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**State/Territory Name: Illinois**

**State Plan Amendment (SPA) #: IL-25-0028**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Form CMS-179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
601 E. 12th St., Room 355  
Kansas City, Missouri 64106



**Medicaid and CHIP Operations Group**

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March 12, 2026

Laura Phelan, Director  
Division of Medical Programs  
Illinois Department of Healthcare and Family Services  
201 South Grand Avenue  
Springfield, IL 62763-0002

RE: IL 25-0028 All-Inclusive Care for the Elderly (PACE)

Dear Director Phelan:

The Centers for Medicare & Medicaid Services (CMS) completed the review of Illinois State Plan Amendment (SPA) Transmittal Number 25-0028 submitted on December 31, 2025. The purpose of this SPA is to update the Program of All-Inclusive Care for the Elderly (PACE) state plan pages to describe how the state's rate methodology calculates the amount that would otherwise have been paid for a comparable population absent the PACE program, and how the rates are set below that amount.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act and the implementing regulations. This letter is to inform you that Illinois Medicaid 25-0028 is approved with an effective date of January 1, 2026.

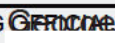
If you have any questions concerning this information, please contact me at (410) 786-7561. You may also contact Michelle Taylor at [Michelle.Taylor@cms.hhs.gov](mailto:Michelle.Taylor@cms.hhs.gov) or (312) 353-8720.

Sincerely,

George P. Failla, Jr., Director  
Division of HCBS Operations & Oversight

Enclosures

cc: Cynthia Nanes, CMS  
Shante Shaw, CMS  
Angela Cimino, CMS  
Annet Godiksen, HFS

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>		1. TRANSMITTAL NUMBER <u>2 5 — 0 0 2 8</u>	2. STATE <u>IL</u>
		3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	
TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE <p style="text-align: center;">January 1, 2026</p>	
5. FEDERAL STATUTE/REGULATION CITATION <p>42 CFR 440.60</p>		6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>2026</u> \$ <u>0</u> b. FFY <u>2027</u> \$ <u>0</u>	
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT <p>Supplement 3 to 3.1-A pages 7-9</p>		8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) <p>Supplement 3 to 3.1-A pages 7-9 (SPA 22-0046)</p>	
9. SUBJECT OF AMENDMENT PACE Program			
10. GOVERNOR'S REVIEW (Check One)			
<input type="radio"/> GOVERNOR'S OFFICE REPORTED NO COMMENT		<input checked="" type="radio"/> OTHER, AS SPECIFIED:	
<input type="radio"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED			
<input type="radio"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
11. SIGNATURE OF STATE AGENCY OFFICIAL		15. RETURN TO Department of Healthcare and Family Services Bureau of Program and Policy Coordination Attn: Kati Hinshaw 201 South Grand Avenue East Springfield, IL 62763-0001	
12. TYPED NAME Laura Phelan			
13. TITLE Administrator Division of Medical Programs			
14. DATE SUBMITTED 12/31/2025			
<b>FOR CMS USE ONLY</b>			
16. DATE RECEIVED December 31, 2025		17. DATE APPROVED <p style="text-align: center;">March 12, 2026</p>	
<b>PLAN APPROVED - ONE COPY ATTACHED</b>			
18. EFFECTIVE DATE OF APPROVED MATERIAL January 1, 2026		19. SIGNATURE OF APPROVING OFFICIAL 	
20. TYPED NAME OF APPROVING OFFICIAL George P. Failla, Jr.		21. TITLE OF APPROVING OFFICIAL Director, Division of HCBS Operations and Oversight	
22. REMARKS			

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: Illinois

**PACE STATE PLAN AMENDMENT PRE-PRINT**

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II. Rates and Payments

A. The State assures CMS that the capitated rates will be less than the cost to the agency of providing State plan approved services to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the amount the state would have otherwise paid for a comparable population.

1.  Rates are set at a percent of the amount that would otherwise have been paid for a comparable population.
2.  Experience-based (contractors/State's cost experience or encounter data) (please describe)
3.  Adjusted Community Rate (please describe)
4.  Other (please describe)

**AWOP Development**

The IL PACE amounts that would otherwise have been paid (AWOP) are developed separately for the Medicaid Only and Dual Eligible populations. Additional rate stratifications may be considered for age and region. Mandatory enrollment in the state's risk-based managed care program is required in all counties in the state. The managed care program experience and rate development, as well as other relevant and applicable program experience, serve as the basis for the AWOP methodology since PACE enrollees would otherwise be enrolled in a managed care program if the PACE program did not exist.

STATE PLAN UNDER TITLE XIX OF THE *SOCIAL SECURITY ACT*

State: **Illinois**

**PACE STATE PLAN AMENDMENT PRE-PRINT**

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Illinois Medicaid managed care capitation rates are developed on a calendar year basis. These capitation rate sources are developed by the State of Illinois' contracted actuary and have been the basis for the established AWOPs, with certain adjustments as necessary such as those outlined further in this section; this is because the majority of expenditures that comprise the AWOPs are covered within the managed care capitation rates. The AWOPs will be updated in accordance with the CMS PACE Medicaid Capitation Rate Setting Guide.

The base data for the development of the AWOPs consists of the managed care experience used to develop the managed care capitation rates, limited to the PACE comparable populations and aggregated into regional assignments specific to the PACE program. The AWOP development will account for all adjustments in accordance with the CMS PACE Medicaid Capitation Rate Setting Guide, including but not limited to:

- Prospective trend
- Prospective program adjustments
- Pharmacy contracting adjustments
- Managed care efficiency adjustments
- Patient liability reduction
- Service add-ons
- Non-medical load
- Other relevant adjustments

STATE PLAN UNDER TITLE XIX OF THE *SOCIAL SECURITY ACT*

State: **Illinois**

**PACE STATE PLAN AMENDMENT PRE-PRINT**

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The AWOPs must be developed to account for the amount that the state would pay if the member was not enrolled in PACE and must be inclusive of all state plan services. The State will also consider applying additional adjustments to ensure that the AWOPs account for all covered state plan services and reflect costs for a PACE comparable population. Those adjustments may include, but are not limited to, the following:

- Pharmacy rebate reduction
- Services not covered under the managed care program contract, with consideration for program changes, trend, and state administrative costs
- Acuity adjustments reflecting differences between the PACE population and the comparable managed care population, such as enrollee age
- Other relevant adjustments
- Facility/waiver blend

**Rate Setting Methodology**

After the appropriate preceding adjustments are made, the PACE payment rates are established for the appropriate rate cells in alignment with the AWOPs. Rates are set at 95% of the AWOPs with no additional adjustments, using rate stratifications consistent with those used to calculate the AWOPs. Illinois established 95% as the percentage of the AWOP to be used in setting PACE payment rates consistent with the approximate national average. The state assures that the rates will be below the AWOPs as a result of this methodology.

- B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner.
- C. The State will submit all capitated rates to CMS for prior approval and will include the name, organizational affiliate of any actuary used, and attestation/description of the capitation rates.

**III. Enrollment and Disenrollment**

The State assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the State and the State Administering Agency. The State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month.