

**Department of Health Care Services
Proposed Trailer Bill Language**

Program of All-Inclusive Care for the Elderly (PACE) Fees

Fact Sheet

Issue Title: PACE Fees. The Department of Health Care Services (DHCS) proposes to expand fees to all PACE Organizations to support specified functions.

Background: PACE is an optional state plan benefit that provides a comprehensive medical/social service delivery system using an interdisciplinary team approach in a PACE Center that provides and coordinates all needed preventive, primary, acute and long-term services and supports. Services are provided to older adults who would otherwise reside in nursing facilities by specialty health plans referred to as PACE Organizations. PACE Organizations must receive approval from both the State Medicaid Agency (DHCS) and the federal Centers for Medicare and Medicaid Services (CMS) to become operational and begin providing services in a specified state service area and enter into a Three-party Program Agreement with CMS and DHCS. In California, PACE Organizations must also enter into a direct contract with DHCS.

DHCS currently has statutory authority to collect fees from PACE Organizations operating primary care clinics (PCC), Adult Day Health Care (ADHC), and/or a Home Health Agency (HHA) serving only PACE participants to cover the cost of DHCS workload for monitoring. The fee is set according to the licensure fee schedule published annually by CDPH (WIC section 14592(n)). Effective January 1, 2021, PCCs, ADHCs, and HHAs that exclusively serve PACE participants are exempt from the Health & Safety Code (HSC) requirements to obtain a license from the California Department of Public Health (CDPH), and must instead obtain approval from DHCS to operate. These PACE Organizations must operate under the regulation and oversight of DHCS pursuant to Welfare and Institutions Code (WIC) section 14592(c). The PACE Organizations must still demonstrate compliance with the licensing requirements set forth in the Health and Safety Code and in regulations. DHCS is responsible for monitoring the operations of exempt PCCs, ADHCs, and HHAs in compliance with those same standards.

Since the enactment of the PACE Modernization Act (SB 833 (Committee on Budget and Fiscal Review) Chapter 30, Statutes of 2016), DHCS has experienced a surge in new PACE Organization applications and the expansion of existing PACE Organizations. There are currently 27 operational PACE Organizations in California. DHCS is currently screening inquiries from 37 entities which have submitted an intent to apply or are exploring opportunities to implement PACE expansions over the next four years.

The steady growth of eight to 12 new PACE Organizations or PACE expansions per year has added substantial workload to the existing DHCS staff allocated to PACE, both in terms of the effort required to assess applications and establish PACE Organizations; as well as the effort required to maintain, operate and oversee the increased number of PACE Organizations in California.

Justification for Change: DHCS proposes to expand fees to all PACE Organizations to support specified functions.

Application and Site Readiness Review Fees

A comprehensive review of PACE Organization applications is essential to confirm DHCS is contracting with PACE Organizations that are equipped to deliver quality health care services to PACE participants. Application fees are necessary to cover the following workload:

1. PACE Organization application processing
2. PACE Organization site readiness reviews
3. PACE Organization service area expansion applications
4. PACE Organization service area expansion site readiness reviews

Entities applying to become a new PACE Organization and existing PACE Organizations applying to expand their program go through a two-phase application process: a letter of intent/initial application phase and the state readiness review (SRR) phase. Existing PACE Organizations have the option to expand their program and can submit an application to expand into a new county, add zip codes to an existing county, or open a new PACE Center in their existing service area. DHCS proposes to charge entities depending on the nature of their application, the commensurate work effort, as well as onsite review needs. For example, if an application includes establishing a new PACE Center, DHCS will need to conduct a PACE Center review as part of the PACE Organization assessment process. In short, the fees will be used to cover the substantial costs to DHCS required to process applications for new and existing PACE Organizations seeking to expand their footprint. In general, DHCS expects an application fee to range from approximately \$55,000 to \$95,000 depending on the nature of the application and whether onsite review is warranted.

Annual Maintenance and Operations Fees

Annually, each operational PACE Organization will be charged a maintenance and operation fee, to be determined, by DHCS. To maintain operations, DHCS requires dedicated teams to investigate and respond to inquiries, complaints, and grievances; perform initial and annual level of care (LOC) determinations for all PACE participants and conduct annual LOC audits; develop program policy and conduct contract maintenance; perform program assessments and compliance; conduct annual rate reviews and updates; regularly meet with individual PACE Organizations regarding their day-to-day operations and compliance; facilitate regular stakeholder meetings with the California PACE Association (CalPACE); collect data for monitoring, oversight and CMS reporting; and liaise with CMS for oversight. In future years, DHCS intends to build out capabilities for quality of care reporting and guidance including use of standards, and policies pertaining to quality and equitable access to care. As reflected in the trailer bill, DHCS will not charge maintenance and operations fees exceeding 1% of the current capitation rate set by the DHCS for each PACE Organization.

Marketing Fee

PACE Organizations have the option to participate in the mass mailer process for marketing purposes. All PACE Organizations who choose to participate in this process will pay a fee every time they submit a mass mailer request. This amount of the fee will be based on the staff work effort for each mass mailer request as well as the cost of the

mailer itself and is estimated to range from \$1,000 to \$8,000 based on prior past experience of marketing mailers.

These proposed PACE fees are intended to cover the total program cost for PACE. DHCS intends to provide details on the amounts of the fees and changes to the methodology or total fees on an annual basis through PACE Policy Letters (PLs). PACE PL development processes typically includes a stakeholder engagement process, including with CalPACE, PACE Organizations, and advocate organizations. All PACE PLs are shared out in draft form for stakeholder review and public comment prior to being finalized and published. Under this PACE Fees proposal, DHCS will engage CalPACE and PACE Organizations on the initial proposed fees as well as annual updates, as applicable. (Note if no updates are made and the fees will remain constant in a given year, DHCS will communicate that accordingly to all PACE Organizations without a formal stakeholder process.)

Specifically, the trailer bill language would:

- Expand the use of the PACE Oversight Fund to cover the costs associated with processing PACE applications in addition to the oversight. Any interest and dividends earned in the PACE Oversight Fund would be retained in the Fund. (Welfare and Institutions Code (WIC) Section 14592(n)(2)(C)).
- Authorize DHCS to establish and charge a fee to all PACE Organizations, regardless of the form of organization or ownership of the program, for each of the numbered items listed above (WIC Section 14596(a)).
- Require DHCS to set the fees in an amount that does not exceed what it projects is sufficient to cover all administrative costs incurred by the state associated with implementing and administering the chapter, plus a reasonable reserve (WIC Section 14596(b)(1)).
- Establish a statutory limitation to the amount the annual maintenance and operations fee can be set to (WIC Section 14596(b)(2)).
- Authorize DHCS to periodically update the amount and structure of the fees as necessary, subject to the limitations set forth in the subdivision, to provide sufficient funding (WIC Section 14596(b)(3)).
- Require all fees paid to, and received by, DHCS to be deposited in the State Treasury and be credited to the PACE Oversight Fund (WIC Section 14596(c)).
- Authorize DHCS to modify or make adjustments to any methodology or other provision to the extent that it deems necessary to meet the requirements of federal law or regulations, to obtain or maintain federal approval, or to ensure federal financial participation is available or is not otherwise jeopardized (WIC Section 14596(d)).
- Require DHCS to request approval from CMS as is necessary to implement the additional fees (WIC Section 14596(e)).
- Require DHCS to engage CalPACE and PACE Organizations as affected stakeholders before establishing the fee and authorize DHCS to implement this the additional fees by means of provider bulletins, PACE policy letter, or other similar instructions, without taking any further regulatory action (WIC Section 14596(f)).
- Adds state mandate boilerplate language (Uncodified).

Summary of Arguments in Support:

- This proposal provides the funds necessary to support DHCS administrative activities to adequately monitor and improve the program's performance and promptly onboard and provide training to new PACE Organizations.

BCP # and Title: 4260-082-BCP-2025-GB PACE Growth and Expansion