Board of Directors Meeting
Tuesday, November 06, 2018 • 2:45pm – 4:15pm
The California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814 (First Floor Conference Room – Adelante)
Conference Line (267) 930-4000 | Participant Code 177-134-261

AGENDA

1. Welcome

2. Approval of minutes from August 07, 2018 board meeting – discussion and action item

3. Approval of Brandman designation of Arnold Possick as board representative – discussion and action item

4. Approval of On Lok designation of Grace Li as board representative – discussion and action item

5. Proposed amendments to PACE Modernization Act dealing with PACE rate methodology – discussion and action item

6. CalPACE 2019 policy priorities – staff recommendations – discussion and action item

7. CalPACE PACE management organization membership category – discussion and action item

8. Support for organizations submitting proposals for CalOptima support for independent PACE operation – discussion and action item

9. CalPACE retreat update – discussion item

10. Other business

11. Adjourn

Attachments
A. Draft minutes of August 07, 2018 board meeting
B. August 13 2018 email from Molly Forrest designating Arnold Possick as Brandman board representative
C. Letter from On Lok designating Grace Li as board representative
D. Options for amendments to PACE rate methodology provisions (3 documents)
E. CalPACE 2019 policy priorities document
F. Bylaws provisions of Pennsylvania Life Providers Alliance re: PACE management organizations
G. CalOptima board item and criteria for letters of support for independent PACE operation (2 documents)

Board Members

- AltaMed PACE, Maria Zamora
- Brandman Centers for Senior Care, Molly Forrest
- CalOptima, Arif Shaikh
- Center for Elders’ Independence, Linda Trowbridge
- Fresno PACE, Patricia Sandoval
- On Lok Lifeways, Eileen Kunz
- Redwood Coast PACE, Joyce Hayes
- San Diego PACE, Kevin Mattson
- St. Paul’s PACE, Cheryl Wilson
- Sutter SeniorCare PACE, Christie Brown O’Hanlon
Minutes of CalPACE Board Meeting
August 7, 2018 | California Endowment, Sacramento, CA

Attendees
Board members: Cheryl Wilson, St. Paul’s PACE
Christie Brown O’Hanlon, Sutter SeniorCare PACE
Eileen Kunz, On Lok Lifeways
Kevin Mattson, San Diego PACE
Linda Trowbridge, Center for Elders’ Independence
Maria Zamora, AltaMed
Patricia Sandoval, Fresno PACE

CalPACE staff: Peter Hansel, Chief Executive Officer
Fred Main, CalPACE Counsel
Jennifer Blankenship, Director of Operations

Other CalPACE Officers: Bing Isenberg, CEI

Guests: Bev Dahan, InnovAge
Carol Hubbard, St. Paul’s PACE
Elizabeth Lee, CalOptima
Gilbert Fimbres, San Diego PACE
Maria Lozzano, InnovAge
Phil Chuang, Sutter SeniorCare PACE
Rosana Scolari, San Diego PACE
Robin Jensen, St. Paul’s PA
Susie Fishenfeld, Brandman Centers for Senior Care

Board members absent: Arif Shaikh, CalOptima
Joyce Hayes, Redwood Coast PACE
Molly Forrest, Brandman Centers for Senior Care

Note: These minutes are confidential and privileged and should not be circulated outside of the CalPACE Board.

Board Chair Linda Trowbridge welcomed members and convened the meeting at 2:55 p.m.

DECISIONS

Approval of minutes from July 25 board meeting. The minutes of the July 25 board meeting were approved (Mattson/Sandoval).
CalPACE 2017-18 year end financials. Cindy Ward, Leading Age VP for Finance, presented the 2017-18 year end financials. The financials are showing good results, with on-hand cash showing an increase over the prior year as well as net assets. Revenues were 18 percent better than budgeted. Overall, expenses were 7 percent over budget, with expenses for I-SAT training, travel and conferences, telephone services, IT support, and contributions and gifts all above budgeted levels. Additional unbudgeted expenses for strategic planning, affiliate meeting, and catering were also incurred, but the increases were offset by revenues in the form of fees and sponsorships. Expenses for public relations, legal, actuarial, and rent were all below budgeted levels. After brief discussion, a motion to approve the financials was adopted (Zamora/Kunz).

CalPACE 2018-19 budget. Cindy Ward presented the proposed 2018-19 budget. The proposed budget would reduce overall revenues slightly and reduce member dues, including by reducing the maximum dues level from $110,000 to $90,000. Some of the reduction would be offset through increased associate member dues and other non-dues revenue sources. Overall net surplus would be projected to decline from $173,213 to $116,413. Several expense categories are projected to increase, including salary and fringe benefits, contracted services, and other expenses, while others would decrease including travel and training and general office and administrative expenses. Based on concerns that that the proposed reduction in dues may put CalPACE in the position of having to increase dues in future years the board decided to revise the proposed dues levels to reduce the projected deficit for the budget year. The board directed staff to develop a new set of proposed dues that applies a maximum dues level of $95,000 (as opposed to $90,000) for the two member organizations who are subject to the maximum dues level and keeps all other members’ dues levels at the higher of the level paid in 2017-18 or the projected level under the dues model which bases dues on proportionate amount of revenue. These changes were estimated to increase the amount of member dues from a proposed level of $430,000 to about $465,000. After discussion, a motion to approve the budget with this level of member dues, and to direct staff to send the new proposed dues levels to board members for approval, was adopted (Mattson/Wilson).

Temporary dues exemption for new PACE organizations facing significant delays. The board discussed options to provide temporary dues relief to organizations that are facing significant delays in start-up due to licensing delays and delays in DHCS and CMS approval. Several board members expressed concern about setting a precedent for this. After brief discussion, the item was tabled for further discussion.

CalPACE governance changes. Linda Trowbridge, board chair, summarized three recommendations of the Governance Committee to make a bylaws change to increase the number of board members, create an executive committee, and adopt guidelines on participation of non-board members in board meetings. The proposed bylaws change would increase the maximum number of board members from 15 to 25, allowing new PACE organizations to continue to have an automatic board seat. Some board members expressed concern about increasing the number of board members to that level and there was general agreement that further changes will need to be considered before the board gets to that size. After brief discussion a motion to adopt the bylaws change was approved (Mattson/Zamora). Under the proposed executive committee charter, all current board officers and one additional board member would be members of the committee. The committee would be empowered to take action on routine matters as well as other matters directed to it by the board. A summary of all actions would be presented to the full board. A motion to approve the charter was adopted.
(Wilson/Kunz). The proposed guidelines on participation of non-board members in board meetings would allow board members to invite staff to attend and participate in board meetings as needed to provide information and to help represent their organization’s position or perspective on board matters. The guidelines were adopted as proposed (Kunz/Wilson).

**Legislation on direct employment of physicians by PACE.** Bev Dahan with InnovAge presented revised draft legislation that would create a new PACE clinic licensure category, which would allow for-profit PACE organizations to obtain clinic licenses or exemptions and enable them to hire physicians. InnovAge would like to represent CalPACEs position as it advances this proposal. Board members expressed concerns about whether this would give for-profit organizations an unfair advantage in hiring physicians. After discussion, a motion to adopt a neutral position on the proposed legislation was adopted (Mattson/Zamora).

**Discussion**

**CA PACE 2.0.** Linda Trowbridge informed the board that Providence Health PACE organizations in Portland and Seattle have requested to participate in the CA PACE 2.0 initiative, making it a west coast PACE 2.0 initiative. NPA staff are checking with the funder to make sure they are supportive of this. A few members are still considering whether to participate in the initiative or have decided not to participate.

The meeting was adjourned at 4:25 p.m.

Respectfully submitted,

Eileen Kunz, Secretary

Prepared by: Peter Hansel, Chief Executive Officer
Jennifer Blankenship, Director of Operations
Hi Peter –

With great regret, I am resigning from the CAL PACE Board of Directors effective immediately. I nominate Arnold Possick, the LAJH Chief Strategy Officer, to the Board to represent LAJH/BCSC.

I take this step after careful consideration of the responsibilities I have here and my commitment to the success of the projects with which we are engaged.

I have enjoyed my time serving on the CAL PACE Board – please share my gratitude for the support and friendship you and the members have given me. I will stay engaged through Arnie with the valuable work CAL PACE does to further the success of PACE in California.

With best wishes, Molly

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Attachment C: Letter from On Lok designating Grace Li as board representative

To be included in hard copies provided on site.
PACE Modernization Act Amendments – PACE Rate Methodology

Option 1

(n) (1) The department shall develop and pay capitation rates to entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), using actuarial methods and in a manner consistent with this section, except as provided in this subdivision.

(2) (A) The department may develop capitation rates using a standardized rate methodology across managed care plan models for comparable populations. The specific rate methodology applied to PACE organizations shall address features of PACE that distinguishes it from other managed care plan models.

(B) The rate methodology shall be reasonable, appropriate, and attainable for each PACE organization within each region. The rate methodology shall explicitly recognize and provide specific funding percentages in the non-medical load rating component to cover capital costs sufficient to allow PACE organizations to operate and update facilities, and for risk and contingency to recognize the inherent volatility and fewer enrollees over which to spread risk compared to other managed care models.

(C) For the first three years of the application of the rate methodology under this subdivision, as amended by this statute, the department shall add two percent to each PACE organization’s allowable administrative expenditure percentage to enable them to meet the administrative standards applied to other managed care models.

(D) During the first three years in which a new PACE organization begins operations the department shall add an additional two percent to their allowable administrative costs to reflect the lower enrollment and higher operating costs of such organizations.

(3) The department may develop statewide rates and apply geographic adjustments, using available data sources deemed appropriate by the department. Consistent with actuarial methods, the primary source of data used to develop rates for each PACE organization shall be its Medi-Cal cost and utilization data or other data sources as deemed necessary by the department.

(4) Rates developed pursuant to this subdivision shall reflect the level of care associated with the specific populations served under the contract.

(5) The rate methodology developed pursuant to this subdivision shall contain a mechanism to account for the costs of high-cost drugs and treatments.

(6) Rates developed pursuant to this subdivision shall be actuarially certified prior to implementation.

(7) The department shall consult with those entities contracted pursuant to Chapter 8.75 (commencing with Section 14591) in developing a rate methodology according to this subdivision.

(8) Consistent with the requirements of federal law, the department shall calculate an upper payment limit for payments to PACE organizations. In calculating the upper payment limit, the department shall correct the applicable data as necessary and shall consider the risk of nursing home placement for the comparable population when estimating the level of care and risk of PACE participants.
(9) During the first three rate years in which the methodology developed pursuant to this subdivision is used by the department to set rates for entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), the department shall pay the entity at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11), as necessary to mitigate the impact to the entity during the transition to the methodology developed pursuant to this subdivision.

(10) **(A)** During the first two years in which a new PACE organization or existing PACE organization enters a previously unserved area, the department shall pay at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11).

**(B)** For the first three years in which a new PACE organization begins operations or an existing PACE organization enters a previously unserved area, the rates shall be no less than 95 percent of the amount that would otherwise be paid, to reflect the lower enrollment and higher operating costs associated with new PACE organizations relative to PACE organizations with higher enrollment and more experience providing managed care interventions to their beneficiaries.

(11) This subdivision shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available.

(12) This subdivision shall apply for rates implemented no earlier than January 1, 2017.

**Pros**

1. Provides more explicit direction and higher allowances for PACE in the calculation of nonmedical loading factors.
2. Provides additional rate protections for new PACE organizations.

**Cons**

1. DHCS may still push to reduce NML loading costs to the lower end of the range, necessitating other types of protections, such as minimum floor for rates as a percentage of the AWOP and/or offsetting protections such use of quality incentive payments.
(n) (1) The department shall develop and pay capitation rates to entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), using actuarial methods and in a manner consistent with this section, except as provided in this subdivision.

(2) The department may develop capitation rates using a standardized rate methodology across managed care plan models for comparable populations. The specific rate methodology applied to PACE organizations shall address features of PACE that distinguishes it from other managed care plan models.

(3) The department may develop statewide rates and apply geographic adjustments, using available data sources deemed appropriate by the department. Consistent with actuarial methods, the primary source of data used to develop rates for each PACE organization shall be its Medi-Cal cost and utilization data or other data sources as deemed necessary by the department.

(4) Rates developed pursuant to this subdivision shall reflect the level of care associated with the specific populations served under the contract.

(5) The rate methodology developed pursuant to this subdivision shall contain a mechanism to account for the costs of high-cost drugs and treatments.

(6) Rates developed pursuant to this subdivision shall be actuarially certified prior to implementation.

(7) The department shall consult with those entities contracted pursuant to Chapter 8.75 (commencing with Section 14591) in developing a rate methodology according to this subdivision.

(8) Consistent with the requirements of federal law, the department shall calculate an upper payment limit for payments to PACE organizations. In calculating the upper payment limit, the department shall correct the applicable data as necessary and shall consider the risk of nursing home placement for the comparable population when estimating the level of care and risk of PACE participants. Rates paid to PACE organizations shall be no less than 95 percent of the upper payment limit or amount that would otherwise be paid by the department. The detailed development of the department’s calculation shall be disclosed to each PACE organization in conjunction with its proposed rates.

(9) During the first three rate years in which the methodology developed pursuant to this subdivision is used by the department to set rates for entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), the department shall pay the entity at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11), as necessary to mitigate the impact to the entity during the transition to the methodology developed pursuant to this subdivision.

(10) During the first two years in which a new PACE organization or existing PACE organization enters a previously unserved area, the department shall pay at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11).
(11) This subdivision shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available.

(12) This subdivision shall apply for rates implemented no earlier than January 1, 2017.

**Pros**
1. Has the potential to more closely align PACE rates to rates for other managed care entities.
2. Provides additional protections for new PACE organizations as well as existing.

**Cons**
1. May be viewed by DHCS as returning to a percent of UPL methodology and lead to other restrictions on PACE.
(n) (1) The department shall develop and pay capitation rates to entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), using actuarial methods and in a manner consistent with this section, except as provided in this subdivision.

(2) The department may develop capitation rates using a standardized rate methodology across managed care plan models for comparable populations. The specific rate methodology applied to PACE organizations shall address features of PACE that distinguishes it from other managed care plan models.

(3) The department may develop statewide rates and apply geographic adjustments, using available data sources deemed appropriate by the department. Consistent with actuarial methods, the primary source of data used to develop rates for each PACE organization shall be its Medi-Cal cost and utilization data or other data sources as deemed necessary by the department.

(4) Rates developed pursuant to this subdivision shall reflect the level of care associated with the specific populations served under the contract.

(5) The rate methodology developed pursuant to this subdivision shall contain a mechanism to account for the costs of high-cost drugs and treatments.

(6) Rates developed pursuant to this subdivision shall be actuarially certified prior to implementation.

(7) The department shall consult with those entities contracted pursuant to Chapter 8.75 (commencing with Section 14591) in developing a rate methodology according to this subdivision.

(8) Consistent with the requirements of federal law, the department shall calculate an upper payment limit for payments to PACE organizations. In calculating the upper payment limit, the department shall correct the applicable data as necessary and shall consider the risk of nursing home placement for the comparable population when estimating the level of care and risk of PACE participants.

(9) During the first three rate years in which the methodology developed pursuant to this subdivision is used by the department to set rates for entities contracted pursuant to Chapter 8.75 (commencing with Section 14591), the department shall pay the entity at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11), as necessary to mitigate the impact to the entity during the transition to the methodology developed pursuant to this subdivision.

(10) (A) During the first two years in which a new PACE organization or existing PACE organization enters a previously unserved area, the department shall pay at a rate within the certified actuarially sound rate range developed with respect to that entity, to the extent consistent with federal requirements and subject to paragraph (11)(B).

(B) For the first three years in which a new PACE organization begins operations, the rates shall be no less than 95 percent of the amount that would otherwise be paid, to reflect the lower enrollment and higher operating costs associated with new PACE organizations relative to PACE organizations with higher enrollment and more experience providing managed care interventions to their beneficiaries.
(11) No later than January 1, 2020, and consistent with the rate methodology used for the department’s other managed care models, the department and PACE organizations shall collaboratively develop a quality incentive payment program, allowing payments of up to an additional 5% of the PACE organization’s capitation rate, based on successful completion of PACE specific performance metrics dealing with access, quality, outcomes and beneficiary satisfaction.

(11) (12) This subdivision shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available.

(12) (13) This subdivision shall apply for rates implemented no earlier than January 1, 2017.

**Pros**
1. Creates a way for POs to make up losses from DHCS moving costs to the lower end of the rate ranges.
2. Provides additional protections for new PACE organizations for the first three years of operation.

**Cons**
1. Administratively complicated and likely to necessitate new administrative costs for DHCS.
## 2019 CalPACE Policy Priorities – Staff Recommendations

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<th>POLICY AREA</th>
<th>BACKGROUND</th>
<th>COMMENTS</th>
<th>Staff Recommendations</th>
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| **1. PACE Rate Setting** | The PACE Modernization Act (PMA) authorizes the use of experience based rate setting for PACE starting in 2017.  
The PMA recognizes several principles including recognizing unique aspects of PACE, adjusting for geographic disparities, and providing transitional protections and protections for new POs.  
DHCS’ implementation of the new rate setting provisions does not fully meet these principles, particularly in the areas of recognizing capital costs, accepting POs cost projections, and protections for new POs and existing POs transitioning to the new rate methodology. | DHCS argues that it is meeting the intent of the PMA and is making special adjustments for POs that it doesn’t allow for managed care plans.  
There may be opportunities to strengthen and clarify the provisions of the PMA to ensure that the rate methodology is more protective of the PACE model.                                                                                   | Sponsor budget language to amend the PACE rate methodology provisions in the PMA to reduce downward pressure on rates and ensure that experienced based rates are sustainable. Three options have been developed for board review and approval:  
1. Require DHCS to more explicitly recognize capital needs and inherent risk and volatility in the PACE model, provide an additional administrative cost add-on for managed care reporting requirements, and provide an additional administrative cost add-on and new floor for new PACE organizations’ rates for the first three years.  
2. Require PACE rates to be no less than 95 percent of the AWOP.  
3. Require DHCS and POs to collaboratively develop a quality incentive payment program, providing up to five percent in incentive payment supplements for POs that meet established performance metrics, and establish a new floor for rates for new PACE organizations. |
| **2. PACE Application Streamlining** | DHCS has implemented several PACE flexibility initiatives but has recently revised the application processes for new PACE organizations and PACE expansions to limit PACE start-ups to twice per year.  
DPH is backlogged with licensing applications which is stretching out the | While DCHS has committed to make improvements, it is not clear how long it will take them to put these in place.  
The department may be overwhelmed with new priorities once a new administration is in place. | Continue to work with DHCS to establish a more streamlined and integrated application and licensing process for PACE, one that creates new licensing options for PACE including potential delegation of authority to DHCS of certain licensing and exemption approval functions. |
amount of time needed to secure licenses. DHCS has started to work with DPH on PACE licensing issues and exemptions and has committed to develop an integrated application and licensing review process.

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<th>3. Managed Care Enrollment Materials &amp; PACE</th>
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<td>DHCS has included PACE in the choice books and forms it has developed for Cal MediConnect. For non-duals and duals not eligible for Cal MediConnect, and for SPDs in non-CCI counties, DHCS provides inserts with information about PACE in the managed care enrollment materials they provide to beneficiaries who must enroll in managed care. CalPACE managed to get language adopted in the 2017 budget which allows beneficiaries who are subject to mandatory enrollment in managed care in CCI counties to be informed that they may alternatively request to be assessed for PACE eligibility.</td>
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The inserts that DHCS has developed that go to beneficiaries 55 and older in non-CCI counties are outdated and of limited value to beneficiaries. It is not clear whether duals and SPDs in CCI counties who are not subject to passive enrollment in Cal MediConnect but are subject to MLTSS are receiving information and guidance that they may alternatively be assessed for PACE eligibility. Continue to work with DHCS to develop consistent and up-to-date information and materials about PACE for SPDs and duals who are subject to managed care enrollment in non-CCI counties and to make them available in all managed care enrollment and outreach materials and communications. The materials should enable beneficiaries to understand what PACE provides; that, if eligible, they may be assessed for PACE eligibility and enroll in PACE; and how they can receive additional information and request to be assessed for PACE eligibility.

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<th>4. Overlapping Service Areas</th>
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<td>DHCS has established initial guidance on how it will process and evaluate overlapping service areas but the criteria and thresholds that the department is applying to determine when an area can additional POs are not clear. DHCS staff have expressed openness to providing additional data and information on the basis for its</td>
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This area is still evolving and a few other states are beginning to consider the need for more formal policies on when and how they will permit overlapping service areas. Continue to work with the administration to make the process and criteria that DHCS uses more transparent, including providing its findings and conclusions and the data that the findings are based on.
| 5. New Populations | CMS has issued two RFIs related to PACE pilots but has not implemented any to date.  
NPA is seeking support for Congressional proposals to provide POs with greater flexibility to serve Medicare-only beneficiaries, including by being able to enroll in PACE with their own Part D coverage and to be charged flexible premiums linked to their level of need. At least one PO nationally has sought waivers to do this but was rejected. | CMS may be more amenable to state-based waivers that seek broad flexibility to implement PACE pilots and to more easily serve Medicare only beneficiaries.  
There is interest in this concept from consumer groups representing persons with mental illness and disabilities. | Support NPA initiatives to get CMS to issue a final PACE regulation, initiate PACE pilots, and to authorize PACE to more easily serve Medicare only beneficiaries. |
| 6. Senior and Supportive Housing | The Legislature passed three housing finance bills in 2017 which are expected to provide new revenues for development of affordable housing. There is a growing demand for senior housing and supportive housing arrangements, in which residents have access to services to enable them to age in place. However, none of the bills passed by the Legislature direct funds into senior or supportive housing. Several POs have pursued or implemented supportive housing projects with developers including co-location of PACE centers and set asides of units for PACE participants. | Continue to advocate with Leading Age CA for incentives or set asides to steer greater housing resources into senior and supportive housing arrangements.  
Advocate to ensure that PACE is eligible to provide supportive services under any proposals designed to encourage development of senior and supportive housing. |
| 7. Loan Forgiveness & Residency and Clinical Training | POs are facing increasing difficulties attracting primary care providers including physicians, NPs, PAs, and | The Health Professions Education Fund within OSPHD currently provides a few loan forgiveness programs tied | Search for funding to establish a state loan forgiveness program targeted to geriatric primary care providers. |
nurses. POs in some areas face competition from other health providers and systems such as Kaiser while those in other areas have problems attracting professionals to live and provide services in their areas. Existing Geriatrician residency slots go unfilled and POs with training sites have difficulty attracting residents.

State and federal loan forgiveness programs don’t target enough resources for geriatric primary care training.

to specified funding sources, e.g. the Steven M. Thompson Physician Corps Loan Repayment Program (physician licensing fees) and the County Medical Services Program Loan Repayment Program (CMSP governing board funding) within OSHPD. The challenge is coming up with a source of funding.

According to the HPEFs website, most POs currently operate within qualifying areas for HPEF loan forgiveness programs.

Work with other organizations such as the California Primary Care Association to jointly request that OSHPD establish the program.

Explore whether there is support for earmarking a portion of recent budget augmentations for health workforce development for PACE or for geriatric training.

### 8. Allow mid-month enrollment in PACE

States may establish cut-off dates for accepting new enrollment in managed care plans and PACE. California generally establishes a cutoff date of 7 – 10 days from the end of each month as the cutoff data for enrollment starting in the following month; enrollments received after that date are not effective until the first of the month after the following month.

Study options for allowing enrollment in PACE beyond the established cut-off dates.
ARTICLE IV  Membership

4.1 The members of this Corporation are those persons having membership rights in accordance with the provisions of these Bylaws.

4.2 This Corporation will three (3) classes of Members, with the designations, qualifications and rights of such Members to be as follows:

   (a) Full Members. Full Members shall consist of PACE Organizations and Pre-PACE Organizations. To qualify for Full Membership status, PACE Organizations and Pre-PACE Organizations must have an executed contract with the Commonwealth of Pennsylvania and full operating authority. Management organizations that own and/or operate more than one (1) PACE or Pre-PACE Organization may also qualify as Full Members. Full Members shall be entitled to representation on the Corporation's Board of Directors, as more fully set forth in these Bylaws; provided that management organizations that own and/or operate more than one (1) PACE or Pre-PACE Organization shall only be entitled to a single appointee to the Board of Directors, regardless of the number of PACE and/or Pre-PACE Organizations owned and/or operated by such management organization.

   (b) Partner Members. Partner members shall consist of developing PACE or Pre-PACE Organizations, and to so qualify, developing PACE and Pre-PACE Organizations must provide the Corporation with proof of state market allocation. Partner Members shall not be entitled to representation on the Corporation's Board of Directors.

   (c) Associate Members. Associate Members shall consist of vendors who serve PACE and Pre-PACE Organizations, as well as other parties interested in the operation of PACE Organizations as the Corporation's Board of Directors may determine in its sole discretion from time-to-time. Admission of Associate Members shall require approval of the Corporation's Board of Directors. Associate Members shall not be entitled to representation on the Corporation's Board of Directors.

   (d) All Full Members and Partner Members shall be required to apply for and become members of the National PACE Association (NPA).

4.3 The annual dues payable to the Corporation by Members of each class will be in the amounts determined from time to time by resolution of the Board of Directors. The first annual dues will be payable and submitted in full with the application for membership. Future annual dues will be payable in advance on the first day of each fiscal year. Annual dues of new Members will be prorated from the first day of the month in which the Member enters.

4.4 The Members shall hold no meetings, and the Members shall not be entitled to vote on any matters pertaining to the Corporation.

4.5 Membership in this Corporation is nontransferable and nonassignable.
4.6 Membership will be terminated in this Corporation on any of the following events:

(a) Receipt by the Board of Directors of the written resignation of a Member, executed by the Member or the Member’s duly authorized attorney-in-fact.

(b) The corporate merger or dissolution of a Member, or the Member’s filing for bankruptcy protection.

(c) The failure of a Member to pay annual dues on or before their due date.

(d) The Member’s failure to continue to satisfy the criteria for Membership within such Member's Membership classification, as set forth in Section 4.2 hereof.

(e) For cause, inconsistent with membership, after notice, trial, and conviction.

However, a Member terminating membership status for reasons other than those stated in Paragraph (b) above, may be completely and automatically reinstated if the Member corrects the cause of termination before the Board of Directors formally adopts a resolution acknowledging the termination.

ARTICLE V  Board of Directors

5.1 Except as reserved to the vote of the members, the affairs of the Corporation shall be governed by its Board of Directors.

5.2 The number of directors shall not be less than two (2), and the number of directors shall not be subject to a cap. Full Member shall each be entitled to appoint one (1) individual to serve as a director of the Corporation; provided, however, that management organizations that own and/or operate more than one (1) PACE or Pre-PACE Organization shall only be entitled to a single appointee to the Board of Directors, regardless of the number of PACE and/or Pre-PACE Organizations owned and/or operated by such management organization. Each Full Member's director appointment must be an individual who has the authority to make decisions on behalf of the Full Member's organization that will be valid and fully binding against such Full Member organization without further approval from any other individual(s) within the Full Member organization.

5.3 The annual meeting of the Board of Directors shall be held on such date and at such location as shall be determined by the Board of Directors and as shall be designated in the notice of said meeting. In addition to the annual meeting, the Board of Directors shall hold at least two (2) other regular meetings per year, on such dates and at such locations as shall be determined by the Board of Directors and as shall be designated in the notices of such meetings.

5.4 Special meetings of the Board of Directors may be called by or at the request of the Board Chair or any two directors. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the Commonwealth of Pennsylvania, as the place for holding any special meeting of the Board called by them.
5.5 Notice of all meetings shall be given at least five (5) days before the meeting. In the case of any meeting of the Board of Directors, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or these Bylaws.

5.6 A majority of the Board of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board, provided, that if less than a majority of the Directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

5.7 The act of a majority of the directors present and voting at a meeting at which a quorum is present shall be the act of the Board of Directors, except where otherwise required by law or by these Bylaws. Notwithstanding the foregoing, a "Super Majority" of all directors then in office shall be required to approve certain actions pertaining the Corporation. For purposes of these Bylaws, "Super Majority" shall mean two-thirds (67%) of all directors then in office. Super Majority approval shall be required for the following:
(a) The amendment, revision, or modification or waiver of any term of these Bylaws or the Corporation's Articles of Corporation;

(b) Acquisition of land or any interest therein, or the acquisition of interests in any partnership, corporation or limited liability company;

(c) Sale, lease or other transfer of substantially all of the Corporation's assets and property, as well as the sale of any real property owned by the Corporation;

(d) Any merger, consolidation or other combination of the Corporation with any other entity;

(e) Making any expenditure or loan or incurring any debt or obligation by or for the Corporation involving the sum in excess of Fifty Thousand Dollars ($50,000.00) for any transaction or group of similar or related transactions; or

(f) Dissolving the Corporation.

5.8 Any director may be removed, for cause, by vote of two-thirds of all other directors on the Board; for cause being as determined in the sole discretion of the Board. Any director and/or officer may resign as such at any time upon submission of a written resignation to the Board of Directors or to the Chair. When a Full Member's director representative has been so removed, the Full Member shall promptly appoint a new director representative, unless the Full Member has been terminated pursuant to Article IV of these Bylaws.

5.9 Directors, as such, shall not receive any stated compensation for their services, but by resolution of the Board of Directors, directors may be reimbursed for costs of attendance at regular and/or special meetings of the Board; provided, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving reasonable compensation therefor.

5.10 Meetings of the Board of Directors shall be presided over by the Board Chair or, if the Chair is not present, then by the Immediate Past Chair (in years where an Immediate Past Chair exists) or the Chair-Elect (in years where a Chair-Elect exists), or, if no such officers are present at a meeting, by a Chairman to be chosen at the meeting. The Secretary of the Corporation or, in his or her absence, an Assistant Secretary, shall act as Secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the meeting directors shall choose any person present to act as Secretary of the meeting.
CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken September 6, 2018
Regular Meeting of the CalOptima Board of Directors

Report Item
15. Consider Approval of Process for Considering Requests for Letters of Support from Organizations Seeking to Offer Program of All-Inclusive Care for the Elderly (PACE) Services in Orange County Independent of CalOptima

Contact
Phil Tsunoda, Executive Director, Public Policy and Public Affairs, (714) 246-8400

Recommended Action
Authorize the CEO to implement a process to consider requests for letters of support from organizations seeking to offer PACE services in Orange County independent of CalOptima, with all final decisions subject to Board approval.

Background
PACE is a comprehensive health care program that CalOptima provides for frail seniors in Orange County. The PACE model is a person-centered, community-based alternative to nursing home care. PACE supports elders and their families by providing preventive and primary care, and coordinating behavioral health and acute care, as well as long-term services and supports. The intensive care coordination helps individuals with complex chronic care needs to continue living in the community as long as possible. CalOptima opened Orange County’s first PACE center in October 2013, and the program has grown to nearly 300 participants. CalOptima recently launched several new initiatives designed to expand access to PACE, including partnerships with Community-Based Adult Services (CBAS) centers, a greater role for community-based physicians in caring for PACE participants, and a larger PACE service area to reach all eligible seniors in Orange County.

On October 27, 2017, and on August 17, 2018, the Department of Health Care Services (DHCS) issued PACE policy letters regarding the PACE application process, including guidance on operation of an independent PACE facility in County Organized Health System (COHS) counties including Orange County. Historically, the only entity that could operate a PACE program in a COHS county was the designated Medi-Cal managed care plan. Welfare & Institutions code section 14087.5 et seq. provides that a managed care plan that elects to organize as a COHS holds the exclusive right to contract for Medi-Cal services, including PACE, in the respective county.

However, the above-referenced DHCS policy letters describe a process by which an organization interested in becoming an independent PACE Organization (PO) in a COHS county may, with the formal support of the local COHS plan, be considered to operate in that county(s). Specifically, DHCS will only consider an application from an independent PO in a COHS county if its application to DHCS includes a letter of support from the COHS Medi-Cal managed care plan. In the letter, the COHS plan must take the significant step of requesting that DHCS submit a formal request to the federal Centers for Medicare & Medicaid Services (CMS) requesting an amendment to California’s existing Section 1115 Medicaid Waiver as part of the independent PO application process to make an exception to the existing...
law that governs COHS plans. COHS plans, including CalOptima, are under no obligation to provide such letters of support.

Specific to the application process for organizations seeking to operate in COHS counties, the COHS plans’ only role is to issue (or not issue) a letter of support. If the COHS plan does not issue a letter of support, DHCS will not approve the application; if the COHS does provide a letter of support, it will be up to state and federal regulators to make all subsequent decisions on the application.

Since the release of the DHCS policy letters, staff has received informal inquiries from groups interested in applying to become independent POs in Orange County on how and whether CalOptima intends to respond to any requests for letters of support requesting that DHCS seek formal modification of California law governing the COHS framework.

Should CalOptima decide to provide one or more letters of support to independent POs, the decision would then be out of CalOptima’s hands, and the independent POs would follow an application process first involving DHCS, and if DHCS submits the request, CMS would consider whether to approve the requested waiver amendment. If CMS approves the waiver amendment, DHCS would then evaluate the independent PO application, and if approved, the application would go to CMS for final approval.

Separate from considering requests from independent POs, CalOptima staff is continuing Board-approved expansion efforts through collaboration with community partners. These include expanding CBAS center use through Alternative Care Setting sites, continuing to cultivate referrals from contracted community-based physicians, enrollment efforts in South Orange County, increasing current sales and marketing efforts, adding a Veteran’s Choice option to encourage enrollment by veterans, and adding a Medicare-only members option.

Discussion
In response to the DHCS policy letters and independent PO inquiries, staff is recommending that the Board approve an internal review process for the evaluation of requests for letters of support from organizations seeking to establish independent PACE operations in Orange County and making recommendations to the Board.

Elements of the process to consider letter of support requests include, but are not limited to:

1. **Application timeline window:** Subject to Board approval, staff anticipates accepting letters of support requests beginning November 1, 2018, to January 31, 2019.
2. **Geographic ZIP code designation:** Consistent with the DHCS and CMS PACE organization application process and policy, independent PO letter of support requests will include the specific ZIP codes the independent PO is interested in serving.
3. **Threshold Criteria (2050% weighting):** All letter of support requests from independent POs shall include and will be evaluated based on the following criteria:
   a. **PACE operating experience**
      i. Show a minimum of five (5) years of operating experience
      ii. Provide proof of regulatory audits with no sanctions
Consider Approval of Process for Considering Requests for Letters of Support from Organizations Seeking to Offer Program of All-Inclusive Care for the Elderly (PACE) Services in Orange County Independent of CalOptima

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III. Submit operational policies and procedures
IV. Obtain reference letters from member advocates, providers and community stakeholders

B. Financial soundness
   I. Submit financial statements (income statements and balance sheets) for the three most recent consecutive years
   II. Report financial metrics (i.e. liquidity, debt ratio, short-term viability, delinquency)
   III. Obtain third-party risk report via Dunn and Bradstreet (where available)

C. Quality performance/metrics
   I. Report performance against current CalPACE averages in areas of participants residing in nursing homes, hospital admissions, hospital days, hospital readmission rate, emergency room visits and participant satisfaction rating

D. Demographic competence
   I. Provide a general PACE demographic profile data of the ZIP code area of interest
   II. Demonstrate staff experience and/or understanding in serving PACE participants similar to those in the potential geographic area
      1. Training in cultural competency
      2. Language capability
      3. Accommodations for low literacy
      4. Response to socioeconomic factors

4. **Primary Criteria (80-50% weighting):** Potential impact on CalOptima PACE program/operations and other POs operating in Orange County, if any.
   a. For POs with strong demonstrated performance on the Threshold Criteria, the focus would be on, for example, evaluation overlap with existing PACE facilities in the County (e.g., also considering likelihood of adverse member selection, geographic separation, etc.); how the PO’s application demonstrates that they are proposing to offer complementary PACE services (e.g., for unique member populations, serving remote/underserved geographic areas of the County, bringing new providers, or in some other meaningful ways, enhancing existing PACE facilities).

5. **Return to the Board with Recommendations.** After analyzing PO proposals and requests for letters of support, staff will return to the Board with recommendations.

**Fiscal Impact**
The recommended action is projected to be budget neutral. CalOptima’s Fiscal Year 2018–19 Operating Budget, approved by the Board on June 7, 2018, included projected revenues and expenses related to the continuation of PACE expansion.

Staff anticipates that the administrative expenses included in the Board-approved operating budget are sufficient to cover the anticipated costs related to the recommended action.
Rationale for Recommendation
Staff recommends that the Board adopt a process for considering requests for letters of support from organizations seeking to offer PACE services in Orange County independent of CalOptima. As a public agency, CalOptima should be prepared to respond to such potential requests.

Concurrence
Gary Crockett, Chief Counsel

Attachments
3. Presentation: PACE Response to Regulatory Guidance

/s/ Michael Schrader 8/29/2018
Authorized Signature Date