

Bulletin Number: MSA 05-07

Distribution: All Providers

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

Effective: March 1, 2005

Programs Affected: Medicaid

PACE is an innovative model of community-based care that enables elderly individuals, who are certified by their state as needing nursing facility care, to live as independently as possible. Michigan currently has one PACE organization in operation. The Center for Senior Independence (CSI) in Wayne County is part of the Henry Ford Health System and has operated under a waiver from the Centers for Medicare and Medicaid Services (CMS) since 1995. CSI achieved full permanent provider status from CMS as a PACE organization and is covered under Michigan Medicaid's State Plan effective October 1, 2003. This bulletin outlines program requirements.

PACE provides an alternative to traditional nursing facility care by offering pre-paid, capitated, comprehensive health care services designed to meet the following objectives:

- To enhance the quality of life and autonomy for frail, older adults;
- To maximize the dignity of, and respect for, older adults;
- To enable frail, older adults to live in the community as long as medically and socially feasible; and
- To preserve and support the older adult's family unit.

The PACE capitated benefit was authorized by the Balanced Budget Act of 1997 and features a comprehensive service delivery system with integrated Medicare and Medicaid financing. Michigan has chosen to include PACE as an optional benefit in the Medicaid program.

An interdisciplinary team, consisting of professional and paraprofessional staff, assesses beneficiary needs, develops a plan of care, and monitors delivery of all services (including acute care services as well as nursing facility services, when necessary) within an integrated system for a seamless provision of total care. Typically, PACE organizations provide social and medical services in an adult day health center supplemented by in-home and other services as needed. Studies have shown that beneficiaries in PACE have improved health status and quality of life, lower mortality rates, increased choice in how time is spent, and greater confidence in dealing with life's problems.

The financing model combines payments from Medicare and Medicaid, allowing PACE organizations to provide all needed services rather than be limited to those reimbursable under the Medicare and Medicaid fee-for-service systems. PACE organizations assume full financial risk for beneficiary care without limits on amount, duration, or scope of services.

Services

The PACE organization is able to coordinate the entire array of services to older adults with chronic care needs while allowing elders to maintain independence in the community for as long as possible. The PACE service package must include all Medicare and Medicaid covered services, in addition to other services determined necessary by the interdisciplinary team for the individual beneficiary. Services include, but are not limited to:

- Adult day care that offers nursing; physical, occupational and recreational therapies; meals; nutritional counseling; social work and personal care
- All primary medical care provided by a PACE physician familiar with the history, needs and preferences of each beneficiary, all specialty medical care, and all mental health care
- Interdisciplinary assessment and treatment planning
- Home health care, personal care, homemaker and chore services
- Restorative therapies
- Diagnostic services, including laboratory, x-rays, and other necessary tests and procedures
- Transportation for medical needs
- All necessary prescription drugs and any authorized over-the-counter medications included in the plan of care
- Social services
- All ancillary health services, such as audiology, dentistry, optometry, podiatry, speech therapy, prosthetics, durable medical equipment, and medical supplies
- Respite care
- Emergency room services, acute inpatient hospital and nursing facility care when necessary

The PACE organization becomes the sole source of services for Medicare and Medicaid beneficiaries who choose to enroll in a PACE organization.

Eligibility

The Federal PACE regulation establishes basic PACE eligibility requirements. Individuals must meet the following criteria:

- Be 55 years of age or older
- Reside in the service area of the PACE organization
- Undergo assessment by the interdisciplinary team
- Meet the state definition for nursing facility level of care
- Be able to live safely in the community (which means that nursing facility residents must be effectively transferred to the community at the time of enrollment into the PACE organization)

States may impose additional requirements, but may not require that the beneficiary be eligible for Medicare as well as Medicaid, i.e., dually eligible. Michigan has the following additional eligibility criteria for PACE applicants:

- Must meet applicable Medicaid financial eligibility requirements
- Cannot be enrolled in the MI Choice Waiver program concurrently
- Cannot be enrolled in an HMO (Health Maintenance Organization) concurrently

Physicians currently treating Medicaid patients who are in need of nursing facility care may consider PACE as an option. Hospital discharge planners may also identify suitable candidates for referral to PACE as an alternative to a nursing facility. PACE organization contact information is available on the Michigan Department of Community Health (MDCH) website at www.michigan.gov/mdch; select "Providers", "Information for Medicaid Providers", "Program of All-Inclusive Care for the Elderly (PACE)."

PACE Organization Evaluation Criteria

A prospective PACE organization must be a not-for-profit private or public entity that is primarily engaged in providing PACE services. The organization must also participate in both Medicare and Medicaid. The organization is not required to be a licensed health care entity in Michigan; however, by not doing so, the organization may only serve Medicare and Medicaid beneficiaries. The Federal regulations (42 CFR Part 460) describe administrative requirements for PACE. At a minimum, prospective entities must meet the Federal requirements for PACE organizations, enroll as a Michigan Medicaid provider, and complete a feasibility study. Michigan Medicaid will evaluate potential PACE organizations using the following criteria:

- Submission of a feasibility study that identifies the proposed service area, shows evidence of demand for PACE services in the proposed service area (the potential pool of PACE beneficiaries should be sufficient to have 250 to 300 beneficiaries enrolled within four to five years of start-up), identifies competing PACE organizations, documents the organization's timeline for development and anticipated costs, identifies the anticipated source of referrals for potential beneficiaries, and assesses the supply of alternative long-term care services already in existence in the community.
- Organizational commitment to principles consistent with the PACE model.
- Evidence of experience in providing primary, acute and/or long-term care services to the target population and evidence of positive community support.
- Evidence that the organization has the depth in leadership and experience required to develop and implement PACE successfully.
- Evidence that the PACE organization will either be cost neutral or save money for long-term care services provided by the State in their service area. (In other words, total Medicaid expenditures for services in the service area will not increase and may decrease.)
- Assurance of adequate financial capacity to fund program development and start-up costs, including identification of patient capacity and break-even consideration. (Typically, costs include capital renovation for a PACE center and substantial operating deficits during the program's initial 18-24 months when enrollment is below break-even census. Data analyzed in 1997 indicates that organizations have historically spent \$1 to \$1.5 million during this period.)
- Evidence of the proposed provider network and assurance that the organization will have staff and professionals experienced in providing care to the target population.
- Evidence that the Executive (Program) Director position will be staffed with a full-time employee. The key positions of Medical Director, Center Manager, Financial Manager, and Quality Improvement Manager must be sufficiently staffed, as determined by MDCH, to meet the needs of the PACE organization.
- Ability to meet the Federal requirements.

Other evaluation criteria may be considered and will be available to organizations who file a letter of intent with Michigan Department of Community Health (MDCH) to become a PACE organization.

PACE Organization Process

It may take up to two years to complete the process to become a PACE organization. Organizations should understand and complete the following general steps:

- Potential organization researches Federal regulations and information available from the National PACE Association to assess the feasibility of becoming a PACE organization.
- Potential organization completes a feasibility study.
- Potential organization submits a letter of intent and the feasibility study to MDCH (address listed below).
- Potential organization prepares and submits a PACE application to MDCH.
- MDCH contacts CMS Central Office to notify them of the possible addition of PACE sites.
- MDCH evaluates the organization and approves the application as appropriate.
- MDCH submits the formal application to CMS along with the MDCH assurance that the entity is considered to be qualified as a PACE organization and is willing to enter into a PACE organization agreement with the entity.
- Readiness Review occurs with an MDCH site visit.

- Within 90 days of formal application, CMS approves, denies, or requests additional information.
- Once CMS approves, MDCH and CMS enter into a PACE organization agreement with the organization.
- The PACE organization contracts with MDCH.
- The PACE organization proceeds to enroll beneficiaries.

Contact Information

Entities seeking to become a PACE organization should research the following sites for more information:

- CMS website at <http://www.cms.hhs.gov/pace/>
- National PACE Association at <http://www.npaonline.org>
- MDCH website at <http://www.michigan.gov/mdch> - select "Providers", "Information for Medicaid Providers", "Program of All-Inclusive Care for the Elderly (PACE)".

Any entity seeking to become a PACE organization in Michigan may contact MDCH regarding state-specific requirements at:

Michigan Department of Community Health
Bureau of Medicaid Financial Management and Administrative Services
Long Term Care and Operations Support Section
P. O. Box 30479
Lansing, MI 48909-7979
Phone: (517) 335-5202
E-mail: peckhamp@michigan.gov

Manual Maintenance

This bulletin should be retained until the information is incorporated into the Michigan Medicaid Provider Manual.

Questions

Any questions regarding this bulletin should be directed to Provider Inquiry, Michigan Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mail at ProviderSupport@michigan.gov. When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may telephone toll-free 1-800-292-2550.

Approved



Paul Reinhart, Director
Medical Services Administration