SUBJECT: Rate-setting and evaluation of PACE program compared to STAR+PLUS

COMMITTEE: Human Services — favorable, without amendment

VOTE: 8 ayes — Raymond, Rose, Keough, Klick, Naishtat, Peña, Price, Spitzer

0 nays

1 absent — S. King

WITNESSES: For — Carl Isett, Texas PACE Association

Against — None

On — (*Registered, but did not testify*: Elisa Garza, Department of Aging and Disability Services; Gary Jessee, Health and Human Services Commission; Jennifer Quereau, Legislative Budget Board; Rachel Butler)

BACKGROUND: Texas operates the Program of All-inclusive Care for the Elderly (PACE) through the Department of Aging and Disability Services (DADS). The program was established and is governed by Human Resources Code, sec. 32.053. PACE offers capitated managed care to people age 55 or older who are eligible for nursing facility care but live in the community at the time they enroll in the program. The program serves individuals who are eligible for Medicare, Medicaid, or both, and it provides all preventive, primary, acute, and long-term care services.

STAR+PLUS is a program operated by the Health and Human Services Commission (HHSC) that provides acute and long-term care through a Medicaid managed-care system. This program serves certain adults who are age 21 or older and have a disability.

The 2014-15 general appropriations act authorized DADS to use appropriated PACE funds to serve up to 96 additional participants at existing PACE sites and to create three new PACE sites serving up to 450 participants total beginning in fiscal year 2015. The general appropriations act stated that if the funds appropriated to DADS to serve these additional populations were insufficient, HSSC would be directed to transfer certain Medicaid funds to pay for this growth.

DIGEST: HB 3823 would link the reimbursement rates of PACE to those of the STAR+PLUS Medicaid program, modify the methods for collecting PACE and STAR+PLUS Medicaid program data, and require an evaluation of the PACE program to compare PACE costs and care outcomes to STAR+PLUS Medicaid program outcomes.

Reimbursement rates for PACE. HB 3823 would direct the Health and Human Services Commission (HHSC) to set a provider reimbursement rate for the PACE program that would be adequate to sustain the program, would not exceed reasonable and necessary costs to operate the program, and would be cost-neutral when compared to costs for serving a similar population in the STAR+PLUS Medicaid program.

The bill would require HHSC to consider collecting historical cost and utilization data from PACE providers to set the PACE reimbursement rate required to be adequate but reasonable. The bill also would require the agency to consider STAR+PLUS Medicaid costs, including capitation and fee-for-service payments, for a similar population to the one served by PACE to set the upper limit for PACE reimbursement rates.

Data collection. The Department of Aging and Disability Services (DADS) and HHSC would be required to collaboratively modify data collection methods used to evaluate the PACE and STAR+PLUS programs to allow for the comparison of recipient outcomes, including complaints and recipient hospital admissions, between programs. The bill also would require changes to survey instruments used in this data collection.

Evaluation and reporting. The bill would require DADS and HHSC to collaboratively evaluate Medicaid costs and client outcomes between PACE and STAR+PLUS, mandating that the evaluation compare similar recipient types between the programs and account for geographic differences and recipient acuity. The evaluation also would have to contain an assessment of potential future cost implications if HHSC was unable to calculate a reimbursement rate for PACE that met the requirements of the bill.

HHSC also would be required to compile a report on the findings of this evaluation and submit the report by December 1, 2016, to the Legislative Budget Board and governor. The evaluation and report provisions of the bill would expire in September 2017.

HB 3823 would require a state agency needing a waiver or authorization from a federal agency before implementing a provision of the bill to request that waiver or authorization. The affected state agency could delay implementation of affected provisions in the bill until the agency received the waiver or authority.

HB 3823 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2015.

SUPPORTERS SAY:

HB 3823 would instigate needed consideration of the Program of All-inclusive Care for the Elderly (PACE) and its provider reimbursement rate methodology.

PACE, which uses a capitated managed care model, has been found to be a lower-cost alternative to serving high-risk elderly patients when compared to the Medicaid fee-for-service reimbursement system. However, it is not clear whether PACE also could be a lower-cost or cost-neutral alternative to the STAR+PLUS program, a Medicaid managed care program that can serve a similar population to PACE. STAR+PLUS has expanded in the state, and the fee-for-service Medicaid reimbursement model has shifted toward managed care. Therefore, comparing and aligning provider reimbursement rates for PACE clients with those of STAR+PLUS, rather than fee-for-service rates, would be a better strategy.

Understanding the similarities, differences, issues, and outcomes for both programs would better enable the state to make planning and funding decisions for PACE and STAR+PLUS. HB 3823 is necessary to determine the potential fiscal impact to the state of using STAR+PLUS Medicaid funds to help pay for the additional PACE participants as authorized by the 2014-15 general appropriations act. While the two programs arguably serve different populations, the bill would ensure that the comparison and evaluation of PACE and STAR+PLUS for rate-setting, costs, and outcomes purposes involved similar populations of individuals served by the two programs.

Aligning data collection and evaluating the costs and care outcomes for both programs also would yield important information about how to effectively assess the programs in relation to one another. Because of some evidence showing PACE to have better outcomes than other programs serving this population, HB 3823 could highlight the need to better fund or expand the PACE program to serve more individuals.

HB 3823 contains provisions that ensure that the Medicaid reimbursement rates for PACE are sufficient to sustain the program but also would not be enough to exceed what is necessary and reasonable to operate the program. While the bill would tie PACE rates to those of STAR+PLUS before evaluating and comparing the two programs, setting both a floor and ceiling for the reimbursement rate would ensure the program was both sustainable and cost-effective.

OPPONENTS SAY:

HB 3823 would set a rate for PACE by comparing it to STAR+PLUS without fully understanding the differences between the two programs. Instead, the bill should mandate doing the study first and then consider setting PACE rates based on STAR+PLUS once the differences between the two programs could be fully appreciated and understood.

Even with the bill's effort to isolate a STAR+PLUS population segment equal to PACE's population for comparison, there are several other factors that are not controlled for, which would make this comparison ineffective. For example, PACE provides a full spectrum of care and bears the risk for highest-need individuals' cost of care increasing while these individuals are in a PACE program. Programs like STAR+PLUS do not cover all costs of care for individuals, they treat in the aggregate a less high-need population, and they have a flexible coverage structure that places risk for increased cost of care on the state.

Linking and comparing costs between these two programs could inaccurately reflect negatively on PACE. PACE is an exceptional program that has shown better outcomes for enrollees than similarly situated individuals not enrolled in PACE, including lower hospitalization and mortality rates. The bill’s rate-setting methodology and the required comparison with STAR+PLUS could unfairly result in an insufficient reimbursement rate, restricted growth of the program, or even the end of the PACE program entirely.

NOTES:

In its fiscal note, the Legislative Budget Board has estimated that there would be no significant fiscal impact to the state for the analysis and reporting requirements of HB 3823. Any fiscal implications to the state that could result from setting new rates for PACE could not be determined at this time, as it is unclear how they would compare to current rates, according to the LBB.