Maryland PACE Expansion - Questions Received on 2021 Solicitation

Updated 14 October 2021

Following are responses to questions received as of September 30, 2021 with regard to the Maryland Department of Health's 2021 solicitation to expand the Program of All-Inclusive Care for the Elderly (PACE).

General Questions

Question: When do you anticipate notifying the applicants of your selection after the November 3 submission deadline?
Answer: The Department does not have a firm date but anticipates making selection announcements around the start of 2022.

Question: Given the global budget structure in Maryland, how would a hospital serving PACE participants be reimbursed for inpatient care if it is not an owner of the program?
Answer: Each PACE organization will be responsible for contractual obligations with the hospital and payments.

Question: Does submitting a letter of interest a binding commitment to apply to the PACE Program?
Answer: Submission of a letter of intent under this solicitation does not legally bind an applicant to committing to becoming a PACE provider in Maryland. However, because the letter of intent constitutes the only competitive phase of Maryland's process, only applicants who are serious and committed to becoming a PACE provider in Maryland should submit a letter of intent in response to this solicitation.

Question: Why is Maryland expanding PACE now after Hopkins ElderPlus' 20-year history operating in the state?
Answer: The Department is favorable to expanding the program to new PACE providers and in the beginning of 2018, updated Maryland regulations to remove limits on the number of PACE programs able to operate within the state. The

Department views PACE as a key strategy to support some of the most-vulnerable Marylanders, as well as providing an integrated care delivery strategy for individuals who are dually-eligible for Medicare and Medicaid.

Question: Has Hopkins ever sought to increase the cap on enrollments?
Answer: Yes. Most recently, Hopkins successfully requested an increase in their enrollment cap from 150 to 200.

Question: Can applicants submit a copy of their response that has proprietary and confidential information redacted (and thus protected from public disclosure)?
Answer: Applicants are welcome to submit a redacted copy; however, the Department is required under the Public Information Act to determine what is confidential and what is subject to release.

Question: Does Maryland have or plan to implement Mandatory Managed Long Term Services and Supports (MLTSS) in the near future?
Answer: The Department does not have active plans to pursue a mandatory managed long-term services and supports program at this time.

Question: How will Maryland's Department of Long Term Care Services assure that the PACE program is equally visible and accurately described to eligible individuals as other HCBS/MLTSS options? Will data be maintained to track referrals from options counseling sources?
Answer: The Maryland Access Point does not currently track referrals to specific services.

Question: Who conducts functional/clinical eligibility determinations for long term care services?
Answer: The Department's Utilization Control Agent (currently Telligen, Inc.) conducts the eligibility determinations.

Question: Is the PACE organization responsible for initiating the financial eligibility application or is that handled by a state agency?
Answer: PACE organizations may assist individuals in completing and submitting a financial eligibility application. In Maryland, applications are submitted to the local Department of Social Services in the jurisdiction in which the applicant lives.

Question: What does the Department plan to do with the Letters of Intent?

- Does the Department plan to publish the Letters of Intent on a public website?
- Could the Letters of Intent become subject to a FOIA request?
- Can we submit a second, redacted, copy for the purpose of potential public disclosure?

Answer: The Department does not plan to publish the Letters of Intent on a public website. Letters of Intent could become subject to a FOIA/Public Information Act request. Applicants are welcome to submit a redacted copy; however, the Department is required under the Public Information Act to determine what is confidential and subject to release.

Appendix B

Question: In Appendix B, specifically B.3 a comment is made that the potential PACE provider should "submit letters of intent from these providers, identifying the services they will be deliver[ing]:" Does the State of Maryland have a Letter of intent template potential providers should follow in order to satisfy this requirement? If not, what contents should the letters of intent contain?
Answer: The contents of Appendix B pertain to a future phase of the process and are not required for this competitive LOI round. The Department will provide more detailed feedback and technical assistance to selected applicants when they reach this point in the process. Letters of commitment for this phase are detailed in Section 2.1.4.3.

Question: Would it be helpful if we responded to parts of Appendix B in the Letter of Intent response?
Answer: Only responses to the letter of intent content as outlined in Section 2.1 will be evaluated.

Question: In Section B.8 Financial Capacity, under Financial Projections, please confirm the request for “financial projections for a minimum of three years from the date of the last submitted financial statement” may include months without any expense related to new PACE program(s) in Maryland. E.g. June 30, 2021 to date provider is selected to proceed with application.
Answer: Confirmed.

Question: In Section B.8 Financial Capacity, under Financial Projections, what does “pro forma financial statement methodology” require?

Answer: The Department is seeking a "profit and loss" (P&L) estimated outlook. Key elements include members, expenses, revenue and profit/loss.

Section 1.2
Question: What specific methodology will be used to adjust reimbursement rates over time?
Answer: The state will use the FFS equivalent experience rate methodology to review on an annual basis and revise rates as needed.

Question: Does the State intend to use the same rate methodology reflected in the data book, or will rate-setting be modified with this expansion of PACE into new service areas? Will the State provide any additional detail on its planned rate-setting methodology?
Answer: The rate-setting process will follow the methodology reflected in the data book and will pull from the experience in the new regions (or statewide if there is not enough FFS experience). Specifically, regional data will be used for duals and statewide data will be used for QMB and Medicaid-only rate setting.
The intention is to vary the rates by three regions: 1) Baltimore Metro; 2) Washington Metro; and 3) rural/rest of state. More information can be found in the PACE Expansion Data Book. Also, see the response to rate floors and rate ceilings, regarding the transition to incorporate encounters in the rate-setting process.

Question: Can the State provide more information on the approach you will use to integrate the institutionalized and non-institutionalized rates?
Answer: Rates will be blended based on the mix of business.

Question: Will there be any rate floors or rate ceilings imposed once encounters are used in the rate setting process?
Answer: A gradual move from FFS-based to encounter-based rate setting with risk adjustment may entail bridging the difference by temporarily setting rates to a certain percentage of the FFS-equivalent. As encounter data improves, this percentage can increase.

Section 1.3
Question: What are the encounter data elements required for reporting? What are the financial reporting elements required?
Answer: The Department will collect priced encounter data for all services, including non-coded services for which PACE is responsible. The Department envisions electronic submission of these data.

Question: How does institutional status impact the capitation rate, which is provided as a range?
Answer: The lower rate for each cohort assumes a lower rate of institutionalized enrollees, while the higher rate assumes a higher percentage of institutionalized enrollees, based on actual historical case mix. In calculating rates for each provider in an expanded PACE program, the actual mix of community-dwelling versus institutionalized enrollees would be taken into account. Newer PACE providers likely have a higher percentage of community-dwelling enrollees, particularly in the first two years of operations, as individuals typically enroll in PACE when they are still able to reside in the community with limited supports.

Question: Could you describe the impact of Maryland's Medicare waiver and HSCRC rate setting on PACE programs? Have the comparatively higher rates for services been taken into account in the PACE Medicaid revenue rates? How might the Maryland Total Cost of Care dynamic impact ability for a PACE program to enroll participants?
Answer: The proposed PACE rates are based on a fee-for-service (FFS) equivalent experience of Medicaid participants who are aged 55 or older and certified for a nursing facility level of care, thereby taking into consideration the higher hospital rates.

A resource from the National PACE Association (found here) demonstrated Maryland's average rates as similar to other states:
"Based on the information collected in 2018, the average UPL for PACE organization dual-eligible enrollees age 65 and over was **$4,088**, and the median UPL was **$3,959**. The 25th percentile for UPLs was **$3,813**, and the 75th percentile was **$4,369**."

Question: When does the state expect to incorporate data collected through encounters reporting into the rate-setting process?
Answer: The state estimates it will take at least three years of encounter data collection to incorporate them for rate-setting purposes.

Question: Encounter Data – what is the timeline for planning and implementation of an encounter reporting requirement? Will provider organizations have input into the methodology?
Answer: The Department envisions working with selected applicants to design and inform the encounter-reporting process.

Section 1.4

Question: Is it the State's intention to cover the entire county as a service area? If so, was there a reason for not including zip codes 20706 and 20771 from the list of zip codes?

Answer: The Department accidentally omitted these zip codes from the Prince George's County list and has updated the solicitation accordingly. It should be noted that 20771 refers to Goddard Flight Center.

Question: There are some zip codes in the solicitation that appear to be post office boxes. Could you confirm that the following zip codes in listed in the solicitation in Baltimore are classified as PO Box zip codes and therefore have no PACE eligible persons: 21203, 21241, 21263, 21264, 21265, 21268, 21270, 21273, 21274, 21275, 21278, 21279, 21280, 21281, 21283, 21288, 21289, 21290, 21297, 21298? It appears that zip code 20899 in Montgomery County is also a PO box and would not include PACE eligible clients. Could you confirm?

Answer: The Department confirms that the above-listed zip codes are coded as 'PO Boxes' or 'Unique.'

Question: If an applicant is interested in bordering zip codes that bridge into another designated area, does the applicant: 1) submit two proposals; or 2) submit one proposal, with a justification for the additional zip codes?

Answer: If just one PACE center is envisioned, the applicant should just submit one response, indicate the primary designated area of interest and provide a justification for the additional zip codes. Applicants should be aware that applicants for other areas may propose the same zip codes.

Question: The solicitation indicates that there is an initial cap of 200 participants. Once the 200 enrollment is reached, will additional enrollment be granted automatically? If not, should the pro forma projections have a cap of 200 enrollment?

Answer: If a selected PACE organization reaches and maintains its 200 participants, the organization may apply to the Department for an expansion. Expansions will not be granted automatically. The projections required by the solicitation should have a cap of 200.

Question: When do you anticipate revisiting the 200 enrollment cap?

Answer: The Department will revisit the 200 enrollment cap on a case-by-case basis if a selected PACE organization has successfully enrolled and maintained the 200 person enrollment level.

Question: Does a Medicare-only enrollee count against the 200 enrollment cap?
Answer: The Department is seeking CMS guidance on this question.

Question: Are POs allowed to draw a boundary within a zip code to include a partial area to our geographic service area?
Answer: The Department intends to allocate service areas based on zip codes, meaning that zip codes allocated as part of this selection will not be available in future expansion solicitations. The Department prefers that an applicant cover the entire area covered by the allocated zip codes, so as to not exclude eligible participants based on geography. This will be considered during the evaluation process. An applicant may propose partial zip codes but should include a rationale.

Question: Does the state anticipate opening additional service areas over time?
Answer: Yes, the Department anticipates opening additional service areas over time but does not have a firm timeline.

Question: Does the state anticipate granting overlapping PACE service areas over time?
Answer: At this time, the Department does not anticipate granting overlapping PACE service areas; the Department could revisit this in the future.

Question: What is the state's rationale for the 200- participant enrollment cap?
Answer: The Department views a 200-participant cap as a sustainable growth rate for PACE expansions.

Question: What will the specific criteria and timeline be for POs to secure increases to the enrollment cap?
Answer: The Department may revisit the 200 enrollment cap on a case-by-case basis if a selected PACE organization has successfully enrolled and maintained the 200 person enrollment level.

Question: Will the state assess the enrollment cap based on overall demand outside of the process by which a PACE organization can request an expansion?
Answer: The Department intends to maintain open channels of communication and will work closely with all selected PACE organizations, including with regard to

future expansions.

Question: Census Cap for Rural Areas – in our experience, individual PACE sites are not at a positive net income until their census is 90-100 participants. The investment in the PACE site is likely to be $3,000,000 to $4,000,000 and startup losses in excess of $3,000,000. This would need to be recovered with excess revenue in future periods, most likely at a census larger than 100. What was the basis for the 100 census cap on a rural site whose participant transportation and staff travel costs may be higher than an urban center?
Answer: The Department appreciates this question. At this time, we do not plan to change the cap of 100 for a rural site. That said, we intend to maintain open channels of communication and will work closely with all selected PACE organizations.

Question: Does a Medicare-only enrollee count against the 200 enrollment cap?
Answer: The cap applies to Medicaid participants for whom the state is responsible for the Medicaid capitation payment. However, PACE programs will need to have the capacity under their Medicaid cap to continue the enrollment of individuals who transition from Medicare-only to dually-eligible.

Section 1.5
Question: Please confirm that one does not have to have gone through a CMS audit in order to be eligible to apply. In other words does this provision apply only if one is currently operating a PACE program? If one is preparing to launch a PACE program, but is not yet operational and hasn't reached the one year audit point, are they still eligible to apply?
Answer: New PACE programs are eligible to apply. This requirement only applies if the applicant is a current PACE provider.

Question: Thank you for your answer related to Section 1.5. Please confirm that if a current PACE provider has multiple PACE programs (under multiple H numbers), including newly opened PACE programs that have not completed the one year audit, they are still eligible to apply?
Answer: Confirmed - Section 2.1.2 allows applicants to describe either PACE experience or experience implementing other home- and community-based services.

Question: Is a for profit company that is partially publicly-traded eligible to apply for this solicitation?
Answer: In accordance with Section 1.5, A PACE organization must be, or be part of, an entity of a city, county, state or Tribal government; or a private not-for-profit entity organized under §501(c)(3) of the Internal Revenue Code of 1986; or a private for-profit entity permitted by 42 U.S.C. §1395eee(a)(3)(B) and 42 U.S.C. §1396u-4(a)(3)(B) that is legally authorized to conduct business in the state of Maryland. For-profit entities became eligible to be PACE organizations on May 19, 2015, under §1894(a)(3)(B) and §1934(a)(3)(B) of the Social Security Act.

Section 2.1.1
Question: The solicitation states that each area will be evaluated separately but then states on page 11 that the applicant should include a specific rationale for the preferred area. Can you explain how this information will be used in the evaluation process?
Answer: In the cover letter, applicants should indicate the section of their LOI that describes why the people within the region they have chosen need the PACE program that the applicant wants to provide. The region selection should also speak to knowledge of the area, available resources and potential or established partnerships/relationships.

Section 2.1.2
Question: If all the applicant's current PACE centers are already operational, are CMS application or SRR dates required or only the Opening Date?

Answer: The Department requests the dates for all phases, as it provides an indication of the ability of the applicant to bring the project to fruition.

Section 2.1.3
Question: The National PACE Association uses US Census Bureau and American Community Survey data to estimate potential PACE eligible clients. They estimate that there are 25,592 potential PACE eligible clients in Maryland, which is nearly identical to our independent analysis. The data book indicates 16,279 potential PACE eligible clients, which is 36% less than NPA or US Census estimates. Which estimate do you advise we use for our LOI, the number reported in the data book or our estimates based on the US Census data?

Answer: Applicants are welcome to use alternate sources of data regarding the eligible population in their responses - for example, to Section 2.1.3. Applicants should explain the sources they use.

Section 2.1.3.3
Question: Can references be a Plan Advisory Committee (Quality Committee) member who is a community stakeholder? A participant? Are there specific elements that need to be in the letter? What does "capable of documenting" mean?
Answer: The references should speak to services provided by the applicant within the past five years and include: 1) Name of customer/entity; 2) Name, title, telephone number and email address of the point of contact for the customer/entity; and 3) Type, time and duration of service provided.

Examples of reference sources may include community stakeholders, current or former participants, or family/friends of current/former participants. "Capable of documenting" means that the person has first-hand knowledge of the adequacy and quality of services provided by the applicant, or is reporting on behalf of someone who does.

Question: Can you clarify the request for references? If an organization has not yet provided PACE Services, but members of the organization have been involved in PACE in the past, would references on those individuals be sufficient?
Answer: The references should be able to speak to the applicant's ability to implement and operate a PACE program. This may include references pertaining to the adequacy and quality of home- and community-based services and/or other medical services that the applicant currently provides.

Section 2.1.4.1
Question: What is an "enrollment plan" vs. a marketing plan?
Answer: Enrollment plans and marketing plans are complementary. An enrollment plan is internal-facing and includes monthly enrollment projections and details on how the applicant will ramp up enrollment. A marketing plan is outward-facing, i.e. strategies (messages, channels, partnerships, etc.). CMS provides marketing guidelines as part of its provider handbook.

Section 2.1.4.2
Question: What are the parameters around "detail the services/activities to be provided and list of equipment and resources needed?"

Answer: The Department does not require an exhaustive inventory list. The applicant should provide the level of detail necessary to demonstrate to the Department your comprehension of the resources needed to start up a PACE site.

Question: Please describe the level of detail required to satisfy Section 2.1.4.2 - Description of services to be provided, the org chart and staffing for each functional area. Specificity of Service Plan and Policies - typically, the CMS application will require full detail including ORG chart.
Answer: Applicants should strive to demonstrate knowledge of the services required and proposed - and how their organizational structure will ensure all services are delivered with high quality and integrity to participants.

Section 2.1.4.3
Question: For the contractors who will provide services, do you need a contract or just a letter?
Answer: In these letters, an anticipated contractor should commit to entering into a future contract should the corresponding applicant be selected.

Question: Is an "anticipated" contract provider necessary to list for every service in Appendix A not being provided by the PACE organization staff?
Answer: The applicant must identify which services the PACE organization will provide and which it will contract. The applicant should submit letters of commitment from each anticipated contractor.

Question: In reference to Appendix A: PACE Service Delivery Arrangements - Exhibit A categories include executed, direct, contract. The requirement in the RFP references a "Letter of Commitment" to be submitted. If an entity is already contracted, do we need to include a letter of commitment?
Answer: Yes, please submit letters of commitment, whether a contract is active or intended for the future.

Question: Please clarify the difference between Contract and Direct. Does direct mean employed? What if we have a 1099 and contract for coverage?
Answer: Direct Services are those services provided by staff (employees) of the PACE organization. Contracted services are any services that are provided by an entity or person pursuant to a contract (including the example provided in the question - a 1099 form specifically states "non-employee compensation."

Question: Are there any specific requirements for the letters of commitment from each anticipated contractor? Which parts of Appendix A relate to requirements in Appendix B and can be left open for the Letter of Intent response?
Answer: Applicants must complete the chart in Appendix A, as outlined in Section 2.1.4.3. Appendix B relates to future phases of the PACE organization process. Applicants must identify which services the PACE organization will provide and which it will contract. The applicant should submit letters of commitment from each anticipated contractor.

Question: Letters of Commitment from contract service providers – Typically, it requires 6-9 months to recruit contract network providers (podiatrist, dentist, audiologist, etc.) We usually do this after a service area is awarded and concurrent with site development. We are asking the state to reconsider the extra step of a letter of commitment or to make it part of the RAI process.
Answer: Section 2.1.4.3 requests letters of commitment from each anticipated contractor to the extent that they are known and to the best of the applicant's ability.

Section 2.1.5
Question: Does the cost of operations need to be detailed or is the total sufficient? Does "break-even" mean positive net income on a monthly basis, or pay-back of working capital?
Answer: "Total" is sufficient for cost of operations. "Break even" should be taken to mean positive net income on a rolling 12-month basis.

Section 2.1.5.3
Question: PACE Organizations have risk reserve requirements and are not clear on the RBC, TAC, and ACL applicability to PACE. Is there an alternative?
Answer: "Total surplus" and "total reserve" can be used as an alternative.

Question: Do PACE organizations have to be licensed by the department of insurance in Maryland?
Answer: Medicaid providers are required to have insurance but not through the Maryland Insurance Administration. They must have various types of insurance, such as worker's compensation, vehicle, general liability, etc.

Question: Will the PACE programs be subject to oversight as if they were insurance companies?

Answer: PACE programs will be subject to oversight as a Medicaid services provider (CMS and MDH) and as an Adult Medical Day Center (OHCQ).

Section 2.1.5.4
Question: What financial data and information does MDH require for a PACE program? What are the insolvency plan requirements of MDH?
Answer: A company's best information related to an annual "profit and loss" (P&L) estimate is required. Regarding insolvency a minimum risk-based capital (RBC) ratio of 200% must be maintained. Expressed another way, the company must have enough capital and surplus on hand at all times to pay at least 2.5 weeks of claims and administrative expenses without additional incoming revenue. Crossing that threshold requires a corrective action plan.

Question: Can you explain how to calculate the parts of the RBC requirement and what the goal is? Is this to meet the CMS fiscal soundness requirement, or a different, specific, and additional Maryland insurance provider requirement? Requirement is for: *Risk-based capital (RBC): "Total adjusted capital & surplus" (TAC) and "authorized control level" (ACL) surplus for the last five years along with a five-year projection*
Answer: RBC was intended to come from the "Health Annual Statement," "Five-Year Historical Data" exhibit, lines 14 & 15. The goal is to assess and compare financial strength. It is a regulatory tool for measuring the minimum amount of capital appropriate for an organization to support its overall business operations in consideration of its size and risk profile.

The Department is aligning its financial statement requirements with those required by the Maryland Insurance Administration. The Maryland Insurance Administration requires the Company to maintain minimum capital and surplus equal to the greater of $750,000 or 5% of earned subscription charges with a maximum surplus requirement of $3,000,000 or 200% of the NAIC RBC authorized control Level.

- **Q**: Please define "Total adjusted capital & surplus" and how to calculate it
  A: Please see previous response. If this is problematic, a proxy such as "net worth" (*i.e*., assets minus unsubordinated liabilities) may be provided.

- **Q**: Please define "authorized control level" and how to calculate it
  A: Please see previous response.

- **Q**: Please define "Total surplus" and "total reserve"?

A: Please see previous response. “Net worth” may be used in place of surplus and/or reserve.

- **Q**: Please describe how to calculate a “risk-based capital (RBC) ratio”? Does an RBC ratio of 200% = 2.5 weeks of claims and administrative expenses; or would those numbers be different? Please define “administrative expenses”?
  A: Please see previous response. The “2.5 weeks” is a broad, general, rule of thumb. Administrative costs include any non-benefit costs, including profit.

- **Q**: If an applicant is unable to provide a 5-year projection due to guidelines around material non-public disclosures, is there a substitute that can suffice? E.g. a letter of guarantee?
  A: Yes. If fewer than five years are available, that would be welcomed. Otherwise, a letter of guarantee would suffice.

Question: Please confirm only current days of cash investments on hand to cover operating expenses and current cash to debt ratio are required.
Answer: Confirmed.

Question: If comparable financial information is only available for 2019, 2020, and 2021, is it sufficient to provide 3 years of net operating margin and 3 years of information on PACE experience in the three states with the highest enrollment, instead of 5 years?
Answer: Yes, this would be permissible.

Section 2.2
Question: Will Maryland consider awarding an applicant for more than one service area?
Answer: Yes, but applicants must submit LOIs for each service area, i.e. applicants should submit an LOI for each envisioned PACE center.

Question: Is the intent to select one applicant per PACE region following the competitive LOI process?
Answer: The Department intends to select one applicant per designated area (grouping of ZIP codes) as part of the competitive LOI process, i.e. the LOI phase is competitive. Only successful applicants from the LOI phase will be invited to proceed to the ensuing phases.

Section 2.3

Question: The Solicitation identifies the following four qualifications that applicants must address in their responses: 1. Experience Providing PACE and/or Home and Community based Services; 2. Familiarity with Service Area; 3. Plan for Service Delivery, and 4. Financial Capability and Readiness.

Each is given equal weight but there is no description of the scoring methodology that will be used to determine if an applicant meets or exceeds the requirements. Are you able to provide any additional information regarding the methodology that will be used to evaluate the proposals?

Answer: These criteria will be individually evaluated for strengths and weaknesses based on adjectival descriptors, *i.e.,* exceptional, good, meets expectations, unacceptable.