

[Passed Both Houses]

[First Reprint]

**SENATE, No. 2051**

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**STATE OF NEW JERSEY**

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INTRODUCED MAY 8, 1997

**By Senators BASSANO, LIPMAN,  
Assemblywoman Vandervalk and Assemblyman Blee**

1 **AN ACT** concerning PACE programs and supplementing Title <sup>1</sup>[17B]  
2 26<sup>1</sup> of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. As used in this act:

8 "Medicaid" means the program established pursuant to P.L.1968,  
9 c.413 (C.30:4D-1 et seq.).

10 "Medicare" means the program established pursuant to Pub.L.89-97  
11 (42 U.S.C.§1395 et seq.).

12 "PACE" means the "Program for All-Inclusive Care for the  
13 Elderly," operated by <sup>1</sup>[either]<sup>1</sup> a public <sup>1</sup>[or],<sup>1</sup> private nonprofit  
14 <sup>1</sup>[community-based organization] or proprietary entity, as permitted  
15 by federal law<sup>1</sup>. The program is a comprehensive health and social  
16 services delivery system that integrates acute and long-term care  
17 services <sup>1</sup>[on a dually capitated, Medicare and Medicaid, prepaid  
18 contractual basis for disabled and frail elderly persons who have been  
19 certified as needing long-term care services, allowing these persons to  
20 remain in their community]<sup>1</sup>. <sup>1</sup>PACE is a capitated program which  
21 provides services to disabled and frail elderly persons who are certified  
22 by the State as nursing home eligible to maximize their autonomy and  
23 continued independence.<sup>1</sup>

24 "Pre-PACE" means a PACE program in its initial start-up phase and  
25 includes the same comprehensive scope of services as a PACE  
26 program<sup>1</sup>[, but which contracts with the Medicaid program on a  
27 prepaid capitated basis for a more limited scope of services than in a

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SHH committee amendments adopted June 19, 1997.

1 PACE program and which receives payment on a fee-for-service basis  
2 for the balance of services provided by or through the program]<sup>1</sup>. <sup>1</sup>A  
3 Pre-PACE program may contract with the State to provide services to  
4 Medicaid-eligible persons on a capitated basis for a limited scope of  
5 the PACE service package, with the remaining services reimbursed  
6 directly to the service providers by the Medicaid and Medicare  
7 programs.<sup>1</sup>

8

9 <sup>1</sup>[2. An entity seeking to operate a Pre-PACE or a PACE program  
10 in the State under contract with the State Medicaid program shall  
11 apply to the Department of Banking and Insurance for a certificate of  
12 authority pursuant to this act and shall submit such information about  
13 the program and remit such application fees as shall be required by the  
14 Commissioner of Banking and Insurance, by regulation.

15 a. Following receipt of an application for a certificate of authority,  
16 the Commissioner of Banking and Insurance shall review it in  
17 consultation with the Commissioners of Health and Senior Services  
18 and Human Services and notify the applicant of any deficiencies  
19 contained therein within 30 days.

20 b. The Commissioner of Banking and Insurance shall determine  
21 whether the applicant is financially sound and may reasonably be  
22 expected to meet its obligations to program recipients. The  
23 commissioner may require the applicant, if he deems it necessary in  
24 order to ensure that the applicant will be able to meet its obligations  
25 to program recipients, to deposit with the commissioner, or with an  
26 entity or trustee acceptable to the commissioner through which a  
27 custodial or controlled account is utilized, cash, securities or any  
28 combination of these or other measures that is acceptable to the  
29 commissioner in an amount established by the commissioner.

30 c. The Commissioner of Banking and Insurance shall issue the  
31 certificate of authority within 30 days of the receipt of the application  
32 if he finds that the applicant meets the standards required by the  
33 Department of Banking and Insurance and the Departments of Health  
34 and Senior Services and Human Services pursuant to this act.

35 d. A Pre-PACE program which seeks to convert its certificate of  
36 authority to a PACE program shall notify the Commissioner of  
37 Banking and Insurance and shall meet such additional requirements  
38 applicable to a PACE program as established by the commissioner  
39 pursuant to this act.

40 e. A certificate of authority shall be valid for three years and may  
41 be renewed in accordance with regulations adopted by the  
42 Commissioner of Banking and Insurance.]<sup>1</sup>

43

44 <sup>1</sup>[3. a. The Commissioner of Banking and Insurance, in  
45 consultation with the Commissioners of Health and Senior Services  
46 and Human Services, shall adopt regulations pursuant to the

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.)  
2 regarding financial solvency of Pre-PACE and PACE programs.

3 b. The Commissioners of Health and Senior Services and Human  
4 Services, shall jointly adopt regulations pursuant to the  
5 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.)  
6 regarding relevant standards for Pre-PACE and PACE programs.]<sup>1</sup>

7  
8 <sup>1</sup>2. A PACE or Pre-PACE program shall operate in the State only  
9 in accordance with a contract with the Department of Health and  
10 Senior Services, which shall be prepared in consultation with the  
11 Department of Human Services, and pursuant to the provisions of this  
12 act.

13 The programs shall not be subject to the requirements of P.L.1973,  
14 c.337 (C.26:2J-1 et seq.).<sup>1</sup>

15  
16 <sup>1</sup>3. A PACE or Pre-PACE program shall, at the time of entering  
17 into the initial contract and at each renewal thereof, demonstrate cash  
18 reserves to cover expenses in the event of insolvency.

19 a. The cash reserves, at a minimum, shall equal the sum of :

20 (1) One month's total capitation revenue; and

21 (2) One month's average payment to subcontractors.

22 b. The program may demonstrate cash reserves to cover expenses  
23 of insolvency with one or more of the following: reasonable and  
24 sufficient net worth, insolvency insurance, letters of credit or parental  
25 guarantees.<sup>1</sup>

26  
27 <sup>1</sup>4. A PACE or Pre-PACE program shall provide full disclosure  
28 regarding the terms of enrollment and the option to disenroll at any  
29 time to all persons who seek to participate or are participants in the  
30 program.<sup>1</sup>

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32 <sup>1</sup>[4.] 5.<sup>1</sup> This act shall take effect immediately.

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37 Authorizes PACE and Pre-PACE programs to contract with  
38 Department of Health and Senior Services.