

**MICHIGAN DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**NOTICE OF PROPOSED POLICY**

Public Act 280 of 1939, as amended, and consultation guidelines for Medicaid policy provide an opportunity to review proposed changes in Medicaid policies and procedures.

Please review the policy summary and the attached materials that describe the specific changes being proposed. Let us know why you support the change or oppose the change.

Submit your comments to the analyst by the due date specified. Your comments must be received by the due date to be considered for the final policy bulletin.

Thank you for participating in the consultation process.



Director, Program Policy Division  
Bureau of Medicaid Policy, Operations, and Actuarial Services

<b>Project Number:</b> 2216-PACE	<b>Comments Due:</b> September 19, 2022	<b>Proposed Effective Date:</b> November 1, 2022
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**Policy Subject:** Program of All-Inclusive Care for the Elderly (PACE) Evaluation Criteria

**Affected Programs:** Medicaid

**Distribution:** PACE Providers

**Policy Summary:** This policy outlines the requirements for prospective and existing PACE organizations when submitting initial and expansion applications.

**Purpose:** To clarify policy by adding detail to PACE evaluation criteria.

# Proposed Policy Draft

Michigan Department of Health and Human Services  
Behavioral & Physical Health and Aging Services Administration

**Distribution:** Program of All-Inclusive Care for the Elderly (PACE) Providers

**Issued:** October 1, 2022 (Proposed)

**Subject:** PACE Evaluation Criteria

**Effective:** November 1, 2022 (Proposed)

**Programs Affected:** Medicaid

This policy outlines the requirements for prospective and existing PACE organizations when submitting initial and expansion applications to the Michigan Department of Health and Human Services (MDHHS).

## **Initial Applications**

Initial applications are for applicants seeking to become a PACE organization for the first time.

A prospective PACE organization can be a not-for-profit or for-profit private or public entity that is primarily engaged in providing PACE services and participates in both Medicare and Medicaid. Michigan licensure as a health care entity is not required; however, unlicensed entities may only serve Medicare and Medicaid beneficiaries. Federal regulations (42 CFR Part 460) describe administrative requirements for PACE. At a minimum, prospective entities must meet the federal requirements for PACE organizations to enroll as a Michigan Medicaid provider and complete a feasibility study. Prospective entities will not be considered if the prospective entity has active sanctions in other states, as defined in the Federal Regulations 42 CFR Part 460 Subpart D.

## **Letter of Intent**

A prospective PACE entity must submit a letter of intent to MDHHS that includes:

1. Name of organization
2. Location of potential PACE center
3. Service area that is being requested by county and/or zip code.
4. Capacity

For budget consideration, a letter of intent must be received by MDHHS prior to August 1 (14 months) in advance of the fiscal year in which the program plans to open. If MDHHS receives multiple letters of intent for the same service area, the feasibility studies will be reviewed in the order in which the letters of intent are received. If MDHHS receives a letter of

intent for a service area that is already being serviced by a PACE provider, MDHHS will begin the unmet need process. Within 14 business days of receiving the letter of intent, MDHHS will send a letter to the prospective PACE entity to confirm the receipt of their letter of intent and notify the prospective PACE entity that a feasibility study must be submitted to MDHHS within 90 calendar days from the date of the letter.

## **Feasibility Study**

MDHHS 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, at minimum, 125 participants);
  - documents the organization's timeline for development and anticipated costs;
  - identifies the anticipated source of referrals for potential beneficiaries and assesses the availability of long-term care services already in existence in the community;
  - demonstrates organizational commitment to principles consistent with the PACE model;
  - shows evidence of experience in providing primary, acute and/or long-term care services to the target population and evidence of positive community support;
  - shows evidence that the organization has the depth in leadership and experience required to develop and implement PACE successfully;
  - shows evidence that the PACE organization will either be cost neutral or save money for long-term care services provided by MDHHS in the PACE organization's service area (i.e., total Medicaid expenditures for services in the service area will not increase and may decrease);
  - includes assurance of adequate financial capacity to fund program development and start-up costs, including identification of patient capacity and break-even consideration;
  - shows evidence of the proposed provider network and assurance that the organization will have staff and professionals experienced in providing care to the target population;
  - shows evidence that the Executive (Program) Director position will be staffed with a full-time employee;
  - shows evidence that the key positions of Executive Director, Medical Director, Center Manager, Financial Manager, and Quality Improvement Manager are sufficiently staffed, as determined by MDHHS, to meet the needs of the PACE organization;
  - shows evidence that the key positions will be staffed on-site; and
  - demonstrates ability to meet state and federal PACE requirements.

Other evaluation criteria may be considered and will be available to organizations that file a letter of intent with MDHHS to become a PACE organization.

Once MDHHS has approved the prospective PACE entity's feasibility study, MDHHS will send an approval letter and the entity will have one year from the date of the letter to submit a PACE application to MDHHS and the Centers for Medicare & Medicaid Services (CMS). Prior to the submission, MDHHS will provide a State Assurance document in support of the application.

### **Expansion Applications**

An expansion application is for existing PACE organizations who are seeking to expand.

Types of expansions include:

1. A PACE organization requests to expand its geographic service area without building additional sites.
2. A PACE organization requests to open another physical site in the existing geographic service area.
3. A PACE organization requests to expand its geographic service area and open another physical site in the expanded area.
4. A PACE organization requests to expand its current building.

Expansion applications will not be accepted by MDHHS until the first CMS audit has been completed and the organization is fiscally sound. A PACE organization will not be considered if the PACE organization has active sanctions, as defined in the Federal Regulations 42 CFR Part 460 Subpart D.

### **Letter of Intent**

An existing PACE provider must submit a letter of intent to MDHHS that includes:

1. Name of organization
2. Location of potential PACE center (if applicable)
3. Service area that is being requested by county and/or zip code. (if applicable)
4. Capacity increase

For budget consideration, a letter of intent must be received by MDHHS prior to August 1 (14 months) in advance of the fiscal year in which the program plans to open. If MDHHS receives multiple letters of intent for the same service area, the feasibility studies will be reviewed in the order in which the letters of intent are received. Within 14 business days of receiving the letter of intent, MDHHS will send a letter to the PACE program to confirm the receipt of their letter of intent and notify the PACE program that a feasibility study must be submitted to MDHHS within 90 calendar days from the date of the letter.

### **Feasibility Study**

MDHHS will evaluate 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, at minimum, 125 participants);
  - documents the organization's timeline for development and anticipated costs;
  - identifies the anticipated source of referrals for potential beneficiaries;
  - assesses the availability of long-term care services already in existence in the community;
  - demonstrates organizational commitment to principles consistent with the PACE model;
  - shows evidence of experience in providing primary, acute and/or long-term care services to the target population and evidence of positive community support;
  - shows evidence that the organization has the depth in leadership and experience required to develop and implement PACE successfully;
  - shows evidence that the PACE organization will either be cost neutral or save money for long-term care services provided by MDHHS in the PACE organization's service area (i.e., total Medicaid expenditures for services in the service area will not increase and may decrease);
  - includes assurance of adequate financial capacity to fund program development and start-up costs, including identification of patient capacity and break-even consideration;
  - shows evidence of the proposed provider network and assurance that the organization will have staff and professionals experienced in providing care to the target population;
  - shows evidence that the Executive (Program) Director position will be staffed with a full-time employee;
  - shows evidence that the key positions of Executive Director, Medical Director, Center Manager, Financial Manager, and Quality Improvement Manager are sufficiently staffed, as determined by MDHHS, to meet the needs of the PACE organization;
  - shows evidence that the key positions will be staffed on-site; and
  - demonstrates the ability to meet state and federal PACE requirements.

Other evaluation criteria may be considered and will be available to organizations that file a letter of intent with MDHHS to become a PACE organization.

Once MDHHS has approved the PACE program's feasibility study, MDHHS will send an approval letter and the PACE program will have one year from date of the letter to submit a PACE application to MDHHS and CMS. Prior to the submission, MDHHS will provide a State Assurance document in support of the application.