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BILL ANALYSIS

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Senate Bill 810 (as introduced 3-3-20)
Sponsor: Senator Curtis S. VanderWall
Committee: Health Policy and Human Services

Date Completed: 10-1-20

CONTENT

The bill would amend the Social Welfare Act to modify provisions governing when there is an unmet need in a designated geographic area served by a Program of All-Inclusive Care for the Elderly (PACE) organization.

Under Section 22 of the Act, a prospective PACE organization can be a not-for-profit, for-profit, or public entity that primarily is engaged in providing PACE services and participates in both Medicare and Medicaid. Michigan licensure as a health care entity is not required. An unlicensed PACE entity may serve any eligible enrollee. A prospective PACE entity must meet the Federal requirements for a PACE organization, enroll as a Michigan Medicaid provider, and complete a feasibility study. "Program of All-Inclusive Care for the Elderly" or "PACE" means an innovative model of community-based care that enables elderly individuals, who are certified as needing nursing facility care, to live as independently as possible.

A prospective PACE organization must submit both of the following to the Department of Health and Human Services (DHHS):

-- Within 90 calendar days after submitting a letter of intent, a feasibility study.
-- Within one year after the DHHS approves the feasibility study, a provider application.

When submitting a letter of intent, a prospective PACE entity must state in the application the service area proposed for the PACE program.

If the State determines that there is unmet need in a designated geographic area already covered by an existing PACE organization, the DHHS must notify that PACE organization in a reasonable amount of time, and that PACE organization must be given the opportunity to submit a plan to expand capacity sufficient to accommodate need. The DHHS must give the existing PACE program six months from notice of the determination of unmet need to submit an expansion plan. If the existing PACE organization fails to submit a reasonable plan for expansion within six months, the State may allow proposals from other PACE organizations. The DHHS must work with the PACE Association of Michigan and other appropriate provider representatives to develop an acceptable methodology to determine unmet need. The bill would delete these provisions.

Instead, under the bill, an entity could establish a PACE program in a geographic area already designated to and served by an existing PACE organization, if it submitted to the Medical Services Administration all of the following:

-- Evidence that the entity had relevant experience and financial resources necessary to operate a PACE program.
-- Evidence that the proposed PACE program would not create an unnecessary duplication of services in the service area.
-- Evidence that the entity's proposed PACE program would not impair the financial and service viability of the existing PACE program.
-- Evidence that the total number of potential PACE eligible clients within the service area was greater than 5,000.
-- Documentation demonstrating that an unmet need existed in the geographic area.

An unmet need would exist when the percentage of the PACE eligible market size served in a geographic area was equal to or less than 20%. "PACE eligible client market size" would mean the total number of noninstitutionalized individuals reporting a disability over the age of 65, with an income less than $25,000 as measured by the most recent United States Census Bureau and the American Community Survey 5-year estimates.

The Medical Services Administration would have to approve the entity's proposed PACE program within 90 days after receiving the entity's required documentation.

MCL 400.22 Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would allow the establishment of a new PACE program in certain geographic areas that already have a PACE program. The Department of Health and Human Services (DHHS) estimates that the cost of an individual PACE slot is $3,600 per month or $43,200 per year. If implementation of the bill led to a new PACE program, there would be a cost to the State's Medicaid program of $4.32 million Gross and $1,515,500 General Fund/General Purpose per year for every 100 slots in that new program.

While there have been arguments that PACE costs could be fully offset by reduced skilled nursing facility costs, the DHHS and the State Budget Office no longer see sufficient evidence to assume such a large long-term care cost offset and the Senate Fiscal Agency concurs with their belief. It is reasonable to note that some of the costs of new PACE slots could be offset by reduced long-term care costs, but not to the point of fully offsetting these costs. The situation also would be affected by the bill's provision allowing for creation of new PACE programs, if certain criteria were met, in areas that already have a PACE program. The potential for partially offsetting diversion savings would be greatest if PACE services were expanded to areas that presently do not have PACE programs (rather than in areas that already have PACE programs).

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