



JENNIFER KENT
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

September 29, 2016

PACE Policy Letter 16-01

TO: Program for All-Inclusive Care for the Elderly (PACE) Organizations

SUBJECT: PACE Application Process

Purpose

The purpose of this Policy Letter is to inform Program of All-Inclusive Care for the Elderly (PACE) Organizations (POs) and potential applicant organizations with clarification on the revised Department of Health Care Services (DHCS) application review process and timeline for new PACE Applicants and Expansion requests for existing POs.

Background

The Centers for Medicare & Medicaid Services (CMS) released the 2016 PACE Application Guidance on December 11, 2015 regarding its new electronic PACE application submission timelines and review process. Effective immediately all new initial PACE application submissions to CMS were required to be web-based through the Health Plan Management System (HPMS).

The PACE application is extensive, consisting of a series of attestations that align with specific federal PACE regulatory requirements. In addition, each attestation may also require specific documentation to be submitted by the applicant PACE organization supporting the attestation and demonstrating current or planned compliance with the regulatory requirement.

Under the previous PACE application format and submission process, the State review was completed in its entirety prior to signing the State Assurance pages and approving submission of the application to CMS. This required at minimum a six month review process by the State before approval could be granted allowing submission to CMS to begin its separate review process consisting of two 90-day clock reviews separated by a formal request for additional information period. In total, this bifurcated review process entailed an application review period of over one year between the two entities.

New Application Review Process

DHCS is implementing the following changes to its application review process to better align the State review period with the CMS timetable for submissions and review period. This new process will mirror the previous format in that it requires a formal Letter of Intent (LOI) followed by the initial submission. The initial submission components are specifically identified in Attachment 1 to this letter and provide DHCS with key organizational background / experience and financial viability attestations and documentation necessary for the State to complete/sign the State Assurance pages and authorize submission of the full application to DHCS and CMS via HPMS.

Upon submission of the full application to both DHCS and CMS, the state will align its review of the remaining application with the CMS initial 90-day clock cycle to create a concurrent review process. The initial CMS 90-day clock review begins upon receipt of the completed full application in HPMS which must include the signed State Assurance pages.

Action	Due Date	Document for Submission	Reviewer	Review Timeframe
Notification of Intent	30 Days Prior to Submission of Initial Application	Letter of Intent	N/A	N/A
Initial Application Submission	Align with NOIA Submission Date	Organizational Background/ Experience, Market Feasibility Survey/ Financial Viability, Pro Forma (Attachment 1)	DHCS	60 Calendar Days
Full Application Submission	Align with CMS Initial PACE Application Submission Deadline	Remaining Attestations/ Documentation, State Assurance Page	DHCS / CMS	90 Calendar Days

Upon completion of the initial CMS 90-day clock review of the full application, CMS and DHCS may issue a Request for Additional Information (RAI) to the prospective PO. Issuance of the RAI takes the application off the review clock during this period while the prospective PO responds to the CMS/DHCS RAI. It is also during this period that DHCS conducts the required Readiness Review onsite survey of the prospective PO PACE Center. All deficiencies identified during the DHCS Readiness Review onsite survey of the prospective PO PACE Center must be addressed through a corrective action plan accepted by DHCS.

Once CMS/DHCS have accepted the prospective PO RAI response and the Readiness Review tool has been completed and accepted, CMS will initiate the final 90-day clock review cycle. Conclusion of this cycle results in CMS notification to the prospective PO of final approval or denial.

Key Dates for CMS Application Submission Process

The prospective PO must ensure that it has submitted both the required formal letter of intent and the initial PACE Application components to DHCS prior to the CMS

submission deadline for the Notice of Intent to Apply (NOIA) as identified in its' 2016 Application Guidance letter and shown in the below table. This is necessary to ensure that DHCS has sufficient time to complete its initial submission review prior to the CMS full application submission deadline.

Upon submission of the initial application components to DHCS the prospective PO must follow the below CMS Initial Application process. This will ensure that upon completion of the initial state review period the full application is ready for submission to DHCS and CMS by the quarterly submission window deadline.

Initial Application	Quarterly Dates
NOIA submission for new PACE organizations to ensure timely access to CMS systems, including HPMS	1st quarter - By January 31, 20xx
	2nd quarter - April 1 to April 30, 20xx
	3rd quarter - July 1 to July 31, 20xx
	4th quarter - October 1 to October 31, 20xx
Request HPMS access as a new user	1st quarter - By January 31, 20xx
	2nd quarter - April 1 to April 30, 20xx
	3rd quarter - July 1 to July 31, 20xx
	4th quarter - October 1 to October 31, 20xx
HPMS window open to complete Initial PACE application	1st quarter - By January 31, 20xx
	2nd quarter - April 1 to April 30, 20xx
	3rd quarter - July 1 to July 31, 20xx
	4th quarter - October 1 to October 31, 20xx
Initial PACE application 20xx submission deadlines - the applicant will be able to hit Final Submit: on this date	1st quarter - By January 31, 20xx
	2nd quarter - April 1 to April 30, 20xx
	3rd quarter - July 1 to July 31, 20xx
	4th quarter - October 1 to October 31, 20xx

PACE Expansion Applications

PACE Organizations can expand their service area or add a new PACE center by submitting a PACE Expansion application. There are three scenarios under which a PACE provider may expand operations. Each scenario identifies the initial application submission requirement for DHCS review period and timeframe. Upon completion of the initial review DHCS will approve submission of the full application to CMS and DHCS for concurrent review.

Expansion Type	DHCS Review
Zip Code Expansion * Expansion of service area within existing county of operations	<ul style="list-style-type: none"> · New PACE Center: No · New Rate Development: No · Initial State Review: Full application · Review Period: 30 days
New Center Expansion * Opening of new PACE Center in existing county of operations	<ul style="list-style-type: none"> · New PACE Center: Yes · New Rate Development: No · Initial State Review: Financial section · Review Period: 60 days
New County Expansion * Expansion of service area to zip codes in a new county of operations	<ul style="list-style-type: none"> · New PACE Center: Probable but not required · New Rate Development: Yes · Initial State Review: Financial section · Review Period: 60 days

Service Area Expansions are submitted quarterly. The SAE application can be found at: <https://www.cms.gov/Medicare/Health-Plans/pace/Overview.html>

CMS Service Area Expansion Application	
SAE application submission windows	1st quarter - January 4 to January 8, 20xx 2nd quarter - June 30, 20xx 3rd quarter - September 30, 20xx 4th quarter - December 30, 20xx

Implementation

Implementation of the new application process becomes effective the date of this Policy Letter.

Should you require additional clarification regarding this policy letter, please contact your designated Contract Manager.

Sincerely,

Rebecca Schupp, Chief
Long-Term Care Division

Enclosures
Attachment 1



**Attachment 1
Attestations/Documentation Requirements for
DHCS Initial Submission Review of New PACE Application**

	Attestation	Documents
Organizational	<ul style="list-style-type: none"> <input type="checkbox"/> 3.1 – Service Area <input type="checkbox"/> 3.2 – Legal Entity and Organizational Structure <input type="checkbox"/> 3.3 – Governing Body <input type="checkbox"/> 3.25 – Termination 	<ul style="list-style-type: none"> <input type="checkbox"/> Description of organization history and present operations <input type="checkbox"/> Detailed service area map <input type="checkbox"/> Evidence of non-profit or for-profit corporation status <input type="checkbox"/> Articles of Incorporation <input type="checkbox"/> Bylaws <input type="checkbox"/> Description of organizational structure <input type="checkbox"/> List of the members of Board of Directors <input type="checkbox"/> Name and phone # for contact person for governing body
Financial	<ul style="list-style-type: none"> <input type="checkbox"/> 3.4 – Fiscal Soundness 	<ul style="list-style-type: none"> <input type="checkbox"/> Description of reserve requirements set by the State <input type="checkbox"/> Independently certified audited financial statements <input type="checkbox"/> Copy of the most recent YTD audited financial statement <input type="checkbox"/> Independently certified audited financial statements of guarantors and lenders <input type="checkbox"/> Financial projections beginning with program commencement through one year beyond break even <input type="checkbox"/> Evidence of applicant’s financing arrangements for any projected deficit <input type="checkbox"/> Insolvency plan <input type="checkbox"/> Insurance Protection Table <input type="checkbox"/> Attestation on subordinated debt arrangements



Attachment 1
Attestations/Documentation Requirements for
DHCS Initial Submission Review of New PACE Application

Additional information on required documents

Attestation Topic	Section #	Documents required to upload in HPMS
Service Area	3.1	<input type="checkbox"/> Detailed map, with a scale of the complete geographic service area that includes county, zip code, street boundaries, census tract or block or tribal jurisdiction and main traffic arteries, physical barriers such as mountains and rivers and location of the PACE center, hospital providers, ambulatory and institutional services sites. Depict on the map the mean travel time from the farthest points on the geographic boundaries to the nearest ambulatory and institutional service sites. If the geographic service area includes an area covered by another PACE organization, identify the duplicate area. <ul style="list-style-type: none"> ○ Note: The map must be developed in accordance with 42 CFR §460.22, §460.70, and §460.98.
Legal Entity and Organizational Structure	3.2	<input type="checkbox"/> Description of the organizational structure of the PACE organization, including the relationship to, at a minimum, the governing body, program director, medical director, and to any parent, affiliate or subsidiary entity.
Governing Body	3.3	<input type="checkbox"/> List of the members of the Board of Directors and their titles. Indicate which, if any, members are consumer representative. Include the name and phone number of a contact for the governing body and the name and phone number of the PACE Program director responsible for oversight and administration as described in 42 CFR §460.62(a).
Fiscal Soundness	3.4	<input type="checkbox"/> Description of any reserve requirements and other financial requirements set by the State and supporting documentation to demonstrate how the applicant meets these requirements. <input type="checkbox"/> Independently audited financial statement for the three most recent fiscal year periods or, if operational for a shorter period of time, for each operational fiscal year. <ul style="list-style-type: none"> ○ Note: If a PACE program is a line of business of the applicant, it should provide audited statements relating to the legal entity. Audits provided in the Documents section of the application, are to include: <ul style="list-style-type: none"> ○ Opinion of a certified public accountant;



Attachment 1
Attestations/Documentation Requirements for
DHCS Initial Submission Review of New PACE Application

		<ul style="list-style-type: none"> ○ Statement of revenues and expense; ○ Balance sheet; ○ Statement of cash flows; ○ Explanatory notes; and ○ Statements of changes in net worth. <p><input type="checkbox"/> The most recent year-to-date unaudited financial statement of the entity and independently audited financial statements of guarantors and lenders (e.g. organizations providing loans, letters of credit or other similar financing arrangements, excluding banks)</p> <p><input type="checkbox"/> Financial Projections</p> <ul style="list-style-type: none"> ○ Note: Provide financial projections beginning with program commencement through one year beyond break-even. (Financial projections should be prepared using the accrual method of accounting in conformity with generally accepted accounting principles (GAAP). Prepare projections using the pro-forma financial statement methodology. For a line of business, assumptions need only be submitted to support the projections of the line.) Projections must include: <ul style="list-style-type: none"> ○ Opening and annual balance sheet <ul style="list-style-type: none"> ● Quarterly statements of revenues and expenses for legal entity ● Give projections in gross dollars and include year-end totals. (In cases where the plan is a line of business, the applicant should also complete a statement of revenue and expenses for the line of business). ○ Statement and justification of assumptions; <ul style="list-style-type: none"> ● State major assumptions in sufficient detail to allow an independent financial analyst to reconstruct projected figures using only the stated assumptions; ● Include operating and capital budget breakdowns; ● Stated assumptions should address all periods for which projections are made and include inflation assumptions ● Justify assumptions to the extent that an independent financial analyst would be convinced that they are reasonable; and ● Base justification on such factors as the applicant's experience and the experience of other PACE organizations.
--	--	---



Attachment 1
Attestations/Documentation Requirements for
DHCS Initial Submission Review of New PACE Application

		<ul style="list-style-type: none"> <input type="checkbox"/> Evidence of applicant's financing arrangements for any projected deficit. <input type="checkbox"/> Insolvency Plan: <ul style="list-style-type: none"> ○ Documents that demonstrate you can, in the event it becomes insolvent, cover expenses of at least the sum of one month's total capitation revenue to cover expenses the month prior to insolvency and one month's average payment to all contractors, based on the prior quarter's average payment, to cover expenses the month after the date insolvency is declared or operations cease. (Arrangements to cover expenses may include, but are not limited to, insolvency insurance or reinsurance, hold harmless arrangements, letters of credit, guarantees, net worth, restricted state reserves or State law provisions.) <input type="checkbox"/> Attestation on your subordinated debt arrangements <ul style="list-style-type: none"> ○ Note: The agreement must include the amount (whether it changes or not) and the account name under which the subordinate debt falls. (Subordinated debt is unsecured debt, which refers to any type of debt or general obligation that is not collateralized by a lien on specific assets of the borrower in the case of bankruptcy, liquidation or failure to meet the terms for repayment, whose repayment to its parent company or another lending entity ranks after all other debts have been paid when the subsidiary files for bankruptcy. It can also be defined as a loan that ranks below all other loans with regard to claims on assets or earnings). <input type="checkbox"/> A copy of the applicant's most recent Insurance Protection table to summarize insurance or other arrangements for major types of loss and liability in accordance with 42 CFR §460.80.
--	--	--