

Program of All-Inclusive Care for the Elderly

Amount that Would Otherwise
be Paid and Capitation Rate
Development Certification
Amendment

State of California
Department of Health Care Services
Capitated Rates Development Division

November 2024

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Section 1

Executive Summary

The California Department of Health Care Services (DHCS) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to develop actuarially sound capitation rates for the Program for All-Inclusive Care for the Elderly (PACE) Organizations and also PACE Amounts that Would Otherwise be Paid (AWOPs) for use during the calendar year (CY) 2024 rating period. The original capitation rates were developed by Mercer and certified in a report dated December 12, 2023 (please see the attached document *CA CY 2024 PACE Rate Certification 2023 12.pdf*). Subsequent to the submission of the original rate certification report, further revisions to the capitation rates were needed for the following items:

- CY 2024 PACE experienced-based rates:
 - Revised the Long-Term Care (LTC) and Hospice Rate Changes.
 - For St. Paul's PACE, the CY 2022 portion of their experience was updated for a revision to their IBNR approach.
 - Revised trends to account for pricing pressures associated with the Targeted Rate Increase (TRI) policy change
- CY 2024 Amount that Would Otherwise be Paid:
 - Updated fee-for-service (FFS) portion to account for pharmacy rebates.
 - Included the Targeted Rate Increase (TRI) policy change.
 - Revised the Long-Term Care (LTC) and Hospice Rate Changes.
 - Updated the Public Provider Ground Emergent Medical Transport (PP-GEMT) program to reflect the increased add-on.

Please see the attached documents detailing the revised PACE rates for the CY 2024 rating period:

- CY 2024 PACE Capitation Rate Summaries 2024 11.xlsx
- CY 2024 PACE Capitation Rates – Experience-Based CRCS detail 2024 11.xlsx
- CY 2024 PACE Capitation Rates – AWOP CRCS Detail 2024 11.xlsx

The original prospective capitation rates included rates for 11 new PACE Organizations (POs) that were expected to become operational during CY 2024; however, three of these POs did not become operational in CY 2024. This

certification includes rates only for those eight POs that became operational in CY 2024. The list of POs that were removed are as follows:

PACE Organization	County
ConcertoCare PACE	Kern, Tulare
Seen Health PACE	Los Angeles
InnovAge	Los Angeles

All other rating-elements not addressed in this revision remain unchanged from the CY 2024 PACE capitation rates delivered previously.

This revision describes the updates that were made in accordance with generally accepted actuarial principles and practices, consistent with the approach utilized by DHCS in developing reasonable, appropriate, and attainable capitation rates under Medi-Cal. This revision was developed to provide the requisite rate documentation to DHCS and to support the Centers for Medicare & Medicaid Services (CMS) rate review process.

Across all counties and populations, the revised upper bound CY 2024 PACE Satisfactory Immigration Status (SIS) and Unsatisfactory Immigration Status (UIS) Federal rates represent a 0.2% increase, respectively, when compared to the original certified CY 2024 PACE capitation rates at the upper bound. The same comparison for the revised upper bound CY 2024 SIS and UIS Federal AWOPs represents a 0.1% decrease and 0.5% increase (respectively).

Overview

The revised PACE capitation rates and AWOPs were developed in accordance with rate-setting guidelines established by CMS and include the changes described in this revision letter. Highlights of the changes are described for the various rate components in the remainder of this revision letter.

All Rate-Setting Elements Not Addressed Herein

There have been no changes made to any rate-setting components not addressed in this revision. For more detail related to the unchanged elements of the certification, please refer to the original December 12, 2023 certification report and its corresponding supporting documents.

Section 2

Revision Details

Base Data

St. Paul's PACE Base Data Update

Later in the rate development process, St. Paul's PACE notified the State and Mercer that their IBNR calculations were understated by approximately \$3.3 million in their CY 2022 rate development template (RDT) due to delays in claims processing. After discussions with the PO, the State and Mercer agreed to update the CY 2022 portion of St. Paul's PACE's base data to reflect the revised RDT. Note, there were no impacts to the base data for other POs.

This update impacts only the experience-based rates.

Program Changes

Long-Term Care and Hospice Rate Increase

The LTC and Hospice rate change adjustments were updated to incorporate fee schedule changes associated with the termination of the public health emergency and final CY 2024 fee schedule rates, including the Skilled Nursing Facility (SNF) Workforce Standard Program for Assembly Bill (AB)1629 facilities.

This update impacts both the experience-based rates and AWOPs.

Targeted Rate Increase (TRI)

The impact of the TRI policy change was built into the Managed Care portion of the AWOPs consistent with its development and application within the CY 2024 Medi-Cal Managed Care capitation rates. The following describes this policy change and its development within the Medi-Cal Managed Care rates.

Pursuant to the 2023 Budget Act and AB 118, the State established a minimum fee schedule directed payment for select primary care services, obstetrics services, and non-specialty mental health (MH) services. The State aims to create a new fee schedule that will supersede the current FFS rates for select procedure codes and that will be "87.5% of the lowest maximum allowance established by the federal Medicare Program for the same or similar services or the level of reimbursement, as specified".

For the select primary care services, the increase will only be applicable to the following providers:

1. Physicians
2. Physician Assistants
3. Nurse Practitioners
4. Podiatrists
5. Certified Nurse Midwife
6. Licensed Midwives
7. Doula Providers
8. Psychologists
9. Licensed Professional Clinical Counselor
10. Licensed Clinical Social Worker
11. Marriage and Family Therapist

For select obstetric and non-specialty MH services, the increase is applicable to all providers. The Proposition 56 physician supplemental payment previously developed as a PMPM add-on is now included within this adjustment.

The development of the rate impact of this policy change leveraged SFY 2021–2022 encounter data at the detailed claim line level with the applicable procedure codes. The data was then limited to the applicable providers subject to the directed payment, as noted above.

For Non-Dual or Part A only non-capitated claims, the targeted rate increase for each claim detail line was assumed to be the difference between the targeted rate and the current managed care payment level per each detailed claim line. For capitated claims, subcapitation information for these encounters was collected from the managed care plans by rating region and subcapitated contractor. Plans then benchmarked their contract costs against the applicable Medi-Cal Fee Schedule during the base period. These assumptions were then audited and the targeted rate increase for each claim detail line was then assumed to be the difference between the targeted rate and the projected subcapitated paid amount per each detailed claim line.

For Full-Dual or Part B only claims, the targeted rate increase per procedure code was assumed to be the unit cost increase above 80% of the corresponding Medicare fee schedule amount. This methodology reflects the current payment arrangement where MCOs are responsible for paying the difference between the State Plan fee schedule and the Medicare reimbursement amount, which itself is usually 80% of the Medicare fee schedule.

As TRI does not apply to PACE, the experience-based rates do not reflect a policy change specific to TRI. However, acknowledging pricing pressures POs would face with this directed payment, a 0.5% bump to annual trends for Physician Specialty, Psychiatric & Behavioral Health, and Primary Care Services was included in the amendment.

This update impacts both the experience-based rates and the AWOPs.

Ground Emergency Medical Transportation

As mentioned in the original rate certification report, the AB 1705 GEMT add-on rate was increased from \$946.92 in the prospective rates to reflect the updated add-on of \$1,049.98 for CY 2024. This was the only update made to this program change.

This update only impacts the AWOPs.

Pharmacy Rebates

The FFS portion of the AWOP base data pharmacy spend was adjusted downward by 50% to account for pharmacy rebates.

This was incorrectly excluded in the original AWOPs and as such, this update impacts only the AWOPs.

Section 3

Certification and Final Rates

This certification assumes items in the Medicaid State Plan or Waiver, as well as the PACE contract, have been approved by CMS.

In preparing the capitation rates described, Mercer has used and relied upon enrollment, eligibility, claim, reimbursement level, benefit design, and financial data and information supplied by DHCS, its POs, and its vendors. DHCS, its POs, and its vendors are solely responsible for the validity and completeness of this supplied data and information. Mercer has reviewed the summarized data and information for internal consistency and reasonableness, but we did not audit it. In Mercer's opinion, it is appropriate for the intended rate setting purposes. However, if the data and information are incomplete or inaccurate, the values shown in this report and associated exhibits may differ significantly from values that would be obtained with accurate and complete information; this may require a later revision to this report.

Because modeling all aspects of a situation or scenario is not possible or practical, Mercer may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. Mercer may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness, appropriateness, or attainability of the results for the Medicaid program. Actuarial assumptions may also be changed from one certification period to the next because of changes in mandated requirements, program experience, changes in expectations about the future, and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable, inappropriate, or unattainable when they were made.

Mercer certifies that the revised PACE model rate ranges for the CY 2024 rating period, January 1, 2024 through December 31, 2024, were developed in accordance with generally accepted actuarial practices and principles, and are appropriate for the Medi-Cal covered populations and services under the managed care contract. The undersigned actuary is a member of the American Academy of Actuaries and meets its qualification standards to certify to the actuarial soundness of these Medicaid managed care capitation rates.

AWOPs and rate ranges developed by Mercer are actuarial projections of future contingent events. All estimates are based upon the information and data available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely, and potentially wide, range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.

Actual PO costs will differ from these projections. Mercer has developed these rates and rate ranges on behalf of DHCS to demonstrate compliance with the CMS requirements identified in the CMS PACE Medicaid Capitation Rate Setting Guide and are appropriate for the populations and services covered under the PACE program. Use of these rates for any purpose beyond that stated may not be appropriate.

POs are advised that the use of these rates may not be appropriate for their particular circumstance, and Mercer disclaims any responsibility for the use of these rate ranges by POs for any purpose. Mercer recommends that POs considering contracting with DHCS should analyze its own projected medical expense, administrative expense, and any other premium needs for comparison to these rates before deciding whether to contract with DHCS.

DHCS understands that Mercer is not engaged in the practice of law, or in providing advice on taxation matters. This report, which may include commenting on legal or taxation issues or regulations, does not constitute and is not a substitute for legal or taxation advice. Accordingly, Mercer recommends that DHCS secure the advice of competent legal and taxation counsel with respect to any legal or taxation matters related to this report or otherwise.

This certification report assumes the reader is familiar with the Medi-Cal program, Medi-Cal eligibility rules, and actuarial rating techniques. It has been prepared exclusively for DHCS and CMS, and should not be relied upon by third parties. Other readers should seek the advice of actuaries, or other qualified professionals competent in the area of actuarial rate projections, to understand the technical nature of these results. Mercer is not responsible for, and expressly disclaims liability for, any reliance on this report by third parties.

DHCS agrees to notify Mercer within 30 days of receipt of this report if it disagrees with anything contained in this report or is aware of any information or data that would affect the results of this report that has not been communicated or provided to Mercer or incorporated herein. The report will be deemed final and acceptable to DHCS if nothing is received by Mercer within such 30-day period.

If you have any questions on the above or the certification report, please feel free to contact Ethel Tan at [REDACTED].

Sincerely,

[REDACTED]

Ethel Tan, ASA, MAAA

Senior Associate



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