



TOBY DOUGLAS
Director

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
Governor

June 28, 2013

Gloria Nagle, PhD, MPA
Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT (SPA) 13-006

Dear Ms. Nagle:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA), which updates the service descriptions for the Program of All-Inclusive Care for the Elderly (PACE).

As part of SPA 13-006, DHCS is requesting to remove the enrollment cap statewide for PACE plans; remove language stipulating eligibility for PACE services will be capped for each fiscal year; update the description of how the rate methodology is established; and remove specific DHCS actuaries who are no longer with DHCS or no longer work on the PACE rates.

In compliance with the new policy set forth by the American Recovery and Reinvestment Act of 2009 (ARRA), on May 24, 2013, DHCS notified Indian Health Programs and Urban Indian Organizations of SPA 13-006. As of the date of this letter, no comments have been received from Indian Health Programs and Urban Indian Organizations.

Please contact Mr. John Shen, Chief of the Long-Term Care Division at (916) 440-7534 or by email at John.Shen@dhcs.ca.gov if you have any questions.

Sincerely,

Original Document Signed By:

Toby Douglas
Director

Enclosures

Cc: Don Novo
Division of Medicaid and Children's Health Operations
San Francisco Regional Office
Centers for Medicare and Medicaid Services
90 Seventh Street, Suite 5-300(5W)
San Francisco, CA 94103

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
13-006

2. STATE
California

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2013

5. TYPE OF PLAN MATERIAL (*Check One*):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 2013 \$ Undecided
b. FFY 2014 \$ Undecided

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplemental 4 to Attachment 3.1 – B pages: 1, 1.1, 7, & 7a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):

Supplemental 4 to Attachment 3.1 – B pages: 1, 1.1, 7, & 7a

10. SUBJECT OF AMENDMENT:

Revision of Operating Rules for PACE

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:
The Governor's Office does not
wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Original Document Signed By:

13. TYPED NAME:

Toby Douglas

14. TITLE:

Director

15. DATE SUBMITTED:

June 28, 2013

16. RETURN TO:

**Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417**

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

State/Territory: California

Name and address of State Administering Agency, if different from the State Medicaid Agency

~~The State will set an enrollment limit of 5,580 Medicaid PACE recipients to be funded under the Medicaid program.~~

I. Eligibility

The State determines eligibility for PACE enrollees under rules applying to community groups.

- A. The State determines eligibility for PACE enrollees under rules applying to institutional groups as provided for in section 1902(a)(10)(A)(ii)(VI) of the Act (42 CFR 435.217 in regulations). The State has elected to cover under its State plan the eligibility groups specified under these provisions in the statute and regulations. The applicable groups are: See Supplement 4, Attachment 3.1-B, Page 1.1.

(If this option is elected, please identify, by statutory and/or regulatory reference, the institutional eligibility group or groups under which the State determines eligibility for PACE enrollees. Please note that these groups must be covered under the State's Medicaid plan.)

- B. The State determines eligibility for PACE enrollees under rules applying to institutional groups, but chooses not to apply post-eligibility treatment of income rules to those individuals. (If this option is selected, skip to II – Compliance and State Monitoring of the PACE Program.)
- C. The State determines eligibility for PACE enrollees under rules applying to institutional groups, and applies post-eligibility treatment of income rules to those individuals as specified below. Note that the post-eligibility treatment of income rules specified below are the same as those that apply to the State's approved HCBS waiver(s).

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State/Territory: California

II. Rates and Payments

A. The State assures CMS that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon one of the following methodologies. Please attach a description of the negotiate rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. See Supplement 4, Attachment 3.1-B, Page 7a.

1. Rates are set at a percent of fee-for-service costs
2. Experience-based (contractors/State's cost experience or encounter data) (please describe)
3. Adjusted Community Rate (please describe)
4. Other (please describe)

B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner. Please list the name, organizational affiliation of any actuary used, and attestation/description for the initial capitation rates.

Capitated Rates Development Division assigned actuary.

C. The State will submit all capitated rates to the CMS Regional Office for prior approval.

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~~Gary McCollum, ASA, MAAA _____ Capitation Rate Unit, DHS~~
~~Robert Ruderman, ASA, MAAA _____ Capitation Rate Unit, DHS~~
~~Arlene Livingston, FSA, MAAA _____ Capitation Rate Unit, DHS~~
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State/Territory: California

Rate Setting Methodology for PACE

Under a risk contract, Medicaid payments to the contractor, for a defined scope of services to be furnished to a defined number of recipients, may not exceed the cost to the State of providing those same services on a fee-for-service basis to an actuarially equivalent nonenrolled population group. The Program of All-Inclusive Care for the Elderly (PACE) is a capitated program for individuals who are eligible for placement in a Long-Term Care facility.

Capitation rates for contracts the State has with PACE contractors in a number of different counties are set using a fee-for-service equivalent (FFSE) methodology. The FFSE is calculated for each plan, and then the capitation rate is set at a percentage of the FFSE, no less than 90 percent and not to exceed 100 percent.

The calculation of the FFSE starts with a statewide base cost from a prior period, expressed as a cost per eligible per month. Adjustments are then made which adjust the base cost for the specific plan rate being calculated. The adjustments are for the following items:

1. Demographics – This adjusts for the specific age/sex demographics of a plan.
2. Contract Adjustments – Since plans do not cover all available services in fee-for-service, reductions for those services not covered are accounted for on this line. The specific type of services not covered would include the following:
AIDS Waiver Services, In-Home Waiver Services, Nursing Facility Waiver Services, and other items not covered related to children who would not be enrolled under this program.
3. Medicare Adjustments – Because Medicare pays a significant portion of the medical expenses for individuals over 65, the capitation rate is different for individuals who have Medicare coverage and for those who do not. This adjusts for the plan population relative to the statewide base.

This adjusted base cost then needs to be projected into the future. There are two considerations here; legislative changes and trend.

1. Legislative Changes – This evaluates the financial impact of legislation that has been passed or is expected to be enacted.
2. Trend – This adjustment predicts the affect of all other changes that may take place in the Medi-Cal population in the medical services arena. Because the Base Costs are for prior fiscal years s-1996/97, it is necessary to project these forward to the rate year. Trend adjustments for AIDS are the same as trend adjustments for Long Term Care. The calculation of trends is made in two parts; number of units used per eligible and cost per unit.

~~The rate setting methodology for PACE is the FFSE cost per person per month. The capitation rate paid to a PACE Program is 85, 90, or 95 percent of the FFSE costs. The percentage used is mutually agreed to by the State and the PACE Program.~~

~~Historically, the start up of California PACE Demonstrations Programs capitation rates were set at 95 percent of the FFSE costs for two years in order to gain experience as a PACE Program prior to applying for a federal waiver and then recalculated at 85 percent of FFSE costs in subsequent years as a PACE Program became more stable and financially self-sufficient.~~

~~AltaMed Senior BuenaCare's (SBC) percent of FFS continues to remain at 95% percent since they have not been able to achieve self-sufficiency. The Department of Health Services will consider to reduce SBC's percent of FFS to 85 percent in the future.~~

~~Over the last several years, On Lok had experienced increased difficulties in recruiting new in-home care workers. In July 1999, On Lok had to increase its home care worker wages by 25 percent over the salary scale just to match the wages of the In-Home Supportive Services (IHSS) workers in San Francisco who perform tasks comparable to On Lok's in-home care workers. The high costs of these services in San Francisco justified On Lok receiving an increase from 85 percent to 90 percent of the cost of a comparable population. On Lok continues to increase its wages just to remain competitive with the IHSS wages.~~

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