



February 11, 2019

Senator Holly Mitchell
Chair, Senate Budget Committee
State Capitol, Room 5050
Sacramento, CA 95814

Senator Richard Pan
Chair, Senate Budget Subcommittee #3
State Capitol, Room 5114
Sacramento, CA 95814

RE: Budget Trailer Bill request for amendments to PACE Modernization Act

Dear Senators Mitchell and Pan:

CalPACE, the California Association of Programs of All-inclusive Care for the Elderly, requests the adoption of budget trailer bill language to make changes to the Medi-Cal rate methodology for PACE. These changes are needed to recognize higher capital costs and higher risk associated with the PACE model versus other managed care models, and to require that rates be no lower than 90 percent of the amount the state would otherwise pay for existing programs and 95 percent for new organizations.

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.

Research shows that the PACE model achieves high levels of outcomes for the beneficiaries it serves, including low rates of hospitalization, delays in or avoidance of extended admissions to nursing facilities, extended longevity, high rates of participant satisfaction, and savings for the state and federal governments. Based on research by CalPACE, expenditures on PACE in 2017 were \$23 million less than what would have otherwise been paid for their beneficiaries to be cared for outside of PACE.

The current PACE rate methodology, which was adopted as part of the budget in 2016, moved the payment methodology from a fee-for-service based methodology to an experience-based rate methodology, under which payments are more closely tied to each organization's costs, similar to the methodology uses for Medi-Cal managed care plans. The new rate methodology went into effect beginning with calendar year 2018 rates.

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 proposed trailer bill language will ensure that PACE continues to be a viable program for older adults and seniors with higher care needs while continuing 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.

We would ask that this request be agendized as part of the subcommittee's hearing on Medi-Cal. We welcome an opportunity to discuss our proposed language with you and your staffs.

Thank you for your attention to our request.

Sincerely,

A handwritten signature in cursive script that reads "Linda P. Trowbridge".

Linda Trowbridge
Chair & CEO, Center for Elders' Independence

Enclosure: Proposed trailer bill language – PACE Modernization Act amendments

CC: Scott Ogus, Consultant, Senate Budget Subcommittee #3