

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

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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) 2023 rating period. The original capitation rates were developed by Mercer and certified in a report dated December 23, 2022 (please see the attached document *CA CY 2023 PACE Rate Certification 2022 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 2023 PACE experienced-based rates:
 - Updated to use actual enrollment as of December 2023
 - Refined logic for the Unsatisfactory Immigration Status (UIS) Federal percentage (overall shift from Federal to State-only)
 - Revised the Long-Term Care (LTC) 10% increase program change
 - Removed the COVID-19 vaccine administration add-on
 - Removed PACE Organizations that were not operational in CY 2023
- CY 2023 Amount that Would Otherwise be Paid:
 - Refined logic for the UIS Federal percentage (overall shift from Federal to State-only)
 - Included the Community Health Worker program change
 - Updated the Continuous Glucose Monitoring for 21+ program change
 - Updated the AB 97 program change, as this was impacted by the updated UIS Federal percentage
 - Removed the COVID-19 vaccine administration add-on

Please see the attached documents detailing the revised PACE rates for the CY 2023 rating period:

- CY 2023 PACE Capitation Rate Summaries 2024 05.xlsx
- CY 2023 PACE Capitation Rates – Experience-Based CRCS detail 2024 05.xlsx

- CY 2023 PACE Capitation Rates – AWOP CRCS Detail 2024 05.xlsx

The original prospective capitation rates included rates for eleven new PACE Organizations (POs) that were expected to become operational during CY 2023, but nine of these POs did not become operational in CY 2023. This certification includes rates only for those two POs that became operational in CY 2023 — Providence PACE in Napa, Solano, and Sonoma as of January 1, 2023 and AgeWell PACE in Sonoma and Marin as of July 1, 2023. The list of POs that were removed are as follows:

PACE Organization	County
InnovAge	Los Angeles
Asian Heritage Healthcare	Los Angeles
Loma Linda University Health	San Bernardino, Riverside
WelbeHealth Bay Area PACE	Santa Clara, Alameda
WelbeHealth Inland Empire PACE	San Bernardino, Riverside
PACE of Sacramento	Sacramento
360 PACE of Riverside	San Bernardino, Riverside
Valley PACE	Fresno, Madera
Seen Health PACE	Los Angeles

All other rating-elements not addressed in this revision remain unchanged from the CY 2023 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 2023 PACE Satisfactory Immigration Status (SIS) and UIS Federal rates represent a 0.1% and 0.5% decrease, respectively, when compared to the original certified CY 2023 PACE capitation rates at the upper bound. The same comparison for the revised upper bound CY 2023 SIS and UIS Federal AWOPs represents a 0.1% and 0.8% 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 these unchanged elements of the certification, please refer to the original December 23, 2022 certification report and its corresponding supporting documents.

Section 2

Revision Details

Base Data

Unsatisfactory Immigration Status Federal Percentage

As described in the original rate certification report, only pregnancy-related and emergency services have been confirmed eligible for federal match for the UIS population. Given the age demographic of the PACE population, little to no pregnancy-related services are assumed to be rendered by PACE members. As such, the percentage of PMPM spend for services eligible for federal match for the UIS population only represents emergency services. At the time of development of the original capitation rates, Mercer leveraged category of aid (COA) and category of service (COS) specific managed care emergency percentages, resulting in a federal share (5.0% for the Dual population; 15.0% for the Non-Dual population) that was aggregated by PACE-specific COS mix and applied uniformly across all COS.

Subsequent to the release of the original capitation rates, it was determined that updates to the logic to identify federally eligible emergency services was needed to include a more robust identification of dialysis services and exclude non-emergent transportation services inadvertently identified as emergency. The updated COA and COS specific managed care emergency percentages were updated for PACE, resulting in a federal share percentage of 3.0% for the Dual population, with no change to the Non-Dual Federal share percentage of 15.0% based on the aggregated PACE-specific COS mix that is then applied uniformly across all COS. The methodology used is consistent with what was used in the development of the original CY 2023 rates, with the revision to the logic applied.

This update impacts both the capitation rates and AWOPs.

Program Changes

Long-Term Care

As described in the original rate certification report, the LTC Rate Increase to LTC and Nursing Facility unit costs accounts for rate increases to AB 1629 facilities and other LTC facilities.

As part of the CY 2023 PACE capitation rates, the modeled CY 2021 base comprises of the 50%/50% weighted and adjusted CY 2019 (trended 24 months to CY 2021) and CY 2021 base data. The CY 2019 base was prior to the public health emergency (PHE) and was adjusted to account for the 10% LTC cost increase associated with the PHE. The CY 2021 base data while after the onset of the PHE (and already had

the LTC 10% cost increase inherently reflected in the base data), was adjusted to carve-out this 10% cost increase before being combined with the adjusted and trended CY 2019 base data to make the modeled CY 2021 base. Mercer then applied the LTC 10% cost increase for AB 1629 and Intermediate Care Facilities for the Developmentally Disabled facilities to the modeled CY 2021 base. This incorrectly doubled the application of the LTC 10% cost increase on the adjusted and trended CY 2019 portion of the base.

For the CY 2023 amended rates, Mercer corrected this by keeping the adjustment to account for the 10% LTC cost increase on the adjusted and trended CY 2019 portion of the base and leaving the PHE LTC 10% cost increase in the CY 2021 base data. The LTC program change applied to the modeled CY 2021 base was reduced with the assumption that the 10% cost increase is already inherent in the base.

This update impacts only the experience-based rates.

COVID-19 Vaccine Administration Add-on

As described in the original rate certification report, an add-on to the Non-Dual rates was applied to represent the expected costs associated with the administration of the COVID-19 vaccine booster shot. At the time of development of the original capitation rates, Mercer understood COVID-19 vaccine administration costs to be paid for by the PACE Organizations. It is Mercer's current understanding that the COVID-19 vaccine ingredient and administration costs were to be billed through Medi-Cal FFS during the rating period. As such, the \$3.33 add-on to the Non-Dual rates was removed in the amended rates to reflect the current understanding.

This update impacts both the capitation rates and AWOPs.

Community Health Worker Program

Effective July 1, 2022, community health workers (CHW) were an addition to the group of skilled and trained individuals who are able to provide clinically appropriate Medi-Cal covered benefits and services to Medi-Cal beneficiaries. Further, effective January 1, 2023, CHWs were also allowed to be reimbursed for asthma remediation services and violence prevention services. This benefit is available in the managed care delivery system and the impact of this program change is quantified by identifying potential CHW utilizers and leveraging research on CHW staffing.

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

Continuous Glucose Monitoring for Aged 21 and Over

Effective January 1, 2022, continuous glucose monitoring (CGM) became a covered benefit for members aged 21 years and older with diabetes. In addition, after the development of the original version of the PACE rates, CGM was established as a

partially carved out service for the managed care program under Medi-Cal Rx, meaning that CGMs are covered by the health plans (and not FFS) if billed on a non-pharmacy claim.

While the partial carve out under Medi-Cal Rx is not applicable to the PACE AWOP, Mercer's managed care analysis was updated to utilize CY 2022 encounters (January 1, 2022 to December 31, 2022) to project costs pertaining to the expansion of this benefit. The PACE AWOP development leveraged this updated analysis using CY 2022 encounters but adjusted for a PACE-like population and included this revision in the amendment.

This update impacts only the AWOPs.

Assembly Bill 97

This adjustment previously used the original federal services logic to identify State and Federal services. Due to the updates in the logic for dialysis and transportation services, this adjustment was updated accordingly to more appropriately classify services subject to the AB 97 buybacks as State or Federal.

This update impacts only the UIS 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 2023 rating period, January 1, 2023 through December 31, 2023, 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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