

# HOUSE BILL REPORT

## HB 1099

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### As Reported by House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to the PACE program.

**Brief Description:** Outlining requirements for the operation of a PACE program in Washington state.

**Sponsors:** Representatives Santos, Benson, Tokuda, Bush, DeBolt, Hatfield and McIntire.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 1/31/01 [DPA].

#### Brief Summary of Amended Bill

- Authorizes the creation of PACE programs.
- Requires the maintenance of specified minimum cash reserves.
- Exempts PACE programs from the financial solvency requirements applicable to other health care service contractors.
- Shifts regulatory authority to the Department of Social and Health Services.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Cairnes, DeBolt, Keiser, Miloscia, Roach, Santos and Simpson.

**Staff:** Thamas Osborn (786-7129).

### Background:

The Program of All-inclusive Care for the Elderly (PACE) is designed to provide an alternative to nursing home care. The PACE program offers a comprehensive package of

services to older adults, including primary health care, rehabilitative services, social work, transportation, personal care, meals, and, if necessary, nursing home services. The purpose of the program is to allow the elderly to live independently, as members of the community, to the extent medically possible. The PACE program currently serves approximately 145 persons in Washington state.

As managed care Medicare/Medicaid programs, PACE programs are extensively regulated by the federal government, and operate in Washington State under agreements with the Health Care Financing Administration and the Department of Social and Health Services.

In order to operate in Washington state as a health care service contractor, a PACE program is currently required to demonstrate that they have a net worth of at least \$3 million.

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**Summary of Amended Bill:**

PACE programs are specifically authorized by statute and are subject to regulation by the Department of Social and Health Services. A PACE program must maintain sufficient cash reserves to cover expenses in the event of an insolvency. The required minimum cash reserve is determined by a formula.

PACE programs are granted an exemption allowing them to operate in Washington state without meeting the financial solvency requirements applicable to other health care service contractors.

**Amended Bill Compared to Original Bill:**

PACE programs are exempted altogether from regulation under Title 48 RCW, Insurance, whereas in the original bill PACE programs are merely exempted from the minimum net worth requirements set forth in that title. The amendment explicitly removes PACE programs from regulation by the Insurance Commissioner and clarifies that all regulatory authority is effectively shifted to the Department of Social and Health Services.

PACE programs may not use letters of credit as an asset to be considered in evaluating whether a program is maintaining the requisite cash reserves.

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**Appropriation:** None.

**Fiscal Note:** Not Requested.

**Effective Date of Amended Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** PACE programs provide a broad range of services to the elderly that enable them to function independently in the community, while at the same time obtaining the care and assistance they need. This is a much needed alternative to traditional nursing home care. The requirements of the state insurance code are not necessary for the regulation of the programs, insofar as the applicable federal regulations are sufficient. Also, the current cash reserve requirements are unduly burdensome on the programs, and are unnecessary given the way in which the programs are funded. The bill will relieve the programs of these burdens and allow the Department of Social and Health Services to assume the regulatory role.

**Testimony Against:** None

**Testified:** Representative Santos, prime sponsor; Vicki Austin, Providence Health System; and Chuck Hawley, Providence Health System.