

*Colorado Legislative Council Staff Fiscal Note*

**STATE  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0690      **Date:** February 18, 2015  
**Prime Sponsor(s):** Sen. Balmer      **Bill Status:** Senate Business, Labor, & Technology  
 Rep. DelGrosso; Ginal      **Fiscal Analyst:** Kerry White (303-866-3469)

**BILL TOPIC:** PACE PROGRAM FLEXIBILITY FOR BUSINESS ENTITY

<b>Fiscal Impact Summary*</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	<b><u>\$43,577</u></b>	<b><u>Potential increase</u></b>
General Fund	18,539	Potential increase
Federal Funds	18,538	Potential increase
Centrally Appropriated Costs**	6,500	Potential increase
<b>FTE Position Change</b>	0.5 FTE	Potential increase
<b>Appropriation Required: \$37,077 - Department of Health Care Policy and Financing (FY 2015-16).</b>		

\* This summary shows changes from current law under the bill for each fiscal year.

\*\* These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

**Summary of Legislation**

This bill expands the type of entities that are authorized under state law to provide the Program of All-Inclusive Care for the Elderly (PACE) from only nonprofit organizations to also include public, private, and for-profit entities. The establishment of these additional types of PACE organizations is subject to federal approval.

**Background**

PACE provides comprehensive long-term services and supports as an alternative to nursing facility care. The program is available to persons age 55 or older who are enrolled in Medicare or Medicaid and deemed eligible for nursing facility care by a Single Entry Point (SEP) agency. Clients must live within a PACE provider service area and be able, with supportive services, to live in the community safely. Services are typically offered in an adult health center and supplemented with in-home and referral services. Health and service benefits include: primary and hospital care, prescription drugs, emergency services, physical therapy, home care, meals, dentistry, nutritional counseling, social services, and transportation, among others. Once enrolled, if a client requires it, the PACE program will also pay for nursing facility care.

There are four existing nonprofit PACE organizations in Colorado: InnovAge Greater Colorado PACE, serving Adams, Arapahoe, Broomfield, Denver, and Jefferson counties; InnovAge Greater Colorado PACE, serving Pueblo County; Rocky Mountain PACE, serving El Paso County; and Senior CommUnity Care/VOANS PACE, serving Delta and Montrose counties.

For-profit PACE organizations are currently prohibited under federal law.

**State Expenditures**

For FY 2015-16, the bill increases costs in the HCPF by \$43,577 and 0.5 FTE shared equally between the General Fund and federal funds. Subject to federal approval, costs may both increase or decrease by an unknown amount beginning in FY 2016-17. The fiscal note assumes that any required changes in appropriations as of FY 2016-17 will be addressed through the annual budget process. Table 1 and the discussion that follows describe the fiscal impact of the bill.

<b>Table 1. Expenditures Under SB15-137</b>		
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Personal Services	\$31,899	Potential increase
FTE	0.5 FTE	Potential increase
Operating Expenses and Capital Outlay Costs	5,178	Potential increase
Medical Services Premiums	0	Potential increase
Centrally Appropriated Costs*	6,500	Potential increase
<b>TOTAL</b>	<b>\$43,577</b>	<b>Potential increase</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Assumptions.** The fiscal note relies upon the following assumptions:

- demonstration waiver applications must be prepared and submitted to the federal Centers for Medicare and Medicaid Services (CMS) for each proposed project site to be operated by a for-profit entity;
- federal law limits the number of demonstration waiver projects available across the United States to ten, six of which have already been approved in other states;
- recent guidance from the CMS indicates that new waiver applications are not currently being considered;
- based on the uncertainty of federal acceptance of a demonstration waiver application, costs are shown for HCPF to prepare one application only; and
- it is unknown where a new PACE site would be located, but this analysis assumes that it will not be co-located in a region with an existing site operated by a nonprofit entity.

**Waiver application.** Costs are shown for 0.5 FTE General Professional IV staff to solicit applications from for-profit entities and to develop a demonstration waiver application. The application process is assumed to include stakeholder outreach and ongoing feedback and fine tuning of the application with the CMS. Standard operating costs and capital outlay costs are provided.

**Conditional costs for PACE.** If a demonstration waiver project is approved, costs will increase beginning in FY 2016-17 to conduct an actuarial analysis, manage the new project site, provide medical services, and potentially develop applications for additional sites. Depending on the locations chosen and clients served, costs may both increase or decrease to provide PACE services. As of this writing, these costs have not been calculated because the new service area is not currently known and it is not possible to determine whether new clients will increase costs (for clients that are currently enrolled in Medicaid who receive less expensive services), decrease costs (such as potentially moving from a nursing home) or be cost-neutral (such as transitioning from an existing PACE site). This analysis assumes the HCPF will be required to request

adjustments in appropriations through the annual budget process once the details of any approved project are known. However, for information purposes, if all clients were enrolled in Medicaid and transitioning from less expensive services, costs could range between \$1.5 million (initial implementation) and \$5.1 million per year (full implementation). The fiscal note assumes medical service costs will increase under the bill.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,027	Potential increase
Supplemental Employee Retirement Payments	2,473	Potential increase
<b>TOTAL</b>	<b>\$6,500</b>	<b>Potential increase</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

### **Effective Date**

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

### **State Appropriations**

For FY 2015-16, the bill requires an appropriation of \$37,077, including \$18,539 General Fund and \$18,538 federal funds and an allocation of 0.5 FTE to the Department of Health Care Policy and Financing.

### **State and Local Government Contacts**

Health Care Policy and Financing

Public Health and Environment