to Boost Care Program for Frail Elderly

Contact: Peter Hansel

[phansel@calpace.org](mailto:phansel@calpace.org)

916-469-3368

**Sacramento, CA** – Among various health care spending priorities and policy changes, the budget the Legislature sends to Governor Brown this week contains measures designed to expand the Program of all-Inclusive Care for the Elderly ([PACE](#)), an important care program for low-income frail seniors.

“We appreciate the administration’s willingness to modernize PACE, particularly the payment and regulatory aspects,” said California PACE Association (CalPACE) Board Chair Linda Trowbridge. “If structured appropriately, the legislation will allow PACE to expand and serve additional older adults and frail seniors who want to live independently.”

Established in the 1970s in San Francisco as a novel way of keeping frail seniors living in the community as long as possible, [PACE](#) provides and coordinates an array of medical, social, and long-term care services and supports to help keep frail seniors out of hospitals and nursing facilities. Eleven PACE organizations currently serve nearly 6,000 seniors statewide in 12 counties.

While demand for the program has been growing, outdated payment and regulatory systems have prevented the program from reaching its full potential. Payments for PACE providers are tied to costs incurred in the state’s fee-for-service Medi-Cal program, which is rapidly shrinking due to the growing use of managed-care plans to deliver services for beneficiaries. Disparities in rates and questions about the adequacy of the rates have plagued the program for years. The program operates under a complicated network of federal and state requirements that necessitate lengthy approval processes for both new and expanded programs.

Recognizing this, the Brown administration introduced [legislation](#) as part of its 2016-17 budget proposal in January to revamp the PACE reimbursement structure and create additional regulatory flexibility for the program. Under the legislation, payments would be based on the actual costs of serving beneficiaries with a goal of providing more accurate and fair payments and aligning the payment methodology more closely with the methods the state uses to pay managed-care plans.

The legislation also requires the state to seek greater regulatory flexibility for PACE from the federal Centers for Medicare and Medicaid Services for operational aspects of PACE. These include the make-up and operation of PACE interdisciplinary care teams, the programs’ ability to contract for services with community-based physicians and other senior service providers, and the ability to market PACE services.

Assuming the new rate methodology is approved by the federal government, a current cap on the number of PACE organizations that can operate in the state would be lifted and, for the first time, for-profit organizations would be allowed operate PACE programs, bringing state law into conformity with recent federal regulatory changes. Both provisions are expected to increase the number of programs as well as the geographic areas served by PACE.

In response to requests from PACE organizations, the final legislation requires the new payment methodology to take into account the unique features of PACE, including its use of dedicated care centers to deliver and coordinate care. In addition, the legislation contains provisions to ensure the payment methodology accounts for high-cost conditions, such as Hepatitis C, recognizes the higher costs of start-up programs, and mitigates financial impacts on PACE programs during the transition to the new rate methodology.

In conjunction with the legislation, the state has committed to further streamlining the application process for new and expanding programs, including the use of a new electronic application process and providing concurrent review of applications by the state and federal governments, which is expected to speed up the review of applications.

“We are grateful the Department of Health Care Services has worked with PACE providers on the issues and concerns we’ve put forward,” noted CalPACE Chief Executive Officer Peter Hansel. “This is a win-win for the state and PACE and, most importantly, for the individuals the programs serve.”

###

*CalPACE is dedicated to the expansion of comprehensive healthcare services to seniors with chronic care needs through PACE. Through education and advocacy, CalPACE members strive to support, maintain and safeguard the PACE model and promote high-quality healthcare services to California's seniors.*