



# Program of All-Inclusive Care for the Elderly (PACE) Report

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# PACE History in MN

- 1997: PACE is authorized at the federal level by the Balanced Budget Act of 1997
- 2005: MN Legislature authorizes a PACE program in MN, but no appropriation
- 2010: MN Legislature provides two years of administrative funding to implement PACE, with a requirement to report on progress by January 15, 2011
- 2011: [Legislative report is submitted](#). Request for Proposals (RFP) for PACE organizations is published. Ultimately, no proposals were submitted.
- 2023: MN Legislature directs DHS to conduct an actuarial analysis and an implementation analysis for PACE implementation.
- 2023/2024: DHS holds multiple stakeholder engagement sessions to inform legislative reports
- 2024: DHS submits [PACE Actuarial Analysis Report](#)
- 2025: DHS submits PACE Implementation Analysis Report

# 2023 PACE Legislation

## **Laws of Minnesota, 2023 Regular Session, Chapter 61, Article 2, Section 37: DIRECTION TO COMMISSIONER; FUTURE PACE IMPLEMENTATION FUNDING.**

- (a) The commissioner of human services shall work collaboratively with stakeholders to undertake an actuarial analysis of Medicaid costs for nursing home eligible beneficiaries for the purposes of establishing a monthly Medicaid capitation rate for the program of all-inclusive care for the elderly (PACE). The analysis must include all sources of state Medicaid expenditures for nursing home eligible beneficiaries, including but not limited to capitation payments to plans and additional state expenditures to skilled nursing facilities consistent with Code of Federal Regulations, chapter 42, part 447, and long-term care costs.
- (b) The commissioner shall also estimate the administrative costs associated with implementing and monitoring PACE.
- (c) The commissioner shall provide a report to the chairs and ranking minority members of the legislative committees with jurisdiction over health care finance on the actuarial analysis, proposed capitation rate, and estimated administrative costs by March 1, 2024. The commissioner shall recommend a financing mechanism and administrative framework by September 1, 2024.
- (d) By September 1, 2024, the commissioner shall inform the chairs and ranking minority members of the legislative committees with jurisdiction over health care finance on the commissioner's progress toward developing a recommended financing mechanism. For purposes of this section, the commissioner may issue or extend a request for proposal to an outside vendor.

# PACE Overview



PACE is a home- and community-based program for people who meet the following eligibility criteria:

Age 55 or older.

Lives in the service area of a PACE center.

Meets skilled nursing facility (SNF) level of care.

Can safely live at home with PACE care at the time of enrollment.



The PACE Program Agreement is a three-way contract between the PACE organization, the State Administering Agency (SAA), and the Centers for Medicare and Medicaid Services (CMS).



All Medicaid and Medicare covered services must be provided under a per member per month (PMPM) capitated rate. PACE providers must have the financial resources to manage financial risk.

# PACE Interdisciplinary Team

The interdisciplinary team determines each enrollee's care plan and integrates care across settings.



# PACE Services

- PACE covers all Medicare Parts A (in-patient), B (out-patient) and D (drug) benefits and all covered Medical Assistance (Medicaid) benefits.
- PACE programs have a site to provide adult day services and also provide primary care, therapy, meals, recreation, socialization, and personal care on site.

# PACE Financing

- PACE providers receive monthly Medicare and Medicaid capitation payments for each enrollee.
- CMS pays a capitation payment for the Medicare covered services and the State Medicaid Agency (DHS in Minnesota) pays for the Medicaid covered services.
- Federal PACE regulation requires that the Medicaid capitation payment be less than the amount that would have been paid if the enrollee were not in the PACE program.
- Medicaid payments in states with fully-integrated dual special needs plans (FIDE SNPs) see Medicaid payments for PACE that are close to those paid to FIDE SNP plans.
  - Minnesota has a FIDE-SNP for people 65+, called MSHO

# What Minnesota Offers Today

- Minnesota offers a fully-integrated dual special needs plan (FIDE SNP), called Minnesota Senior Health Options or MSHO. MSHO is for people who:
  - are 65 and older,
  - are eligible for Medicare Parts A and B, and
  - are eligible for Medicaid
- MSHO combines Medicare, Medicaid and Elderly Waiver services under one program offered by seven health plans across the state.
- MSHO offers each enrollee a care coordinator to help navigate benefits, set up services, work with health care providers and coordinate home and community-based services.
- Each MSHO plan is required to develop a model of care that provides the foundation for promoting plan quality, care management, and care coordination.



# What Minnesota Offers Today (continued)

- Both PACE and MSHO have been shown in studies to have lower rates of hospitalization and high enrollee satisfaction
- Minnesota offers SNBC, a highly integrated dual special needs plans (HIDE SNPs) for people with disabilities ages 18 – 64, however, these plans do not include home and community-based services. SNBC participants receive HCBS services on a fee for service basis.
  - PACE would be the only model in Minnesota that would coordinate an enrollee's Medicare, Medicaid basic care, and long term services and supports for people ages 55-64.
- Nationally, there are 180 PACE organizations operating in 33 states and D.C., serving 80,700 participants.
- Minnesota has over 25,000 MSHO enrollees who meet the same eligibility requirements.

# PACE Report Updates



Minnesota contracted with consulting firms BerryDunn for the implementation analysis and Milliman for the actuarial analysis



BerryDunn and DHS held three sessions with interested parties in 2023 and 2024 to discuss the planning of the reports, the release of the actuarial report and the final report. DHS continues to meet with interested parties on PACE related topics upon request.



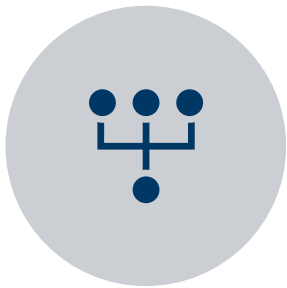
The final draft of the implementation analysis report was shared with interested parties in May of 2024.

# PACE Implementation Analysis Report

## The report includes:

- Insights from Other States
- Program Design and Implementation
- Participant Outreach and Enrollment
- State-Specific Criteria and Licensing
- Fiscal Solvency
- PACE SPA Approval Process
- PACE Approval Process
- Timelines for PACE Application Review and Approval
- State Administering Agency (SAA) Ongoing Administration and Staffing
- PACE Implementation Considerations

# Areas of Consideration for Minnesota



Process for determining how initial PACE organizations will be identified and selected and any state-specific criteria for the PACE entity.



Actuarial rate setting for the PMPM, with cohorts considering the age of beneficiary, whether urban or rural, as well as dual-eligible or Medicaid-only.



Procedures PACE organizations will need for enrollment and disenrollment of individuals as PACE participants, including involuntary disenrollments.



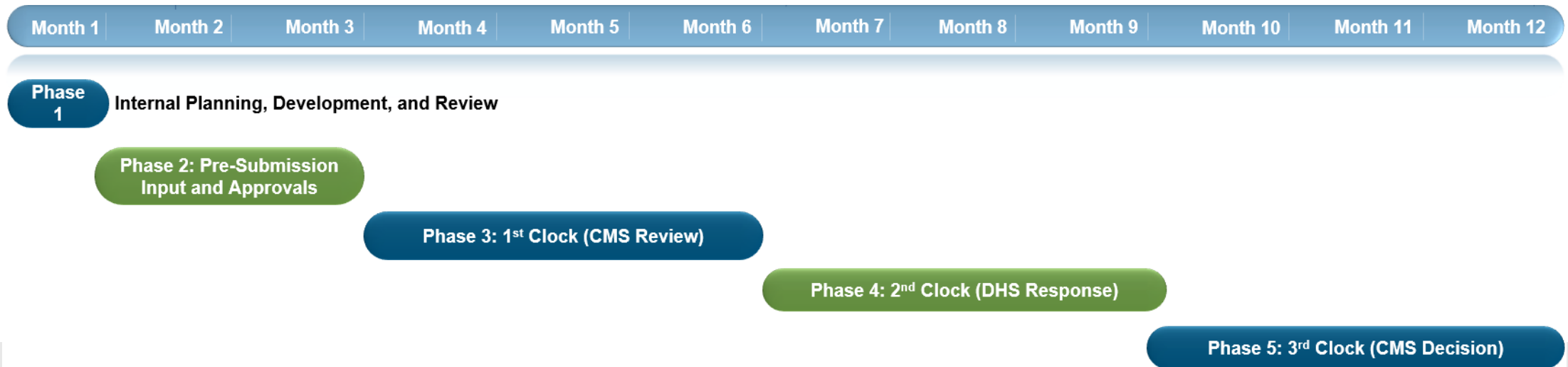
Processes for overseeing the PACE organization's administration of incident management and safety criteria for enrollees living in the community.

# Areas of Consideration Continued

- Requirements for information to be provided, such as the participant rights.
- Requirements for quality assurance reporting and monitoring of care planning by PACE organizations.
- Requirements for PACE organization for audit participation and financial reporting.
- Methods to be used by PACE organizations for member outreach and marketing.

# Federal State Plan Amendment Approval Process

- While PACE is a three-way agreement between the federal government, the state, and the PACE organization, the program begins at the state level with a SPA.
- The state plan is the agreement with CMS and the federal government that governs the program and allows for receipt of federal funds to support payment of the PACE capitation.
- To implement PACE in Minnesota, PACE must be elected as an optional benefit through a SPA, which must be submitted by DHS and approved by CMS.



# PACE Approvals After SPA Approval

- **Notice of Intent to Apply (NOIA)** - Entities that will be submitting an initial application to become a PACE organization must file an NOIA.
- **PACE Entity Application** - According to the regulations at 42 CFR §460.12, an entity that wants to become a PACE organization must submit the PACE Entity Application.
- **Three-Way Agreement** - The three-way agreement is assembled by CMS after receipt and approval of the PACE Application.
- **State Readiness Review (SRR)**- Before the new PACE organization can start providing services, the SAA must conduct an SRR of the proposed PACE center.

# Staffing Considerations for Minnesota



State Medicaid Agencies typically have a full-time PACE manager who oversees all program components, and part-time clinical staff to participate in readiness reviews, quality reviews, and site visits.



The PACE manager would need to be supported by other DHS staff responsible for budgeting, financial management, federal reporting, encounter data, and actuarial rate setting.



DHS would benefit from having staff who have experience implementing 1915(c) waivers or managed care LTSS to oversee PACE.



Staff would benefit as well from experience with Medicaid policies and procedures, managed care oversight, HCBS, and Medicare.



# Staffing Needs Demonstrated in Other States

- Staffing needs varied throughout the lifecycle of the program with more staff time needed for implementation of the program.
- Overall, we estimate that the total need for Indiana and North Dakota was approximately two-three FTEs across all needs, while Michigan we estimate as many as 7 FTEs across all needs.
- For implementation of PACE, additional support may be needed in the short term to design, develop, and implement PACE in Minnesota.

# Implementation Considerations

- Legislative appropriation to DHS for PACE operations, including administrative costs.
- State-specific requirements (e.g., licensure and financial solvency) and how many PACE locations/centers the state wishes to implement will impact the timeline.
- The timeline will also be impacted by the readiness of organizations interested in PACE, for example:
  - Experience in providing LTSS
  - Ability to meet state-specific licensure and/or financial solvency requirements
  - Readiness of systems to manage participant enrollment, capitation payments, and claims processing for network providers
  - Resources, including financial, for start-up and initial cash-flow
  - Strategies for a marketing program

# Next Steps

- DHS would need an appropriation and authorization to begin implementation of PACE
- DHS released an RFI due February 28, 2025 that will provide feedback on operations considerations such as:
  - Geographic locations of potential PACE providers, potential number of enrollees served, specialties provided by PACE organizations;
  - Anticipated timelines for operational readiness;
  - Staffing rations and any required provider types;
  - Rate development; and
  - Anticipated challenges.
- DHS will share the summary of the RFI responses with interested parties and those signed up to receive PACE updates via the PACE email list-serve.
- Information gathered through the RFI will provide a foundation for PACE implementation, should the legislature decide to move forward

# Questions?

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