

## **Table of Contents**

**State/Territory Name: California**

**State Plan Amendment (SPA) #: 13-006**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

SEP 25 2013

Toby Douglas, Director  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

Dear Mr. Douglas:


Enclosed is an approved copy of California State Plan Amendment (SPA) 13-006. SPA 13-006 was submitted to my office on June 28, 2013 to eliminate the enrollment cap for Medi-Cal's Program of All-Inclusive Care for the Elderly (PACE). Additionally, this SPA revises language to clarify certain elements of the PACE rate setting methodology.

The effective date of this SPA is July 1, 2013. Enclosed are the following approved SPA pages that should be incorporated into your approved State Plan:

- Supplement 4 to Attachment 3.1-A, pages 1, 1.1, 2, 6, 7, 7a
- Supplement 4 to Attachment 3.1-B, pages 1, 1.1, 2, 6, 7, 7a

If you have any questions, please contact Tom Schenck by phone at (415) 744-3589 or by email at [tom.schenck@cms.hhs.gov](mailto:tom.schenck@cms.hhs.gov).

Sincerely,

  
Gloria Nagle, Ph.D., MPA  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure

cc: Kathryn Waje, California Department of Health Care Services  
Joseph Billingsley, California Department of Health Care Services

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

**TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**1. TRANSMITTAL NUMBER:**  
13-006

**2. STATE**  
California

**3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)**

**4. PROPOSED EFFECTIVE DATE**  
July 1, 2013

**5. TYPE OF PLAN MATERIAL (Check One):**

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

**6. FEDERAL STATUTE/REGULATION CITATION:**  
Section 1934 of the Social Security Act *tws*

**7. FEDERAL BUDGET IMPACT:**

a. FFY 2013 ~~\$ Undecided~~ 0 *tws*  
b. FFY 2014 ~~\$ Undecided~~ 0

**8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:**

Supplemental 4 to Attachment 3.1 - B pages: 1, 1.1, 7, & 7a, 2, 6

Supplement 4 to Attachment 3.1-A, pages: 1, 1.1, 2, 6  
7 & 7a *tws*

**9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):**

Supplemental 4 to Attachment 3.1 - B pages: 1, 1.1, 7, & 7a, 2, 6  
Supplement 4 to Attachment 3.1-A, pages: 1, 1.1, 2  
6, 7 & 7a *tws*

**10. SUBJECT OF AMENDMENT:**

Revision of Operating Rules for PACE

**11. GOVERNOR'S REVIEW (Check One):**

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

The Governor's Office does not  
wish to review the State Plan Amendment.

**12. SIGNATURE:**

**13. TYPED NAME:**

Toby Douglas

**14. TITLE:**

Director

**15. DATE SUBMITTED:**

JUN 28 2013

**16. RETURN TO:**

Department of Health Care Services  
Attn: State Plan Coordinator  
1501 Capitol Avenue, Suite 71.326  
P.O. Box 997417  
Sacramento, CA 95899-7417

**FOR REGIONAL OFFICE USE ONLY**

**17. DATE RECEIVED:** 6/28/2013

**18. DATE APPROVED:** SEP 25 2013

PLAN APPROVED - ONE COPY ATTACHED

**19. EFFECTIVE DATE OF APPROVED MATERIAL:** 7/1/2013

**20. SIGNATURE OF REGIONAL OFFICIAL:**

**21. TYPED NAME:** Gloria Nagle, Ph.D., MPA

**22. TITLE:** Associate Regional Administrator

**23. REMARKS:** Pen and Ink Changes Boxes: 6, 7, 8, 9

State/Territory: California

---

**Name and address of State Administering Agency, if different from the State Medicaid Agency**

**I. Eligibility**

The State determines eligibility for PACE enrollees under rules applying to community groups.

- A.   X   The State determines eligibility for PACE enrollees under rules applying to institutional groups as provided for in section 1902(a)(10)(A)(ii)(VI) of the Act (42 CFR 435.217 in regulations). The State has elected to cover under its State plan the eligibility groups specified under these provisions in the statute and regulations. The applicable groups are: See Supplement 4, Attachment 3.1-A, Page 1.1.

(If this option is elected, please identify, by statutory and/or regulatory reference, the institutional eligibility group or groups under which the State determines eligibility for PACE enrollees. Please note that these groups must be covered under the State's Medicaid plan.)

- B.        The State determines eligibility for PACE enrollees under rules applying to institutional groups, but chooses not to apply post-eligibility treatment of income rules to those individuals. (If this option is selected, skip to II – Compliance and State Monitoring of the PACE Program.)
- C.   X   The State determines eligibility for PACE enrollees under rules applying to institutional groups, and applies post-eligibility treatment of income rules to those individuals as specified below. Note that the post-eligibility treatment of income rules specified below are the same as those that apply to the State's approved HCBS waiver(s).

---

TN No. 13-006

Supersedes

TN No. 02-003

Approval Date SEP 25 2013

Effective Date July 1, 2013



State of California  
PACE State Plan Amendment Pre-Print

**Medicaid Eligibility Groups Subject to Institutional Eligibility Rules**

Individuals receiving services under the PACE Program are eligible under the following eligibility group(s) in the California State plan. The State will apply all applicable FFP limits under the plan.

1.   X   The home and community-based group described under 42 CFR 435.217  
(Individuals who would be eligible for Medicaid if they were in an institution, who have been determined to need PACE services in order to remain in the community, and who are covered under PACE).

Spousal impoverishment rules are used in determining eligibility for the home and community-based group described in 42 CFR 435.271 but who are receiving services under PACE.

  X   A. Yes            B. No

- a.   X   The PACE Program covers all individuals who would be eligible for Medicaid if they were in a medical institution and who need PACE Services in order to remain in the community.

---

TN No. 13-006  
Supersedes

Approval Date SEP 25 2013

Effective Date July 1, 2013

TN No. 02-003

State of California  
PACE State Plan Amendment Pre-Print

**Regular Post Eligibility**

1.   X   SSI State. The State is using the post-eligibility rules at 42 CFR 435.726. Payment for PACE services is reduced by the amount remaining after deducting the following amounts from the PACE enrollee's income.

- (a). Sec. 435.726--States which do not use more restrictive eligibility requirements than SSI.

1. Allowances for the needs of the:

(A.) Individual (check one)

1.        The following standard included under the State plan (check one):

- (a)        SSI  
(b)        Medically Needy  
(c)        The special income level for the institutionalized  
(d)        Percent of the Federal Poverty Level:        %  
(e)   X   Other (specify): An amount which represents the sum of (1) the income standard used to determine eligibility/share of cost and (2) any amounts of income disregarded during the Section 1902(a)(10)(A)(ii)(VI) eligibility phase.

2.        The following dollar amount: \$

Note: If this amount changes, this item will be revised.

3.        The following formula is used to determine the needs allowance:

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

Note: If the amount protected for PACE enrollees in item 1 is equal to, or greater than the maximum amount of income a PACE enrollee may have and be eligible under PACE, enter N/A in items 2 and 3.

(B.) Spouse only (check one):

1.        SSI Standard

TN No. 13-006  
Supersedes

Approval Date SEP 25 2013

Effective Date 7/1/2013

TN No. 02-003

State of California  
PACE State Plan Amendment Pre-Print

Section 1924 of the Act. There shall be deducted from the individual's monthly income a personal needs allowance (as specified below), and a community spouse's allowance, a family allowance, and an amount for incurred expenses for medical or remedial care, as specified in the State Medicaid plan.

(a.) Allowances for the needs of the:

1. Individual (check one)

(A) \_\_\_\_\_ The following standard included under the State plan (check one):

1. \_\_\_\_\_ SSI

2. \_\_\_\_\_ Medically Needy

3. \_\_\_\_\_ The special income level for the institutionalized

4. \_\_\_\_\_ Percent of the Federal Poverty Level: \_\_\_\_\_%

5. ☒ Other (specify): An amount which represents the sum of (1) the income standard used to determine eligibility/share of cost and (2) any amounts of income disregarded during the Section 1902(a)(10)(A)(ii)(VI) eligibility phase.

(B) \_\_\_\_\_ The following dollar amount: \$ \_\_\_\_\_

Note: If this amount changes, this item will be revised.

(C) \_\_\_\_\_ The following formula is used to determine the needs allowance:

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

If this amount is different than the amount used for the individual's maintenance allowance under 42 CFR 435.726 or 42 CFR 435.735, explain why you believe that this amount is reasonable to meet the individual's maintenance needs in the community:

Because this is the same amount that may be retained by individuals in the community to meet their needs.

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

TN No. 13-006

Supersedes

Approval Date SEP 25 2013

Effective Date 7/1/2013

TN No. 02-003

State of California  
PACE State Plan Amendment Pre-Print

II. Rates and Payments

- A. The State assures CMS that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon one of the following methodologies. Please attach a description of the negotiate rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. See Supplement 4, Attachment 3.1-B, Page 7a.

1.   X   Rates are set at a percent of fee-for-service costs
2.        Experience-based (contractors/State's cost experience or encounter data) (please describe)
3.        Adjusted Community Rate (please describe)
4.        Other (please describe)

- B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner. Please list the name, organizational affiliation of any actuary used, and attestation/description for the initial capitation rates.

Capitated Rates Development Division assigned actuary.

- C. The State will submit all capitated rates to the CMS Regional Office for prior approval.

TN No. 13-006  
Supersedes

Approval Date SEP 25 2013

Effective Date July 1, 2013

TN No. 02-003

State/Territory: California

---

### **Rate Setting Methodology for PACE**

Under a risk contract, Medicaid payments to the contractor, for a defined scope of services to eligible recipients, may not exceed 99.9% of the cost to the State of providing those same services on a fee-for-service basis to an actuarially equivalent non-enrolled population group. The Program of All-Inclusive Care for the Elderly (PACE) is a capitated program for individuals who are eligible for placement in a Long-Term Care facility.

Capitation rates for contracts the State has with PACE contractors in a number of different counties are set using a fee-for-service equivalent (FFSE) methodology. The FFSE is calculated for each plan, and then the capitation rate is set at a percentage of the FFSE, no less than 90 percent and not to exceed 99.9 percent of the FFSE.

The FFSE is based on FFS costs derived from comparable populations (55 or older) of nursing facility and Home and Community-Based Services (HCBS) waiver populations. In order to develop the FFSE, the data from sub-populations (dually eligible and Medi-Cal Only) of nursing facility and HCBS waiver populations are blended a final FFSE table.

The calculation of the FFSE starts with a statewide FFS base cost from a prior period, expressed as a cost per eligible per month. Adjustments are then made which adjust the base cost for the specific plan rate being calculated. The adjustments are for the following items:

1. Demographics – This adjusts for the specific age/sex demographics of a plan.
2. Contract Adjustments – Since plans do not cover all available services in fee-for-service, reductions for those services not covered are accounted for on this line. The specific type of services not covered would include the following:  
Services/items not covered related to children who would not be enrolled under this program.
3. Medicare Adjustments – Because Medicare pays a significant portion of the medical expenses for individuals over 65, the capitation rate is different for individuals who have Medicare coverage and for those who do not. This adjusts for the plan population relative to the statewide base.

This adjusted base cost then needs to be projected into the future. There are two considerations here; legislative changes and trend.

1. Legislative Changes – This evaluates the financial impact of legislation that has been passed or is expected to be enacted.
2. Trend – This adjustment predicts the affect of all other changes that may take place in the Medi-Cal population in the medical services arena. Because the Base Costs are for prior fiscal years, it is necessary to project these forward to the rate year. The calculation of trends is made in two parts; number of units used per eligible and cost per unit.

The following two groups are used to determine payment for PACE:  
Dually Eligible Individuals (Medicaid and Medicare)  
Non-Dually Eligible Individuals (Medi-Cal Only)

State/Territory: California

---

**Name and address of State Administering Agency, if different from the State Medicaid Agency**

**I. Eligibility**

The State determines eligibility for PACE enrollees under rules applying to community groups.

- A.   X   The State determines eligibility for PACE enrollees under rules applying to institutional groups as provided for in section 1902(a)(10)(A)(ii)(VI) of the Act (42 CFR 435.217 in regulations). The State has elected to cover under its State plan the eligibility groups specified under these provisions in the statute and regulations. The applicable groups are: See Supplement 4, Attachment 3.1-B, Page 1.1.

(If this option is elected, please identify, by statutory and/or regulatory reference, the institutional eligibility group or groups under which the State determines eligibility for PACE enrollees. Please note that these groups must be covered under the State's Medicaid plan.)

- B.        The State determines eligibility for PACE enrollees under rules applying to institutional groups, but chooses not to apply post-eligibility treatment of income rules to those individuals. (If this option is selected, skip to II – Compliance and State Monitoring of the PACE Program.)
- C.   X   The State determines eligibility for PACE enrollees under rules applying to institutional groups, and applies post-eligibility treatment of income rules to those individuals as specified below. Note that the post-eligibility treatment of income rules specified below are the same as those that apply to the State's approved HCBS waiver(s).

---

TN No. 13-006

Supersedes

TN No. 02-003

Approval Date SEP 25 2013

Effective Date July 1, 2013

State/Territory: California

---

**Medicaid Eligibility Groups Subject to Institutional Eligibility Rules**

Individuals receiving services under the PACE Program are eligible under the following eligibility group(s) in the California State plan. The State will apply all applicable FFP limits under the plan.

1. X The home and community-based group described under 42 CFR 435.217  
(Individuals who would be eligible for Medicaid if they were in an institution, who have been determined to need PACE services in order to remain in the community, and who are covered under PACE).

Spousal impoverishment rules are used in determining eligibility for the home and community-based group described in 42 CFR 435.217 but who are receiving services under PACE.

X A. Yes                             B. No

- a. X The PACE Program covers all individuals who would be eligible for Medicaid if they were in a medical institution and who need PACE Services in order to remain in the community.

---

TN No. 13-006

Supersedes

TN No. 02-003

Approval Date SEP 25 2013 Effective Date: July 1, 2013

**TN No. 02-003**



State of California  
PACE State Plan Amendment Pre-Print

Section 1924 of the Act. There shall be deducted from the individual's monthly income a personal needs allowance (as specified below), and a community spouse's allowance, a family allowance, and an amount for incurred expenses for medical or remedial care, as specified in the State Medicaid plan.

(a.) Allowances for the needs of the:

1. Individual (check one)

(A). \_\_\_\_\_ The following standard included under the State plan (check one):

1. \_\_\_\_\_ SSI
2. \_\_\_\_\_ Medically Needy
3. \_\_\_\_\_ The special income level for the institutionalized
4. \_\_\_\_\_ Percent of the Federal Poverty Level: \_\_\_\_\_%
5. ☒ Other (specify): An amount which represents the sum of (1) the income standard used to determine eligibility/share of cost and (2) any amounts of income disregarded during the Section 1902(a)(10)(A)(ii)(VI) eligibility phase.

(B). \_\_\_\_\_ The following dollar amount: \$ \_\_\_\_\_  
Note: If this amount changes, this item will be revised.

(C). \_\_\_\_\_ The following formula is used to determine the needs allowance:

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

If this amount is different than the amount used for the individual's maintenance allowance under 42 CFR 435.726 or 42 CFR 435.735, explain why you believe that this amount is reasonable to meet the individual's maintenance needs in the community:

Because this is the same amount that may be retained by individuals in the community to meet their needs.

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

TN No. 13-006  
Supersedes

Approval Date SEP 25 2013

Effective Date July 1, 2013

TN No. 02-003

State/Territory: California

---

## II. Rates and Payments

A. The State assures CMS that the capitated rates will be equal to or less than the cost to the agency of providing those same fee-for-service State plan approved services on a fee-for-service basis, to an equivalent non-enrolled population group based upon one of the following methodologies. Please attach a description of the negotiate rate setting methodology and how the State will ensure that rates are less than the cost in fee-for-service. See Supplement 4, Attachment 3.1-B, Page 7a.

1.   X   Rates are set at a percent of fee-for-service costs
2.        Experience-based (contractors/State's cost experience or encounter data) (please describe)
3.        Adjusted Community Rate (please describe)
4.        Other (please describe)

B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner. Please list the name, organizational affiliation of any actuary used, and attestation/description for the initial capitation rates.

Capitated Rates Development Division assigned actuary.

C. The State will submit all capitated rates to the CMS Regional Office for prior approval.

TN No. 13-006  
Supersedes  
TN No. 02-003

Approval Date SEP 25 2013

Effective Date July 1, 2013

State/Territory: California

---

### **Rate Setting Methodology for PACE**

Under a risk contract, Medicaid payments to the contractor, for a defined scope of services to eligible recipients, may not exceed 99.9% of the cost to the State of providing those same services on a fee-for-service basis to an actuarially equivalent non-enrolled population group. The Program of All-Inclusive Care for the Elderly (PACE) is a capitated program for individuals who are eligible for placement in a Long-Term Care facility.

Capitation rates for contracts the State has with PACE contractors in a number of different counties are set using a fee-for-service equivalent (FFSE) methodology. The FFSE is calculated for each plan, and then the capitation rate is set at a percentage of the FFSE, no less than 90 percent and not to exceed 99.9 percent of the FFSE.

The FFSE is based on FFS costs derived from comparable populations (55 or older) of nursing facility and Home and Community-Based Services (HCBS) waiver populations. In order to develop the FFSE, the data from sub-populations (dually eligible and Medi-Cal Only) of nursing facility and HCBS waiver populations are blended a final FFSE table.

The calculation of the FFSE starts with a statewide FFS base cost from a prior period, expressed as a cost per eligible per month. Adjustments are then made which adjust the base cost for the specific plan rate being calculated. The adjustments are for the following items:

1. Demographics – This adjusts for the specific age/sex demographics of a plan.
2. Contract Adjustments – Since plans do not cover all available services in fee-for-service, reductions for those services not covered are accounted for on this line. The specific type of services not covered would include the following:  
Services/items not covered related to children who would not be enrolled under this program.
3. Medicare Adjustments – Because Medicare pays a significant portion of the medical expenses for individuals over 65, the capitation rate is different for individuals who have Medicare coverage and for those who do not. This adjusts for the plan population relative to the statewide base.

This adjusted base cost then needs to be projected into the future. There are two considerations here; legislative changes and trend.

1. Legislative Changes – This evaluates the financial impact of legislation that has been passed or is expected to be enacted.
2. Trend – This adjustment predicts the affect of all other changes that may take place in the Medi-Cal population in the medical services arena. Because the Base Costs are for prior fiscal years, it is necessary to project these forward to the rate year. The calculation of trends is made in two parts; number of units used per eligible and cost per unit.

The following two groups are used to determine payment for PACE:

Dually Eligible Individuals (Medicaid and Medicare)

Non-Dually Eligible Individuals (Medi-Cal Only)