

Date of Hearing: April 2, 2019

ASSEMBLY COMMITTEE ON AGING AND LONG-TERM CARE

Adrin Nazarian, Chair

AB 1128 (Petrie-Norris) – As Amended March 26, 2019

**SUBJECT:** Program of All-Inclusive Care for the Elderly.

**SUMMARY:** This bill would transfer responsibility for licensing of Program of All-Inclusive Care for the Elderly (PACE) clinics, adult day health centers, and home health agencies from the Department of Public Health to the Department of Health Care Services. Specifically, **this bill:**

- 1) Requires the State Department of Health Care Services, as the single state agency overseeing the PACE program, to license and regulate any primary care clinic, adult day health center, and home health agency that is related to a PACE center, thereby transferring these duties from the State Department of Public Health to the State Department of Health Care Services, and would authorize the State Department of Health Care Services to exempt certain PACE centers from these provisions.
- 2) Requires a PACE center to maintain a license both as a primary care clinic and an adult day health center, and to either maintain a license as a home health agency or contract with a licensed home health agency for the provision of home health services.

**EXISTING LAW:**

- 1) Establishes the Program of All-Inclusive Care for the Elderly (PACE), which provides specified services for older individuals at a PACE center, defined, in part, as a facility that includes a primary care clinic, so that they may continue living in the community. Federal law authorizes states to implement the PACE program as a Medicaid state option.
- 2) Establishes the California Program of All-Inclusive Care for the Elderly (PACE program), to provide community-based, risk-based, and capitated long-term care services as optional services under the state's Medi-Cal State Plan, as specified.
- 3) Authorizes the State Department of Health Care Services to enter into contracts with various entities for the purpose of implementing the PACE program and fully implementing the single state agency responsibilities assumed by the department in those contracts, as specified.
- 4) Establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, duties relating to the licensing and regulation of various entities, including primary care clinics, adult day health care centers, and home health agencies.

**FISCAL EFFECT:** This bill has not yet been analyzed by a fiscal committee.

**COMMENTS:**

**Author's Statement:** According to the author, "Currently, PACE organizations (POs) are required to obtain licensing approvals or exemptions to operate as clinics, adult day health centers, and, in some cases, home health agencies, from the Department of Public Health (DPH)

in a lengthy process that is separate from the extensive approval process administered by the Department of Health Care Services (DHCS). This bifurcated process can delay the rollout of new and expanding PACE programs by months or even years. AB 1128 moves the PACE licensing function from DPH to DHCS to remove redundancy and duplication between the reviews by the two departments and allow new or expanding POs to better coordinate with DHCS.”

## **Background**

PACE is designed to provide care for California’s frail population as an alternative to institutionalization. PACE programs coordinate and deliver preventive, primary, acute, and long-term care services to older adults who would otherwise be in nursing homes so they can continue to live in the community.

PACE is unique in that it is the only provider-based model of care where a single entity is entirely responsible for the delivery, outcomes, and cost of care. Eligible beneficiaries receive all of their services through one-stop-shop PACE centers, while still residing in their home and/or community. Participants are age 55 or older, certified by the state to qualify for nursing home care, able to be cared for safely in their community, and live in a PACE service area. Currently, there are 12 PACE programs operating in 42 sites across California, serving nearly 8,000 frail seniors.

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 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.

Research shows that the PACE model achieves high levels of outcomes for the beneficiaries it serves, including low rates of hospitalization, delays in or avoidance of extended admissions to nursing facilities, extended longevity, high rates of participant satisfaction, and savings for the state and federal governments. Based on research by CalPACE, expenditures on PACE in 2017 were \$23 million less than what would have otherwise been paid for their beneficiaries to be cared for outside of PACE.

In order for PACE to start up new programs and to expand existing programs, an extensive program approval process administered by DHCS that considers organizational structure, finances, community support, and ability to meet state and federal PACE regulations. It also includes health facility licensing approvals or exemptions for PACE center clinics, adult day health centers, and, in some cases, home health agencies, which is administered by the Department of Public Health.

When PACE was established in California and recognized in the Welfare and Institutions Code in the 1980s it began as a federal program with 10 demonstration projects led by PACE organizations (POs). Due to the success of the program, AB 574 (Lowenthal), Chapter 367, Statutes of 2011, increased the maximum number of POs from 10 to 15.

In 2016, the PACE Modernization Act Trailer Bill (Section 31-36 of Senate Bill (SB) 833, Chapter 30, Statutes of 2016) made updates to the program that included removing the cap on the total number of POs that operate in the state (previously capped at 15), and allowing for-profit

entities to participate in the PACE program. These changes accelerated interest in PACE start-ups and expansions.

In response to this increased interest, DHCS issued a policy letter in August 2018 to clarify its review process for new/expanding PACE applications. One of the policy requirements specifies that a new or expanding PO may only begin operations on either January 1 or July 1 of each year. According to DHCS, these two approval windows are intended to coincide with state budget and financial rate-setting development processes.

However, these limited approval dates present a problem for the licensing side of PACE. Currently, POs are required to obtain licensing approvals or exemptions to operate as clinics, adult day health centers, and, in some cases, home health agencies, from DPH in a lengthy process that is separate from the extensive approval process administered by DHCS. This bifurcated process, along with the limited approval dates, can delay the rollout of new and expanding PACE programs by months or even years.

Shifting the PACE licensing function from DPH to DHCS will remove redundancy and duplication between the reviews by the two departments and allow new or expanding POs to better coordinate with DHCS. Enabling DHCS to take over PACE licensing will facilitate program growth, increase access for eligible seniors, and continue to save the state from paying higher costs associated with nursing home care.

**Argument in Support:** A letter from CalPace, states, “The current bifurcated process is inefficient and duplicative and can result in significant delays in PACE organization start-ups and expansions. Many of the items reviewed by the two departments are similar. The combined approval processes can take 18 months but frequently take two years or more.

“Delays created by the duplicative reviews hurt communities that need the services that PACE provide. They have also cost the state money in the form of supplemental payments to cover the costs of delays.”

**Argument in Opposition:** None.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

CalPACE – Sponsor  
AARP  
Alzheimer’s Los Angeles  
Alzheimer’s San Diego  
Association of Regional Center Agencies (ARCA)  
Brandman Centers for Senior Care  
California Alliance for Retired Americans  
California Commission on Aging  
Center for Elders’ Independence  
Congress of California Seniors  
Disability Rights California  
LeadingAge California  
On Lok Senior Health Services

St. Paul's PACE  
San Ysidro Health

**Opposition**

None on file.

**Analysis Prepared by:** Barry Brewer / AGING & L.T.C. / (916) 319-3990