



March 12, 2024

SUMMARY OF BILL AS AMENDED (015581): 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.

Requires the Division to provide an annual PACE program report to the Speakers of the House the Senate, chairs of the House and Senate Finance, Ways, and Means Committees.

Authorizes the service area of the PACE program in Hamilton County to extend to Meigs County, Rhea County, and Bradley County.

FISCAL IMPACT OF BILL AS AMENDED:

Increase State Expenditures – Net Impact – \$1,784,800/FY25-26 and Subsequent Years

**Increase Federal Expenditures – Net Impact –
\$3,304,100/FY25-26 and Subsequent Years**

Assumptions for the bill as amended:

- There is currently one PACE program operating in Hamilton County. The proposed legislation would create a statewide PACE program.
- The proposed legislation requires the collective number of PACE enrollees to be limited to:
 - 1,000 enrollees in FY25-26;
 - 1,500 enrollees in FY26-27;
 - 2,000 participants in FY27-28;
 - 2,500 participants in FY28-29; and
 - 3,000 enrollees in FY29-30 and subsequent years.
- This analysis assumes that the program will begin on July 1, 2025, and 1,000 participants will be enrolled in the program.
- Any new enrollees to the PACE program are assumed to be a combination of current TennCare members that would otherwise be receiving home and community-based services through CHOICES Group 2 and also new TennCare enrollees.

- There was an average of approximately 280 enrollees in the existing PACE program in calendar year 2023.
- In order to enroll 1,000 participants, approximately 720 individuals will receive services from the PACE program.
- It is assumed approximately 50 percent, or 360, are new enrollees in the TennCare program who would have enrolled in CHOICES Group 2 and will now enroll in the PACE program and 50 percent, or 360, are currently enrolled in the CHOICES Group 2 program who will transition to the PACE program.

Enrollees Transitioning From CHOICES 2

- 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 \$46.87 as a result of the 360 individuals transitioning away from the CHOICES Group 2 program.
- It is estimated that a total of 23,096 individuals will remain in the CHOICES program; therefore, there will be an increase in expenditures of approximately \$12,990,114 ($\$46.87 \times 23,096 \times 12$) 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 \$3,365,280 [$(\$5,605 - \$4,826) \times 360 \times 12$] from payments for individuals transitioning to the PACE program.

Enrollees New To PACE

- The PACE program provides services to elderly individuals who require the level of care provided in a nursing facility.
- Based on data from the existing PACE program, it is assumed that expanding the program statewide will result in approximately 360 individuals per year being able to receive care in a PACE program rather than in a nursing facility in the CHOICES program.
- As a result of 365 enrollees migrating to PACE, there will be an estimated savings of approximately \$4,536,000 [$(\$5,876 - \$4,826) \times 360 \times 12$] per year.

Total Fiscal Impact

- The net increase in expenditures to expand the PACE program statewide is estimated to be \$5,088,834 ($\$12,990,114 - \$3,365,280 - \$4,536,000$) in FY25-26 and subsequent years.
- Medicaid expenditures receive matching funds at a rate of 64.928 percent federal funds to 35.072 percent state funds. Of this amount, \$1,784,756 ($\$5,088,834 \times 35.072\%$) will be in state funds and \$3,304,078 ($\$5,088,834 \times 64.928\%$) will be in federal funds in FY25-26 and subsequent years.
- The Division can seek and apply for any necessary federal waivers and compile the required reports within existing personnel resources.

IMPACT TO COMMERCE OF BILL AS AMENDED:

NOT SIGNIFICANT

Assumption:

- The proposed legislation will result in a shift in the delivery and payment methods of healthcare services for certain elderly individuals; however, the net impact to commerce or jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

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

Handwritten signature of Krista Lee Carsner in black ink.

Krista Lee Carsner, Executive Director

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