Upper Payment Limits and PACE:
Trends in Medicaid Payments

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Introduction

The Program of All-Inclusive Care for the Elderly (PACE®) is a federal and state program that provides comprehensive, integrated and highly coordinated care to frail older adults who meet state eligibility criteria for a nursing home level of care. Individuals enrolled in PACE organizations receive all services covered by Medicare and Medicaid, as well as additional benefits, directly from the PACE organization or through its network of contracted providers. PACE organizations receive per member per month (PMPM) capitated payments from Medicare, Medicaid and private pay sources for which they assume full financial risk for all services, including long-term institutional care.

The PACE model of care has grown substantially since the first PACE organizations received Medicare and Medicaid waivers to operate in 1990. As of Jan. 1, 2018, 124 PACE organizations in 31 states served more than 45,000 enrollees.[1] Of those individuals served by PACE, 90 percent were dually eligible for both Medicare and Medicaid services, 9 percent were eligible for Medicaid only, and 1 percent were Medicare-only individuals or individuals who were not eligible for either Medicare or Medicaid.

This policy brief reviews the Medicaid rates states pay to PACE organizations compared to state calculations of the costs the Medicaid program otherwise would have incurred to provide care to comparable population. States estimate the costs they would have otherwise incurred using an upper payment limit (UPL) methodology, which the Centers for Medicare & Medicaid Services (CMS) requires to ensure the payment rates for PACE do not exceed the costs of other Medicaid-covered services for beneficiaries eligible for a nursing home level of care. This policy brief finds that, on average, PACE programs provide care for a dual-eligible population age 65 and over at a cost that is 13 percent less per person per month than the costs the state Medicaid programs otherwise would incur to provide services to these individuals.[2] In addition to examining the difference between PACE rates and the estimated costs that otherwise would have been incurred, the brief considers trends in PACE payment rates, finding that the rates have increased modestly at a 1.37 percent compounded annual growth rate between 2014 and 2018.

The information in this brief was collected from PACE organizations and state agencies that administer the Medicaid payments. The Medicaid payment rate information consists of self-reported data provided by PACE organizations operating at the time of data collection (Jan. 1, 2018). Of the 31 states with a PACE program, 21 provided information on their UPLs.[3] Much of the data and analyses provided in this brief utilizes averages of PACE organization-level data to provide insights into PACE payments.

[1] Source: NPA Enrollment and Medicaid Capitation Rate Survey Results for Jan. 1, 2018.

[2] This policy brief focuses on the UPL compared with Medicaid rates for the dually eligible population since 90 percent of individuals in PACE are dually eligible.

[3] UPLs are missing for DE, LA, NM, NY, OK, PA, RI, SC, TN, WY.

PACE Upper Payment Limits

The requirements specified by CMS for state UPL calculations are intended to establish UPLs that reflect the cost that a Medicaid program otherwise would incur for the population enrolled in PACE. In following these requirements, the UPL methodology considers the costs of the Medicaid program for people eligible for a nursing home level of care, such as nursing home residents and recipients of home- and community-based services (HCBS). Medicaid costs for all services – including nursing facility care, HCBS and other Medicaid-covered services – are incorporated into the UPL calculations. In 2015 CMS issued rate-setting guidance,[4] which included expectations on how states will document and calculate the amount that otherwise would have been paid for a comparable population. It also indicated that the rates should be established prospectively and rebased annually, or at least every three years.

Dual-Eligible UPLs

Based on the information collected in 2018, the average UPL for PACE organization dual-eligible enrollees age 65 and over was $4,088, and the median UPL was $3,959. The 25th percentile for UPLs was $3,813, and the 75th percentile was $4,369.

Comparing PACE Medicaid Capitation Rates and State UPLs

To assess the cost savings attributable to PACE, PACE payment rates can be compared to their corresponding UPLs. Table 1 summarizes payment rates and UPLs for dual-eligible enrollees age 65 and over.

Table 1

PACE Rates vs. UPLs

Statistics	Medicaid 65+ Dual-Eligible UPL[5]	Medicaid 65+ Dual-Eligible PACE Rate[6]	Estimated Savings in Percent PMPM Through PACE	Estimated Cost Savings PMPM Through PACE
Average	$4,088	$3,572	13%	$516
Median	$4,094	$3,634	11%	$460

[4] CMS Rate-Setting Guidance

[5] UPL rates were not available for DE, LA, NM, NY, OK, PA, RI, SC, TN, WY

[6] An average was used in cases where rates were different for multiple counties for one program. The analysis does not include rates from states that did not submit their UPL (DE, LA, NM, NY, OK, PA, RI, SC, TN, WY).

Overview of Medicaid Payment Rates for PACE

Medicaid Payments for Dual-Eligible Enrollees 65 and Over

As of Jan. 1, 2018, the average Medicaid monthly capitation rate of PACE organizations for dual-eligible beneficiaries age 65 and over was $3,796, and the median rate was $3,652. The 25th percentile was $3,310, while the 75th percentile was $3,908.

Medicaid Payments for Medicaid-Only Enrollees

Payments to PACE organizations are higher for enrollees who are only eligible for Medicaid. These enrollees receive the same care as dually eligible individuals, but there is no Medicare payment for services, so the cost of enrollment is borne fully by the state Medicaid program. As of Jan. 1, 2018, the average Medicaid-only capitation rate was $6,070, and the median was $4,921. The 25th percentile was $4,530, while the 75th percentile was $5,649.

Trends in Medicaid Payment Rates

There has been a great deal of variation in payment growth rates between Jan. 1, 2014, and Jan. 1, 2018. For Medicaid dual-eligible payment rates, four states saw an average decrease of 1.42 percent, 10 states experienced nearly zero percent change, and 16 states observed an average of 2.87 percent increase in their compound annual growth rates over the five years.[7] Overall, the compound annual growth rates of dual-eligible Medicaid payments increased 1.37 percent. Table 2 provides a more detailed comparison. (Note: The data only include the 30 states that consistently maintained at least one PACE organization between 2014 and 2018.)

Table 2

Compound Growth Rates: Dual-Eligible Payments 2014-2018

Growth Category	Number of States	States	Average Five-Year Growth	Median Five-Year Growth
Negative	4	KS, NE, NJ, WY	-1.42%	-1.15%
Approximately Zero	10	OK, SC, AL, DE, IN, MA, NC, ND, PA, RI	0.09%	0%
Positive	16	AR, CA, CO, FL, IA, LA, MD, MI, NY, OH, OR, TN, TX, VA, WA, WI	2.87%	2.85%

Similar to the trends observed in Medicaid dual-eligible rates, there was a fair amount of variation in the Medicaid-only payment rate trends between 2014 and 2018. The average compound annual growth rate in Medicaid-only payments among the 30 states with at least one PACE program during the four-year period was 1.12 percent, which is not substantially different from the change in the compound annual dual-eligible Medicaid payment rates of 1.37 percent.

[7] The compound annual growth rate is the year-over-year growth rate over a specific period of time. The formula used is $\left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)\left(\frac{1}{\text{Number of Years}}\right)-1$.

Five states – one more than observed in the Medicaid dually eligible rates – saw an average decrease of 2.05 percent. Fourteen states had virtually no change in Medicaid-only payment rates. Eleven states experienced an average increase of 3.96 percent as indicated in Table 3.

Table 3

Compound Growth Rates: Medicaid-Only Payments 2014-2018

Growth Category	Number of States	States	Average Five-Year Growth	Median Five-Year Growth
Negative	5	IA, LA, MA, MD, WY	-2.05%	-1.68%
Approximately Zero	14	AL, AR, CO, DE, IN, KS, NC, ND, NE, NJ, OK, PA, RI, SC	0.02%	0%
Positive	11	CA, FL, MI, NY, OH, OR, TN, TX, VA, WA, WI	3.96%	2.46%

Making a generalization about PACE payment rates is challenging due to the great diversity in payments, as depicted in Tables 2 and 3. At an aggregate level, however, average PACE compound annual growth rates have grown at a slower rate than in other sectors of the long-term care industry. Between 2014 and 2018, for which adequate comparable data exist, both PACE dual-eligible payment rates and Medicaid-only rates for PACE enrollees increased at a compound annual growth rate of less than 2 percent.

In a review of 16 states between 2014 and 2018, where at least one PACE organization was present and data consistently were reported for nursing homes, the PACE Medicaid dual-eligible rate grew at 1.37 percent,[8] while the PACE Medicaid-only rate grew at 1.12 percent.[9] During the five-year period of 2013-2017,[10] nursing home rates increased at a compound annual growth rate of 1.93 percent, as shown in Graph 1.[11]

[8] PACE-Medicaid Rate for Duals: NPA Analysis

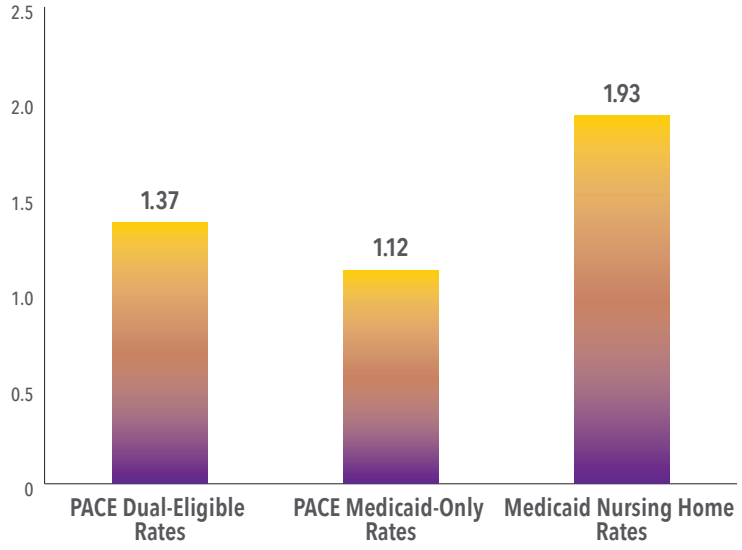
[9] PACE-Medicaid Rate for Medicaid Only: NPA Analysis

[10] Due to available data, NPA reviewed nursing home rates for 2013 to 2017 instead of 2014 to 2018.

[11] Hansen Hunter & Company, PC. (2018). Shortfalls in Medicaid Funding for Nursing Center Care. November.

Graph 1

Five-Year Compound Annual Growth Rate in PACE 2014-2018 and Nursing Home 2013-2017 Payment Rates



Conclusion

Federal regulations require the PMPM capitation rate for PACE to be less than the amount that states otherwise would have paid if the participants were not enrolled in PACE. As this policy brief demonstrates, PACE programs provide care for a mostly dual-eligible population age 65 and over at a cost that is, on average, 13 percent less PMPM than the costs that state Medicaid programs otherwise would incur to provide services to these individuals.

For more information about this policy brief, contact **Liz Parry**.