



**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Health Care Financing Administration**

**Center for Medicaid and State Operations**  
**7500 Security Boulevard**  
**Baltimore, MD 21244-1850**

March 23, 1998

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act of 1997 (BBA). The purpose of this letter is to provide information on new section 1905(a)(26) of the Social Security Act (enacted in section 4802 of the BBA), which establishes the Program of All-Inclusive Care for the Elderly (PACE) as a Medicaid State option.

The PACE program serves the frail elderly and features a comprehensive service delivery system and integrated Medicare and Medicaid financing. Enclosure 1 provides more information about the PACE program.

In order to provide this new Medicaid benefit, the State must elect to cover PACE services as a State plan option and also enter into a program agreement with a PACE provider and the Secretary of the Department of Health and Human Services. The program agreement is the contract between the PACE provider, the State, and the Federal government, and is the mechanism for receiving federal matching funds for PACE services.

To satisfy the State plan amendment requirement, we have provided Enclosures 2 and 3 for interim preprint text pages, and Enclosures 4, 5, and 6 for interim preprint attachments and supplements. It is important to note that submitting the preprint and electing to cover the PACE option merely indicates the State's intent and does not obligate the State to enter into a program agreement with the Secretary and a PACE provider to provide PACE services.

Following publication of the interim final regulation implementing the PACE provisions of the BBA, HCFA will issue further instructions on complying with these requirements and guidance on PACE provider application procedures. We expect to publish the regulation this summer. If you have any questions about electing the PACE State option, please contact Laura Gange of my staff on (410) 786-3395 or via e-mail at [lgange@hcfa.gov](mailto:lgange@hcfa.gov).

Sincerely,

/s/

Sally K. Richardson

Director

Center for Medicaid and State Operations

Enclosures

cc: All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge - American Public Welfare Association Joy Wilson - National Conference of State Legislatures Jennifer Baxendell - National Governors Association HCFA Press Office

## Enclosure 1

### PACE Program Summary

**Program History** The Program of All-Inclusive Care for the Elderly (PACE) is a new capitated benefit authorized by the Balanced Budget Act of 1997 (BBA) that features a comprehensive service delivery system and integrated Medicare and Medicaid financing. The program is modeled on the system of acute and long term care services developed by On Lok Senior Health Services in San Francisco, California. The model was tested through HCFA demonstration projects that began in the mid-1980s. The PACE model was developed to address the needs of long-term care clients, providers, and payers. For most participants, the comprehensive service package permits them to continue living at home while receiving services rather than be institutionalized. Capitated financing allows providers to deliver all services participants need rather than be limited to those reimbursable under the Medicare and Medicaid fee-for-service systems.

The scope of current PACE demonstration sites is very small. There are currently 12 PACE demonstration sites which served approximately 4,800 individuals in 1996. Each site serves an average of 200 enrollees, whose average age is 82. Currently, an additional 36 sites nationwide are considering the feasibility of PACE.

**PACE Provisions of the BBA** General - The BBA establishes the PACE model of care as a permanent entity within the Medicare program and enables States to provide PACE services to Medicaid beneficiaries as a State option. The State plan must include PACE as an optional Medicaid benefit before the State and the Secretary of the Department of Health and Human Services (DHHS) can enter into program agreements with PACE providers.

The BBA also limits annual growth of the PACE program. It limits the number of PACE program agreements in the first year after enactment to no more than 40; the limit increases by 20 each year thereafter. The statute further provides for priority processing and special consideration of applications for existing PACE demonstration sites and to those entities that applied to operate a PACE demonstration project on or before May 1, 1997.

*Eligibility* - Participants must be at least 55 years old, live in the PACE service area, and be certified as eligible for nursing home care by the appropriate State agency. The PACE program becomes the sole source of services for Medicare and Medicaid eligible enrollees.

*Services* - An interdisciplinary team, consisting of professional and paraprofessional staff, assesses participants' needs, develops care plans, and delivers all services (including acute care services and when necessary, nursing facility services) which are integrated for a seamless provision of total care. PACE programs provide social and medical services primarily in an adult day health center, supplemented by in-home and referral services in accordance with the participant's needs. The PACE service package must include all Medicare and Medicaid covered services, and other services determined necessary by the multidisciplinary team necessary for the care of the PACE participant.

*Payment* - PACE providers receive monthly Medicare and Medicaid capitation payments for each eligible enrollee. Medicare eligible participants who are not eligible for Medicaid pay monthly premiums equal to the Medicaid capitation amount, but no deductibles, coinsurance, or other type of Medicare or Medicaid cost-sharing applies. PACE providers assume full financial risk for participants' care without limits on amount, duration, or scope of services.

**Transition for PACE Demonstration Sites** Currently operating PACE sites have the option to seek extension of their current demonstration authority for up to 3 years after the date of promulgation of the PACE regulations. Therefore, States that currently have PACE demonstration sites do not need to submit a SPA electing the PACE State option to continue to provide services through the demonstration. However, to continue the PACE program at any time the demonstration ceases, a State must elect to provide PACE as a Medicaid State plan option in their State plan, and the PACE demonstration site must submit an application to enter into a program agreement with the State and the Secretary of DHHS as a PACE provider.

The following PACE sites are currently operating under the demonstration authority:

Bronx, New York (Comprehensive Care Management) Susan Aldrich 612 Allerton Avenue Bronx, New York 10467

Rochester, New York (Independent Living for Seniors) Kathy McGuire 311 Alexander Street,#207 Rochester, New York 14604

East Boston, Massachusetts (Elder Service Plan) Jean Masland 10 Gove Street East Boston, Massachusetts 02128

Portland, Oregon 6/90 (Providence ElderPlace) Don Keister 4540 N.E. Glisan Street Portland, Oregon 97213

Milwaukee, Wisconsin (Community Care for the Elderly) Kirby Shoaf 5228 W. Fond du Lac Ave. Milwaukee, Wisconsin 53216

Columbia, South Carolina (Palmetto Senior Care) Judy Baskins Two Richland Medical Park, #405 Columbia, South Carolina 29203

Denver, Colorado (Total Long Term Care) David Reyes 3202 West Colfax Denver, Colorado 80204

El Paso, Texas (Bienvivir Senior Health Services) Rosemary Castillo 6000 Welch, Suite A 2 El Paso, Texas 77905-1753

On Lok Senior Health Services Kate O'Malley 1333 Bush Street San Francisco, California 94109-5611

Sacramento, California (Sutter Senior Care) Janet Tedesco 1234 U. Street Sacramento, CA 95818

Oakland, California (Center for Elders' Independence) Peter Szutu 1411 East 31st Street, Ward B 2 Oakland, California 94602

Detroit, Michigan (Center for Senior Independence) Laura Seriguchi Henry Ford Hospital 1 Ford Place, 5E Detroit, Michigan 48202-3450

**Operational Considerations** The State plan must include PACE as an optional Medicaid benefit before the State and the Secretary of DHHS can enter into program agreements with PACE providers.

*State Plan Election* - If you elect the State option to provide PACE services, it will be necessary to clarify in your State plan the extent to which PACE services are available as follows:

You will need to indicate in the State plan if you elect to provide PACE services but have not yet entered into a valid program agreement with a PACE provider and the Secretary.

To the extent you enter into program agreements, you will need to include in your State Plan, for each PACE provider, the name of the provider, the service area, and the maximum number of PACE participants to be served by the program (see Enclosure 6 for interim Supplement to Attachment 3.1-A). This information will need to be updated whenever you enter into or terminate a PACE program agreement with a provider and the Secretary, as well as when changes are made to existing program agreements relative to the PACE provider name, the service area, or the maximum number of participants to be served by the program.

*Applications* - Following publication of the interim final regulation implementing the PACE provisions of the BBA, HCFA will issue further instructions on complying with these requirements and guidance on PACE provider application procedures. Until such time as HCFA can begin accepting PACE provider applications in accordance with the new legislation and implementing regulations, new providers wishing to participate in the PACE program must continue to apply through the demonstration program. For further information on the PACE demonstration application process, please contact Steve Miller on (410) 786-6656, or via e-mail at smiller1@hcfa.gov.

## Enclosure 2

State: \_\_\_\_\_

Citation 3.1(a)(1) Amount, Duration, and Scope of Services: Categorically Needy (Continued)

1905(a)(26) and 1934 \_\_\_\_\_ Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

ATTACHMENT 3.1-A identifies the medical and remedial services provided to the categorically needy, specifies all limitations on the amount, duration and scope of those services, and lists the additional coverage (that is in excess of established service limits) for pregnancy-related services for conditions that may complicate the pregnancy.

## Enclosure 3

State: \_\_\_\_\_

Citation 3.1(a)(2) Amount, Duration, and Scope of Services: Medically Needy (Continued)

1905(a)(26) and 1934 \_\_\_\_\_ Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

ATTACHMENT 3.1-B identifies services provided to each covered group of the medically needy; specifies all limitations on the

amount, duration and scope of those services, and lists the additional coverage (that is in excess of established service limits) for pregnancy-related services for conditions that may complicate the pregnancy.

**Enclosure 4**

Attachment 3.1-A Page --

State: \_\_\_\_\_

AMOUNT, DURATION AND SCOPE OF MEDICAL AND REMEDIAL CARE SERVICES PROVIDED TO THE CATEGORICALLY NEEDY

26. Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

\_\_\_\_\_ provided \_\_\_\_\_ not provided

**Enclosure 5**

Attachment 3.1-B Page --

State: \_\_\_\_\_

AMOUNT, DURATION, AND SCOPE OF SERVICES PROVIDED MEDICALLY NEEDY GROUP(S):

\_\_\_\_\_  
\_\_\_\_\_

26. Program of All-Inclusive Care for the Elderly (PACE) services, as described and limited in Supplement 3 to Attachment 3.1-A.

\_\_\_\_\_ provided \_\_\_\_\_ not provided

**Enclosure 6**

Supplement 3 to Attachment 3.1-A Page 1

State: \_\_\_\_\_

AMOUNT, DURATION AND SCOPE OF MEDICAL AND REMEDIAL CARE SERVICES PROVIDED TO THE CATEGORICALLY NEEDY

PACE SERVICES

\_\_\_\_\_ The State of \_\_\_\_\_ has not entered into any valid program agreements with a PACE provider and the Secretary of the Department of Health and Human Services.

\_\_\_\_\_ The State of \_\_\_\_\_ has entered into a valid program agreement(s) with a PACE provider(s) and the Secretary, as follows:

Name of PACE provider: \_\_\_\_\_

Service area: \_\_\_\_\_

Maximum number of individuals to be enrolled: \_\_\_\_\_

(This information should be provided for all PACE providers with which the State Administering Agency for PACE and the Secretary have entered into valid program agreements.)