Enclosure 7

Supplement 3 to Attachment 3.1-A

State of __New Mexico_
PACE State Plan Amendment Pre-Print

II. Rates and Payments

A. The State assures CMS that the capitated rates will be less than the cost to the agency of providing State plan approved services to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the amount the state would have otherwise paid for a comparable population.

1. ~~X~~ Rates are set at a percent of the amount that would otherwise been paid for a comparable population.
2. ____ Experience-based (contractors/State's cost experience or encounter data) (please describe)
3. ____ Adjusted Community Rate (please describe)
4. _X_ Other (please describe)

B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner.

~~The PACE UPL was developed in accordance with the Centers for Medicare and Medicaid checklist regarding PACE capitation programs. The PACE program covers individuals ages 55+ who have been identified as needing a nursing facility level of care.~~

~~In summary, the State utilized multiple years of historical fee-for-service data representative of the population and State Plan services covered under the PACE program. The fee-for-service base data was adjusted according to the CMS PACE checklist for completion factors and pharmacy rebates. Completion factors were developed from the fee-for-service paid claims experience and were grouped by major historical rebates claimed by the State. New rates were developed effective January 1, 2006 to exclude prescription drugs costs for dual eligible PACE participants. Trend factors were developed using linear regression analysis of the historical fee-for-service data. The trend factors were applied to the adjusted base period to the midpoint of the contract period. Programmatic changes were applied to the trended data to develop the upper payment limit (UPL) for the contract period.~~

~~The UPL's were developed for the Statewide region. These three following groups were used to research and develop the two rates for Duals and Non-Duals regardless of age. The following Statewide rate category groups were used for the PACE UPL development:~~

- ~~Non-Dual Eligibles 55-64 Years Old,~~
- ~~Dual Eligibles 55-64 Years Old,~~
- ~~Dual and Non-Dual Eligibles 65+ Years~~

~~The state will pay fee-for-service, i.e., co-pay and deductible, for QMB only. Therefore, the QMB only is not included in the rate development.~~

~~The rates were prepared by:~~
~~Mercer Government Human Services Consulting~~
~~Phoenix, AZ, US~~

The amounts that would otherwise have been paid (AWOPs) are developed in accordance with CMS' PACE Medicaid Capitation Rate Setting Guide. The AWOPs are developed prospectively on a per member per month (PMPM) basis and are updated each year.

The AWOPs represent the amount the State would have paid had the PACE members received their services through the State's Medicaid managed care program instead of through a PACE organization. The AWOPs are developed utilizing the State's Medicaid managed care program managed care organization (MCO) submitted encounter data, MCO reported financial data, and the State's capitation roster eligibility data. Medicaid managed care data is the source of information available under the State's current 1115 waiver that requires long-term services and supports (LTSS) members to be enrolled in managed care. The AWOP development utilizes applicable adjustments and assumptions from the State's Medicaid managed care program capitation rate development process.

AWOPs are developed for PACE by dual status for the Nursing Facility (NF) and Community Benefit (CB) rate cells. The rate cells for the PACE program include the following, however, these rates cells are blended to develop a Dual and Medicaid-only PACE AWOP:

- Nursing Facility NF LOC – Dual
- Community Benefit NF LOC – Dual
- Nursing Facility NF LOC – Medicaid Only
- Community Benefit NF LOC – Medicaid Only

Considerations included in the State's decision when determining the PACE rates include the placement of the PACE rates compared to the PACE AWOPs along with other State policy decisions. The State ensures that the PACE rates that are paid are below the PACE AWOPs.

C. The State will submit all capitated rates to the CMS Regional Office for prior approval, and will include the name, organizational affiliate of any actuary used, and attestation/description of the capitation rates.

III. Enrollment and Disenrollment

The State assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the State and the State Administering Agency. The State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month.