NORTHLAND PACE
Senior Care Services
Program of All-Inclusive Care for the Elderly

January 26, 2021

North Dakota 67th Legislative Assembly
House of Appropriations Committee

RE: Northland PACE Program and HB 1012

Representative Jon Nelson and members of the House Appropriations Committee,

The Northland PACE Program has been supported by legislation and the state of North Dakota since opening in 2008. House Bill 1012 provides detail to the proposed budget changes under the Department of Human Services (DHS), to include the services of Northland PACE, also associated with long-term care payment reform. Testimony has been provided by members of DHS outlining details of these changes which involves a change reduction in payment rate to Northland PACE of 4.0% over the 2021-2023 biennium. These changes are based on the proposed cost-based payment methodology by DHS and to seek an optimal profit margin. Under the cost-based payment model, the premise is that the Medicaid rate will be adjusted (decrease as stated) and then monitored. If costs for services and/or operations are observed to increase, the rates may be increased to compensate. If costs for services and/or Northland PACE becomes more efficient operating, rates will be decreased but not to exceed the established minimum set by DHS. This proposed cost-based rate setting may be highly variable creating financial volatility. A meeting was held between Northland PACE leadership and members of DHS when it was announced these changes would be implemented January 1, 2021 and were based on current and previous year Northland PACE financial reports, specifically our profit margin. Cumulative sustained earnings over time were not reviewed to account for the cost-based rate change and rate setting into the future.

While the Northland PACE Program, long-term care facilities, and Home and Community Based Services (HCBS) do have similarities in the fact that they are supported and funded under the DHS budget, the Northland PACE Program is unique and considerably different than that of these other programs. The Northland PACE Program receives payment based on a risk adjusted capitated payment rate from both the state as well as CMS. The Northland PACE Program receives payment based on the level of care need for each participant and the PACE program then manages and coordinates the healthcare needs of the participant to ensure optimal health outcomes and reduced care costs. The more successfully we achieve these goals the more financially solvent we are which allows us to reinvest in the Northland PACE Program and further save state financial resources and increase access to those throughout North Dakota meeting nursing home level of care needs.

Given the capitated payment model, the Northland PACE Program incurs all financial risk associated with providing care services and operating as a PACE program which also serves as incentive for optimizing care outcomes and efficiencies of operating. Furthermore, the Northland PACE Program does not receive funding, like long-term care facilities, for property. These details demonstrate the rationale of why seeking an adjusted optimal profit margin by way of the cost based payment model do not fit the model in which the PACE program is designed to operate nor does the cost-based payment model adjustment allow for the PACE program to achieve growth and expansion. The cost-based payment model changes provide financial risk to the Northland PACE Program given care needs change rapidly for enrolled participants. Maintaining a financial reserve allows us to deliver all necessary services while focusing on opportunities for growth, expansion, and further investing in service improvement.

Additionally, funding reduction for the PACE program is also being proposed based on enrollment reduction goals. During previous testimony by DHS, it was stated that enrollment goals have historically not been met and therefore funding can be reduced as a result. Given the settlement between the state of North Dakota and Department of Justice and the strategies in place by DHS, Northland PACE is a program, among all other options under DHS, that is being provided as an option for all people of ND that screen for nursing home level of care. As Northland PACE is included in the Informed Choices and ADRL strategy along with additional internal growth measures, Northland PACE is positioned for continued growth into the future. The detail for the proposed budget accounting for enrollment should be proposed with the expectation that growth be realized thus assessing and appropriating budget support in response to enrollment growth.

The Northland PACE Program provides access to all-inclusive healthcare for adults 55 years of age and older, meet nursing home level of care, and to those that are able to and wish to remain living at home. Since July 2019, Northland PACE has undergone leadership change as well as significant operational and structural changes resulting in financial success in building financial reserves to invest in existing and projected future capital to include expansion to additional service areas. Reducing payment rates associated with the cost-based payment adjustment plan jeopardizes the ability for Northland PACE to provide adequate services, expand services to additional service areas (communities) throughout North Dakota. It further jeopardizes the ability for the PACE program to assist the state in being a viable option for North Dakotans to receive healthcare in their homes versus placement in long-term care facility options.

For consideration of the ND House Appropriations committee and DHS, Northland PACE leadership would like to propose alternative options for payment adjustment consistent with the PACE program model. In order to enroll in PACE, a potential participant is required to screen as “Nursing Home Eligible”. Considering this requirement, it only makes sense that PACE rates determined in a similar methodology to the MDS assessment model. Whether PACE Programs have their own set of MDS rates or are a % of average 40 rates per facility in the particular zip code, the MDS model would be a more objective and fair value approach to setting the payment structure for PACE Programs. Similarly, to a certain degree, Medicare rates are established based on the frailty of participants which is determined by the diagnosis of each participant. This change in the method of payment at the Medicaid level would require a joint effort between the PACE Program and Department of Human Services in order to establish a concrete structure.

Developing an MDS payment model for PACE Programs in ND would not only provide an objective approach to rate setting, it would also assist in providing an objective tool to determine those individuals best suited for the PACE Program or other care options. It would provide means to the SNF to refer those residents who are on the cusp of institutionalization but are still eligible for independence to receive the care necessary to stay in their homes

Submitted respectfully,

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Ryan Bosch, CEO	Lynn Grimm, CFO
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Date	Date