

Date of Hearing: May 19, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 540 (Petrie-Norris) – As Amended April 27, 2021

Policy Committee:	Aging and Long Term Care	Vote:	7 - 0
	Health		15 - 0

Urgency: No      State Mandated Local Program: No      Reimbursable: No

**SUMMARY:**

This bill imposes requirements related to informational materials and referral and enrollment processes for the Program of All-Inclusive Care for the Elderly (PACE) program, a comprehensive Medicare and Medi-Cal program for frail seniors who qualify for a nursing home level of care. Specifically, this bill:

- 1) Modifies how the PACE is presented as an enrollment option, requiring PACE to be presented in enrollment materials as an option, where it is available, and requiring informational materials that help potential beneficiaries understand PACE as an option.
- 2) Requires the Department of Health Care Services (DHCS) to arrange for automated identification of a beneficiary's potential eligibility and proactive outreach to determine interest and refer for an assessment for PACE, if appropriate.
- 3) Requires a Medi-Cal beneficiary who is enrolled in a PACE organization be exempt from mandatory or passive enrollment in a Medi-Cal managed care plan, and creates a process whereby a potential beneficiary may be assessed for PACE prior to enrollment in a managed care plan.

**FISCAL EFFECT:**

- 1) Administrative staff costs to DHCS in the low hundreds of thousands of dollars annually to review and track beneficiary data, conduct outreach and ensure coordination to determine potential eligibility for PACE (General Fund and federal funds). A portion of the work of identifying potentially eligible beneficiaries could likely be automated if it is cost-effective to do so.
- 2) The overall effect on enrollment and reimbursement is unknown. Total spending on PACE organization services is \$803.3 million total funds in 2020-21 (\$401.6 million General Fund and \$401.6 million federal), increasing to \$948.4 million total funds (\$474.2 million General Fund and \$474.2 million federal) in 2020-21 as a result of greater enrollment and higher rates. Per-member per-month costs for PACE services are high—around \$6,000—as the program is limited to individuals who qualify for a skilled nursing facility level of care.

To the extent this bill encourages greater enrollment in PACE organizations without corresponding decreases in skilled nursing facility placements, it could significantly increase cost pressure for PACE organization services in Medi-Cal.

**COMMENTS:**

- 1) **Purpose.** According to the author, this bill will help more seniors remain in their homes and communities by improving beneficiary awareness of and access to PACE. This bill is sponsored by CalPACE, a membership group of PACE organizations.
- 2) **Background.** PACE is a capitated benefit provided primarily to certain dually eligible Medi-Cal and Medicare beneficiaries. PACE offers a comprehensive service delivery system that integrates Medicare and Medicaid financing and covers all service available in both programs, as well as other services like meals, transportation and center-based activities and care. PACE programs are not universally available across the state.

To be eligible for PACE, a person must be 55 years or older, reside in a PACE service area, be determined eligible at the nursing home level of care by DHCS, and be able to live safely in their home or community at the time of enrollment. Enrollment in PACE is voluntary. Supporters of the PACE program point out many seniors with higher needs could benefit from direct state engagement and referrals for PACE services, as they argue PACE is a cost-effective and beneficial program offering integrated, “whole-person” care based on an assessment of a beneficiary’s needs.

- 3) **Related Legislation.** AB 523 (Nazarian), also pending in this committee, requires DHCS to make permanent the changes in PACE that DHCS instituted as a result of the COVID-19 pandemic, including telehealth and geographic flexibility.

DHCS released trailer bill language (TBL) in February 2021 to implement CalAIM, an ambitious Medi-Cal transformation proposal. The TBL contains several provisions similar to those this bill, including those related to enrollment information and the prohibition on being assigned to a managed care plan prior to being assessed for PACE.

**Analysis Prepared by:** Lisa Murawski / APPR. / (916) 319-2081