# PACE Application Process Budget Proposal Fact Sheet

*Updated February 20, 2018*

**Proposal**
**Adopt budget trailer bill language to allow new PACE programs and expansions to start-up on a monthly basis, following receipt of state and federal regulatory approvals.**

**Background**
The Program of All-inclusive Care for the Elderly (PACE) has operated as a Medi-Cal benefit since 2003 as a capitated, comprehensive care program for adults and seniors over age 55 with higher needs who qualify for nursing home placement but who wish to remain in the community. Medi-Cal beneficiaries enroll in PACE in lieu of receiving Medi-Cal services on a fee-for-service basis or through a managed care plan.

Developing a new PACE program, or expanding an existing program into a new service area or county, requires a complex development and regulatory review process, and the investment of significant resources on the part of the applying organization. The steps include purchasing or leasing land and buildings; obtaining local building permits and approvals; obtaining clinic, ADHC, and home health agency licenses from the CA Department of Public Health (DPH) or exemptions; completing a state readiness review, which is conducted by the Department of Health Care Services (DHCS); and waiting an additional 90 days for review and final approval by the Centers for Medicare and Medicaid Services (CMS). The usual length of time required to develop a new PACE program or expand an existing program is one to two years. The investment in facilities and salaries required to obtain approval to operate a PACE program can run into the millions of dollars.

Since the inception of the PACE program in the 1980s, PACE programs have been allowed to begin operations on the first of the month following the receipt of state and federal regulatory approvals. However, DHCS guidance adopted in October 2017 limits new PACE program start-ups and expansions to two days per year, January 1 and July 1. Due to uncertainties in the amount of time it takes to complete the application process, particularly frequent delays in the amount of time necessary to receive applicable facility licenses, it is virtually impossible for PACE organizations to align their applications with specific start-up dates. If PACE programs miss an applicable start-up date, they must wait for the next available date, which can result in up to a six-month delay, forcing them to incur substantial losses before they can begin operating and generating revenue, and delaying communities who need the services PACE provides from receiving them.

**Arguments in Support**
Allowing new PACE programs and expansions to start up on a monthly basis, once applicable approvals are obtained, will ensure that PACE can continue to expand and provide frail elderly participants with PACE services in a timely way in areas of California that need the services that PACE provides.

At the point of start-up, PACE programs typically have invested several million dollars in facilities and staffing and are incurring several hundred thousand dollars per month in ongoing operating and staffing costs. Allowing PACE programs and expansions to start-up on a monthly basis will enable the programs to be financially viable and to recoup these investments in a timely way.

**Sponsor of Proposal:** CalPACE

**Proposed Budget Trailer Bill Language**
Add a new subdivision (f) to Welfare and Institutions Code Section 14593, to read:

*A new PACE program, or the expansion of an existing PACE program into a new service area or county, shall be allowed to commence operations in the month following its receipt of state and federal regulatory approvals.*