Board of Directors Meeting
Via conference call
Wednesday, December 5, 2018 • 1:00pm – 2:00pm
Conference Line (267) 930-4000 | Participant Code 177-134-261

AGENDA

1. Welcome

2. Approval of minutes from November 06, 2018 board meeting – discussion and action item

3. Approval of On Lok designation of Eileen Kunz as board representative – discussion and action item

4. PACE rate methodology trailer bill proposal – discussion and action item

5. Lobbying strategy on 2019 proposals – discussion and action item

6. CalPACE letter to Governor-elect Newsom – discussion and action item

7. PACE Champion awards – discussion and action item

8. InnovAge corporate practice of medicine proposal update – discussion item

9. Adjourn

Attachments
A. Draft minutes of November 06, 2018 board meeting
B. On Lok letter designating Eileen Kunz as board representative
C. PACE rate methodology proposal – PACE Modernization Act amendments
D. Fact sheet on PACE rate methodology proposal
E. Draft letter to Governor-elect Newsom
F. InnovAge corporate practice of medicine proposal

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, Grace Li
• 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
November 6, 2018 | California Endowment, Sacramento, CA

Attendees
Board members: Arif Shaikh, CalOptima
Arnold Possick, Brand Centers for Senior Care
Cheryl Wilson, St. Paul’s PACE
Christie Brown O’Hanlon, Sutter SeniorCare PACE
Grace Li, On Lok Lifeways
Joyce Hayes, Redwood Coast 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: Barbara LaHaie, Redwood Coast PACE
Bev Dahan, InnovAge
Carol Hubbard, St. Paul’s PACE
Elizabeth Lee, CalOptima
Gary Campanella, On Lok Lifeways
Maria Lozzano, InnovAge
Rosana Scolari, San Diego PACE
Robin Jensen, St. Paul’s PA
Rachael Rhoades, Optumas
Steve Schramm, Optumas
Susie Fishenfeld, Brandman Centers for Senior Care

Board members absent: Kevin Mattson, San Diego PACE

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 2:45 p.m.

DECISIONS

Minutes. Minutes of the August 7 2018 board meeting were approved (Wilson/Zamora).
Brandman designation of Arnold Possick as board representative. A motion to approve the designation of Arnold Possick as the Brandman PACE board representative was approved on a unanimous vote (Wilson/Shaikh).

On Lok designation of Grace Li as board representative. A motion to approve the designation of Grace Li as the On Lok board representative was approved on a unanimous vote (Hayes/Zamora).

Proposed amendments to PACE Modernization Act dealing with PACE rate methodology. Steve Schramm with Optumas summarized three options that have been reviewed and discussed by the rate methodology work group. The first would provide additional room within PACE administrative costs for capital needs and risk and contingency and establish a new rate floor for new PACE organizations. Option 2 would more closely link PACE rates to the amount that otherwise would be paid (AWOP) by establishing 95 percent of AWOP as a floor for PACE rates. Option 3 would establish a quality incentive payment system for PACE organizations linked to access, quality, outcomes and beneficiary satisfaction metrics. Board chair Linda Trowbridge expressed a concern that going back to the old methodology could lead to less support for PACE from the state. She proposed a hybrid option, which would be a combination of Option 1 and a floor of 90 – 95 percent of AWOP. There was general support from several board members for this type of hybrid approach but several indicated that they would like to see additional protection to enable PACE organizations to keep their administrative costs at the higher end of the actuarial range and others indicated a desire to reduce the number of changes that CalPACE puts forward. Fred Main, CalPACE counsel and advocate, stated that PACE already receives certain rate protections that managed care plans don’t and will have the best success if it can present an option similar to Option 1 that is simple and easy to understand. Steve Schramm expressed concerns about including a rate floor linked to AWOP that is too high but indicated that 90 percent might be a good starting point for negotiation with the state. After further discussion, a motion was approved to further develop and bring back for board approval a hybrid approach (Trowbridge/Wilson).

2019 policy priorities. Mr. Hansel summarized a document containing eight proposed policy priorities for CalPACE for 2019 that have been reviewed and vetted by a work group and by PACE lobbyists. The priorities deal with rate setting, application streamlining, improvement of managed care enrollment materials on PACE, overlapping service areas, flexibility to serve new populations, senior and supportive housing, and loan forgiveness and clinical training incentives to attract primary care providers to PACE. After brief discussion, a motion to approve the policy priorities was approved (Wilson/Shaikh).

PACE management organization membership. Linda Trowbridge noted that CalPACE needs to develop a new membership category for organizations that own or control more than one PACE program in California, given that several new organizations are beginning to take steps to do that. The membership category would deal with issues such as board representation and member dues. There was board consensus to refer this matter to the CalPACE Governance, Dues and Bylaws Committee.

Support for organizations submitting proposals for CalOptima support for independent PACE operation. Arif Shaikh briefly described the process and criteria that CalOptima has established for providing support for applications from PACE organizations seeking to independently provide PACE services in Orange County. CalPACE has received at least one request for support for its proposal to CalOptima. Board members expressed a number of concerns with the precedent that this would set, including that it could be anticompetitive to
support certain applications and not others, that it may not be an appropriate role for CalPACE, and that it that its effect would be unclear if the association supports more than one proposal. After discussion, a motion expressing that it is not the role of CalPACE to provide letters of support for applications for any organization was approved on a 6 – 3 vote (Hayes).

**DISCUSSION**

**CalPACE retreat update.** Linda Trowbridge informed board members that a survey to develop input for a strategic planning exercise in conjunction with the 2019 CalPACE retreat would be forthcoming. This will be discussed further following the combined meeting with DHCS and CMS on November 7.

The meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Eileen Kunz, Secretary

Prepared by: Peter Hansel, Chief Executive Officer
Jennifer Blankenship, Director of Operations
November 14, 2018

Peter Hansel  
Chief Executive Officer  
CalPACE  
1315 I Street, Suite 100  
Sacramento, CA 95814

Dear Peter,

I am writing with regard to On Lok Lifeways’ board seat on the CalPACE Board of Directors.

I am currently serving as the On Lok Lifeways representative on the CalPACE Board of Directors. Effective immediately, I hereby designate Eileen Kunz to serve on the CalPACE Board of Directors.

Sincerely,

Grace Li  
Chief Executive Officer  
On Lok

Committed to serving California's diverse communities
Amend Welfare and Institutions Code Section 14301.1 (n), to read:

(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 consistent with actuarial rate development principles and shall provide for all reasonable, appropriate, and attainable costs 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.

(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. Notwithstanding (n)(2)(B), rates paid to PACE organizations shall be no less than 90 percent of the upper payment limit or amount that would otherwise be paid (AWOP) by the department. The detailed
development of the department’s calculation shall be disclosed to each PACE organization in conjunction with its proposed rates and shall include the base data and any adjustments in sufficient detail to demonstrate how the amount that would otherwise be paid was calculated.

(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). Notwithstanding (n)(2)(B) and (n)(3) 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 (AWOP), 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 higher administrative cost allowances for PACE for capital costs and risk and contingency.
2. Provides better rate protections for new PACE organizations.
3. Establishes a floor for rates that is linked to the amount that would otherwise be paid (AWOP).

Cons
1. DHCS may push back against a 90 percent rate floor and argue that it is not actuarially based, that the actual costs of several POs are below that level, and that it could allow some POs to accumulate excessive margins if not reinvested in PACE.
PACE Rate Methodology Change
Fact Sheet
Updated 11/30/18

Proposal
Adopt budget trailer bill language to modify the PACE rate methodology to reflect the higher capital costs and higher risk and volatility associated with the PACE model versus other managed care models, and to establish a new rate floor for new and existing PACE organizations.

Background
The Program of All-inclusive Care for the Elderly (PACE) has operated as a Medi-Cal benefit since 2003 as a capitated, comprehensive care program for adults and seniors over age 55 with higher needs who qualify for nursing home placement but who wish to remain in the community. Medi-Cal beneficiaries enroll in PACE in lieu of receiving Medi-Cal services on a fee-for-service basis or through a managed care plan.

The PACE Modernization Act, adopted in 2016, moved PACE to a new experience-based rate methodology, similar to the methodology used for other Medi-Cal managed care plans. Under this methodology, rates are based more closely on each organization’s operating and administrative costs and must be no higher than an established benchmark, which is the amount the Department of Health Care Services (DHCS) would otherwise pay for beneficiaries with comparable needs. The new rate methodology went into effect beginning with calendar year 2018 rates.

Research shows that the PACE model achieves high levels of outcomes for the beneficiaries it serves, including low rates of hospitalization, delays in onset of extended admissions to nursing facilities, extended longevity, and high rates of participant satisfaction. Based on 2017 rates, expenditures on PACE are estimated to be $23 million less than what would have otherwise been paid for their beneficiaries to be cared for outside of PACE.

Reasons for Proposal
Despite the fact that the DHCS has made adjustments in the application of its managed care rate methodology to recognize certain unique features of PACE, several unique aspects of PACE are not reflected in the rate methodology. For example, the rate methodology does not recognize that, as provider-based plans, PACE organizations must make significant capital expenditures to develop, expand, and upgrade PACE centers. The cost of acquiring and adapting space for a PACE center can
range from $11 – 14 million. It also doesn’t recognize that PACE organizations face inherently greater risk and volatility associated with serving a small, but exclusively high need population, which limits their ability to spread the risks and costs of their highest cost beneficiaries. Administrative costs necessary for PACE organizations to phase in managed care reporting requirements such as reporting of encounters are also not explicitly provided for in the methodology.

Finally, the rate methodology does not recognize that new PACE organizations face inherently higher costs than more mature organizations. Under the current methodology, the cost experience of mature PACE organizations is used to establish new PACE organizations’ rates, which forces them to sustain heavy losses in their initial years of operation.

Arguments in Support

- DHCS has pointed to the capital intensive nature of PACE as a factor that is limiting more rapid PACE expansion. The proposed changes will better align the rate methodology with this inherent feature of PACE.

- The relatively small average enrollment in PACE (approximately 700 enrollees versus several thousand in traditional managed care plans) severely limits the ability of PACE organizations to manage the risks and volatility in costs associated with their highest cost enrollees by spreading them across their overall enrollment. The proposed changes will enable PACE organizations to create reasonable reserves to manage this increased risk and volatility.

- The changes will ensure that PACE continues to be cost effective for the state by establishing a floor for rates that is linked to the amount that would otherwise be paid for comparable beneficiaries. In 2017, the amount saved through PACE is close to $23 million.

- The changes will enable PACE organizations to continue to expand and to serve higher needs populations including adults with behavioral health needs and formerly homeless adults.

Proposed Changes

1. Requires the PACE rate methodology to be developed in accordance with generally accepted actuarial rate development principles and to provide for all reasonable, appropriate, and attainable costs for each PACE organization within each region.

2. Requires the rate methodology to 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.

3. Requires two percentage points to be added to each PACE organization’s allowable administrative expenditures to enable them to meet the administrative standards applied to other managed care models for the first three years of the application of the rate methodology.

4. Sets a floor for PACE rates at 90 percent of the upper payment limit or amount that would otherwise be paid (AWOP) for comparable beneficiaries, and requires a detailed development of the department’s calculation to be disclosed to each PACE organization.
5. For the first three years in which a new PACE organization begins operations or an existing PACE organization enters a previously unserved area, requires the rates to be no less than 95 percent of the amount that would otherwise be paid (AWOP), to reflect the lower enrollment and higher operating costs associated with new PACE organizations relative to PACE organizations with higher enrollment and more experience in providing managed care interventions to their beneficiaries.

*Sponsor of Proposal: CalPACE*
December  , 2018

Dear Governor-elect Newsom:

CalPACE, the California Association of Programs of all-Inclusive Care for the Elderly, commends and congratulates you on your recent election to be the next Governor of California.

PACE organizations provide comprehensive health care and long-term services and supports to low-income seniors who qualify to be in nursing homes, to enable them to remain in the community for as long as possible. Our members currently provide and coordinate services through 40 care centers located in 12 counties in the state.

By carefully coordinating and integrating services, PACE reduces utilization of hospital and ER services and delays the onset of extended nursing home stays, as well as improving the longevity and quality of life of frail seniors. PACE is also cost-effective for the state. In 2017 the cost of providing PACE services was $23 million less than it would have cost the state to care for their beneficiaries outside of PACE.

We hope you will include in your aging and LTSS priorities providing additional support for the innovative and successful home and community based programs like PACE. Two specific things that would assist PACE organizations are ensuring that Medi-Cal rates adequately fund the capital needed to build and upgrade care centers and the higher risks they take on in serving an exclusively high need population of nursing home eligible seniors, and streamlining the licensing and approval processes for new PACE centers.

CalPACE is also a member of and supports the goals and proposals of the California Aging and Disability Alliance (CADA) to begin to address and plan more thoughtfully for the future needs of California’s growing population of seniors and persons with disabilities.

CalPACE specifically supports the steps that CADA has called for, for your first 100 days in office, to appoint a Long-Term Supports and Services (LTSS) Czar, fund a feasibility study on the creation of a new long-term supports and services benefit that would reduce out of pocket costs and impoverishment associated with LTSS costs, and to develop a plan of action and LTSS strategy for all Californians.

We look forward to working with your administration on solutions to meet these important needs of California’s seniors and persons with disabilities.

Sincerely,

Linda Trowbridge
Chair and CEO, Center for Elder’s Independence
The Legislature hereby finds and declares all of the following:

(a) The Program of All-Inclusive Care for the Elderly (PACE) is an innovative model that provides a range of comprehensive integrated preventative acute care, and long-term care services to manage and meet the needs of the often complex medical, functional, and social needs of the frail elderly.

(b) PACE was created as a way to provide patients, families, caregivers and professional health care providers the flexibility to meet a person’s health care needs while continuing to live safely in the community. Geriatric services are a vital component of achieving positive outcomes for PACE participants.

(c) There is a significant shortage of geriatricians in California and the United States. The American Geriatric Society (AGS) estimates that in 2016, the U.S. needed about 20,000 geriatricians to provide adequate health care to older adults; there were fewer than 6,800 certified practicing geriatricians in 2016, a shortfall of over 13,000. The State of California is second in the nation in terms of the need for geriatricians.

(d) Allowing PACE programs to directly employ geriatricians through the requirements set forth herein will ensure continuity of care for PACE participants while also increasing opportunities to expand the availability of geriatricians in the state.

SECTION 1. Section 2404 of the Business and Professions Code is added to read:

2404.
(a) The provisions of Section 2400 do not apply to PACE organizations as defined in section 14592 of the Welfare and Institutions Code. PACE organizations may employ licensees, provided the following conditions are met:

(1) The organization does not utilize the services of an employed physician for care to non-PACE participants.

(2) The organization does not interfere with, control, or otherwise direct a physician’s professional judgment in a manner prohibited by Section 2400 or any other law. A violation of this subdivision would constitute an unfair and unlawful business practice under Section 17200 of the Business and Professions Code and is subject to enforcement pursuant to Chapter 5 (commencing with Section 17200) of Part 2 of Division 7 of the Business and Professions Code.

(3) The program provides an approved residency postgraduate training program or fellowship program for physicians [they employ] who wish to become board certified geriatricians. The program maintains a residency rotation program through a hospital or medical center operating a residency program. The rotation program must include as part of the clinical experience availability of the PACE organization’s facilities and equipment as well as designated personnel with the PACE organization.

(c) This section does not apply to any PACE organization that currently employs licensees through any existing state or federal exemption.