



March 11, 2023

SUMMARY OF BILL: Requires the Division of TennCare (Division) to establish a statewide Program of All-Inclusive Care for the Elderly (PACE) for frail, elderly individuals who require the level of care provided in a nursing facility and who meet eligibility criteria established by the federal centers for Medicare and Medicaid services. Authorizes the Division to seek and obtain any federal waiver that the Director deems necessary to establish a statewide PACE program.

FISCAL IMPACT:

**Increase State Expenditures - Net Impact - \$4,013,900/FY23-24
\$8,027,700/FY24-25 and Subsequent Years**

**Increase Federal Expenditures - Net Impact - \$7,615,500/FY23-24
\$15,230,900/FY24-25 and Subsequent Years**

Assumptions:

- There is currently one PACE program operating in Hamilton County. The proposed legislation would create a statewide PACE program.
- The proposed legislation requires the Division to seek to enroll:
 - 2,000 participants in calendar year 2024;
 - 3,000 participants in calendar year 2025; and
 - 5,000 participants in calendar year 2026 and subsequent years.
- This analysis assumes that the program will begin on January 1, 2024, and 2,000 participants will be enrolled in the program.
- Any new enrollees to the PACE program are TennCare members that would otherwise be receiving home and community-based services through CHOICES Group 2.
- In order to enroll 2,000 participants, approximately 1,715 individuals currently enrolled in the CHOICES Group 2 program would transition and receive services from the PACE program.
- The capitation rates for the CHOICES program are a blend of Group 1 and Group 2. As a result of individuals transitioning from the Group 2 program, capitation rates for the CHOICES program will increase, as the rates for Group 2 are less expensive and the Group 1 rates will make up a larger portion of the blended rate.

- According to information provided by the Division, the average monthly rate for the remaining CHOICES members will increase by approximately \$148 as a result of the 1,715 individuals transitioning away from the CHOICES Group 2 program.
- It is estimated that a total of 22,123 individuals will remain in the CHOICES program; therefore, there will be an increase in expenditures of approximately \$39,290,448 ($\$148 \times 22,123 \times 12$) for these members.
- Based on an actuarial assessment by the Division, the current monthly price for the CHOICES Group 2 members who will transfer from the program is approximately \$5,605 and the estimated monthly price for the PACE program will be \$4,826.
- There will be a resulting decrease in expenditures of \$16,031,820 [$(\$5,605 - \$4,826) \times 1,715 \times 12$] from payments for individuals transitioning to the PACE program.
- There will be a net increase in expenditures of \$23,258,628 ($\$39,290,448 - \$16,031,820$) to implement the PACE program. Medicaid expenditures receive matching funds at a rate of 65.485 percent federal funds to 34.515 percent state funds. For FY24-25 and subsequent years, \$8,027,715 ($\$23,258,628 \times 34.515\%$) will be in state funds and \$15,230,913 ($\$23,258,628 \times 65.485\%$) will be in federal funds.
- Due to the estimated January 1, 2024 start date, in FY23-24 state expenditure will be \$4,013,858 ($\$23,258,628 \times 34.515\% \times 50.0\%$) and federal expenditures will be \$7,615,457 ($\$23,258,628 \times 65.485\% \times 50.0\%$).
- The Division can seek and apply for any necessary federal waivers within existing resources.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumption:

- The proposed legislation will not result in a significant impact to commerce or jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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