

Model Policy: Rate Setting

OVERVIEW

Unlike insurer-based health plans, which rely primarily on contracted provider networks, PACE organizations represent a provider-based model with an interdisciplinary team of health professionals who have a direct care relationship with the enrollee. PACE organizations also differ from most insurer-based managed long-term services and supports (MLTSS) health plans in bearing full financial risk, without a capitation rate adjustment, for enrollees who require a long-term nursing facility placement. PACE enrolls only the frailest beneficiaries, specifically those who meet their state eligibility criteria for nursing home level of care and require comprehensive, ongoing and intensive services to meet their chronic health and long-term care needs.

Federal law requires states to make a prospective monthly capitation payment to a PACE organization for a Medicaid participant that is less than what would otherwise have been paid under the state plan if not enrolled in PACE, considers the comparative frailty of participants, and is a fixed amount regardless of changes in a participant's health status.

Accurate and fair Medicaid rate setting is central to the financial sustainability of PACE organizations, as well as responsible stewardship of state financial resources. Appropriate rate setting for PACE results in rates that are cost-effective and sustainable for both the state and the PACE program.

MODEL POLICY¹

States will establish adequate payment rates and sustained funding that supports the growth of existing PACE organizations and the development of new PACE organizations.

- ✦ When the state is identifying comparable populations, states should consider factors that include physical frailty and cognitive impairment, disability, clinical complexity, demographic factors and socioeconomic factors.
- ✦ The state should establish rates that reflect the comprehensive nature of PACE services. Rates should capture all the services PACE organizations provide. Including transportation, meals and home modifications. (See Appendix A for additional benefits offered by PACE organizations.)
- ✦ As states allow pass-through payments for new managed care enrollment or services during a transition period, the state must account for these payments when establishing the upper payment limit (UPL) for PACE.
- ✦ Should the state use cost experience or capitation rates from other managed care options to develop the PACE UPLs and rates, the experience should be adjusted to assure the relative level of financial risk for institutional care between PACE and alternative options is accounted for in the methodologies applied.

¹ This policy is based on several best practices and more of compilation of what some states are doing. No one state is currently doing all of this.

States should establish rates that meet the following criteria:

- ★ recognize and provide allowances for capital costs required to build, maintain, and expand PACE centers;
- ★ reflect inherent risk associated with serving exclusively a high-needs population; and
- ★ recognize the costs of complying with managed care reporting and other administrative requirements.

If the state allocates additional funding to managed care organizations for certain services that PACE organizations already provide (e.g., additional care management or assistance for beneficiaries transitioning into housing), the additional funding should be accounted for in the PACE UPL and rates.

Should the state have other integrated care options for people of all ages, the state will make the appropriate age adjustments to keep rates comparable across options.

APPENDIX A: PACE SERVICES

- ★ Adult Day Health Services
- ★ Alternative Care (e.g., Massage and Acupuncture)
- ★ Audiology
- ★ Dental Services
- ★ Emergency Care
- ★ End-of-Life Services
- ★ Hospital and Nursing Facility Services
- ★ Transportation
- ★ In-Home Care
- ★ Lab and X-Ray Services
- ★ Meals
- ★ Medical Specialists
- ★ Mental Health Services
- ★ Nursing and Medical Coverage 24 Hours Per Day, 365 Days Per Year
- ★ Nursing Care
- ★ Optometry Services and Eyeglasses
- ★ Personal Care
- ★ Pharmaceuticals
- ★ Primary Medical Care
- ★ Recreational and Socialization Activities
- ★ Rehabilitation Services: Physical Therapy, Occupational Therapy, Speech Therapy, Restorative
- ★ Social Services
- ★ Specialized Medical Equipment (e.g., Ramps to Ease Access to Home)
- ★ Other Services As Determined by Interdisciplinary Team