**AGENDA**

1. Welcome

2. State budget and legislative update (10 minutes)

3. Rate setting update (10 minutes)

4. CalPACE 2019 policy priorities (15 minutes)
   - Transfer of PACE licensing functions
   - Rate methodology proposal

5. DHCS and CMS guidance and initiatives (10 minutes)
   - DHCS PACE application process and level of care review

6. Upcoming meetings and events (5 minutes)

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Place</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>06.04.2019</td>
<td>Quarterly Public Policy Call</td>
<td>Phone (267) 930-4000</td>
<td>10:00am-11:00am</td>
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<tr>
<td>06.13.2019</td>
<td>Monthly Member Call</td>
<td>Phone (267) 930-4000</td>
<td>3:00pm-4:00pm</td>
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<tr>
<td>06.18 – 19.2019</td>
<td>West Coast PACE 2.0 Learning Session</td>
<td>West PACE, 1706 Descanso Avenue, San Marcos, CA 92078</td>
<td>8:00am-5:00pm</td>
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<tr>
<td>06.25.2019</td>
<td>Board Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
<td>11:00am-12:30pm</td>
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<tr>
<td>06.25.2019</td>
<td>Member Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
<td>12:30pm-4:30pm</td>
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<tr>
<td>06.25.2019</td>
<td>Passport Tour. Taste. Toast. [Member and Affiliate Event]</td>
<td>Sutter SeniorCare PACE, 444 N 3rd Street, Sacramento, CA 95811</td>
<td>5:00pm-8:00pm</td>
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<tr>
<td>06.26.2019</td>
<td>Combined DHCS CMS Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
<td>9:00am-12:00pm</td>
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<tr>
<td>07.11.2019</td>
<td>Monthly Member Call</td>
<td>Phone (267) 930-4000</td>
<td>3:00pm-4:00pm</td>
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<tr>
<td>07.18.2019</td>
<td>Getting to Know PACE - New Member Call</td>
<td>Phone (267) 930-4000</td>
<td>10:00am-11:00am</td>
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<tr>
<td>08.22.2019</td>
<td>Monthly Member Call</td>
<td>Phone (267) 930-4000</td>
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<tr>
<td>08.28.2019</td>
<td>Member Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
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<td>08.28.2019</td>
<td>Board Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
<td>3:00pm-4:15pm</td>
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<tr>
<td>08.28.2019</td>
<td>Member Dinner</td>
<td>TBA - Sacramento</td>
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<td>08.29.2019</td>
<td>Combined DHCS CMS Meeting</td>
<td>California Endowment, 1414 K Street, Suite 100, Sacramento, CA 95814</td>
<td>8:00am-10:00am</td>
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<tr>
<td>08.29.2019</td>
<td>Affiliate Meet &amp; Greet</td>
<td>Hyatt Regency Sacramento, 1209 L Street, Sacramento, CA 95814</td>
<td>10:00am-4:30pm</td>
</tr>
</tbody>
</table>

7. Other business

8. Adjourn

**Attachments**

A. AB 1128 Bill Text- Transfer of PACE Licensing from DPH to DHCS
B. PACE Modernization Act Language – PACE Rate Methodology
An act to add Sections 1221.18, 1221.18, 1575.5, and 1734.6 to the Health and Safety Code, and to amend Section 14592 of the Welfare and Institutions Code, relating to the elderly.

LEGISLATIVE COUNSEL’S DIGEST

AB 1128, as amended, Petrie-Norris. Program of All-Inclusive Care for the Elderly.

Existing federal law establishes the Program of All-Inclusive Care for the Elderly (PACE), which provides specified services for older individuals at a PACE center, defined, in part, as a facility that includes a primary care clinic, so that they may continue living in the community. Federal law authorizes states to implement the PACE program as a Medicaid state option.

Existing state law establishes the California Program of All-Inclusive Care for the Elderly (PACE program), to provide community-based, risk-based, and capitated long-term care services as optional services under the state’s Medi-Cal State Plan, as specified. Existing law authorizes the State Department of Health Care Services to enter into contracts with various entities for the purpose of implementing the PACE program and fully implementing the single state agency responsibilities assumed by the department in those contracts, as specified.
Existing law establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, duties relating to the licensing and regulation of various entities, including primary care clinics, adult day health centers, and home health agencies.

This bill would require a PACE center to maintain a license both as a primary care clinic and an adult day health center, and to either maintain a license as a home health agency or contract with a licensed home health agency for the provision of home health services. The bill would require the State Department of Health Care Services, as the single state agency overseeing the PACE program, to license and regulate any primary care clinic, adult day health center, and home health agency that is related to a PACE center, thereby transferring these duties from the State Department of Public Health to the State Department of Health Care Services, and would authorize the State Department of Health Care Services to exempt certain PACE centers from these provisions.


The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) The Program of All-Inclusive Care for the Elderly (PACE) is a national model of comprehensive care for California’s frail population 55 years of age and older who qualify for nursing home placement but wish to remain in the community.

(b) Research shows that PACE produces significant improvements for the beneficiaries it serves, including fewer hospitalizations, fewer nursing home admissions, higher quality of life, and greater rates of satisfaction with overall care.

(c) The PACE model achieves savings for the State of California. In 2017, the state paid $22,600,000 less than it would have if all current PACE participants were served outside of PACE.

(d) Currently, there are 12 PACE programs operating in 42 sites across California, serving almost over 8,000 seniors.

(e) PACE organizations are currently required to obtain licensing approvals or exemptions to operate clinics, adult day health centers, and, in some cases, home health agencies, from
the State Department of Public Health (DPH) in a lengthy process that is separate from the extensive approval process administered by the State Department of Health Care Services (DHCS).

(f) This bifurcated process can delay the rollout of new and expanding PACE programs by months or even years.

(g) Therefore, it is the intent of the Legislature to shift responsibility for PACE licensing from DPH to DHCS to remove redundancy and duplication between the reviews by the two departments, and expedite approval of new or expanding PACE programs that will help more seniors access PACE while remaining in their homes and communities.

SECTION 1.

SEC. 2. Section 1221.18 is added to the Health and Safety Code, to read:

1221.18. Pursuant to subdivision (d) of Section 14592 of the Welfare and Institutions Code, by January 1, 2021, the State Department of Health Care Services, as the single state agency overseeing the Program of All-Inclusive Care for the Elderly (PACE), as described in Chapter 8.75 (commencing with Section 14591) of Part 3 of Division 9 of the Welfare and Institutions Code, shall license and regulate any primary care clinic license that is related to a PACE center, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations.

SEC. 3.

SEC. 2. Section 1575.5 is added to the Health and Safety Code, to read:

1575.5. Pursuant to subdivision (d) of Section 14592 of the Welfare and Institutions Code, by January 1, 2021, the State Department of Health Care Services, as the single state agency overseeing the Program of All-Inclusive Care for the Elderly (PACE), as described in Chapter 8.75 (commencing with Section 14591) of Part 3 of Division 9 of the Welfare and Institutions Code, shall license and regulate any adult day health center license that is related to a PACE center, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations.

SEC. 3.

SEC. 4. Section 1734.6 is added to the Health and Safety Code, to read:

1734.6. Pursuant to subdivision (d) of Section 14592 of the Welfare and Institutions Code, by January 1, 2021, the State
Department of Health Care Services, as the single state agency overseeing the Program of All-Inclusive Care for the Elderly (PACE), as described in Chapter 8.75 (commencing with Section 14591) of Part 3 of Division 9 of the Welfare and Institutions Code, shall license and regulate any home health agency license that is related to a PACE center, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations.

SEC. 4.

SEC. 5. Section 14592 of the Welfare and Institutions Code is amended to read:

14592. (a) For purposes of this chapter, “PACE organization” means an entity as defined in Section 460.6 of Title 42 of the Code of Federal Regulations.

(b) The director shall establish the California Program of All-Inclusive Care for the Elderly (PACE program) to provide community-based, risk-based, and capitated long-term care services as optional services under the state’s Medi-Cal State Plan and under contracts entered into between the federal Centers for Medicare and Medicaid Services, the department, and PACE organizations, meeting the requirements of the Balanced Budget Act of 1997 (Public Law 105-33) and any other applicable law or regulation.

(c) A PACE center, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations, shall maintain a license both as a primary care clinic, as defined in paragraph (1) of subdivision (b) of Section 1200 of the Health and Safety Code, and an adult day health center, as defined in subdivision (b) of Section 1570.7 of the Health and Safety Code. Additionally, a PACE center shall elect to either maintain a license as a home health agency, as defined in subdivision (a) of Section 1727 of the Health and Safety Code, or contract with a licensed home health agency for the provision of home health services.

(d) (1) Notwithstanding any other law, including Division 2 (commencing with Section 1200) of the Health and Safety Code, the department, as the single state agency overseeing the PACE program, shall assume the duties of the State Department of Public Health relating to the licensing and regulation of any primary care clinic, as defined in paragraph (1) of subdivision (b) of Section 1200 of the Health and Safety Code, adult day health center, as defined in subdivision (b) of Section 1570.7 of the Health and
Safety Code, and home health agency, as defined in subdivision (a) of Section 1727 of the Health and Safety Code, that is related to a PACE center, as defined in Section 460.6 of Title 42 of the Code of Federal Regulations.

(2) The transfer of these duties shall occur by a date collectively determined by the department, the State Department of Public Health, and PACE organizations, but no later than January 1, 2021.

(e) Consistent with Sections 1231.5, 1580.1, and 1734.5 of the Health and Safety Code, and in accordance with Section 100315 of the Health and Safety Code, the department may exempt a PACE center from subdivisions (c) and (d).
PACE Modernization Act Amendments – PACE Rate Methodology

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.
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 of
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.