



**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
**Health Care Financing Administration**

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Center for Medicaid and State Operations  
7500 Security Boulevard  
Baltimore, MD 21244-1850

November 9, 2000

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act of 1997 (BBA) and is a follow-up to our State Medicaid Director letter of March 23, 1998. The purpose of this letter is to provide additional information on section 1934 of the Social Security Act (enacted in section 4802 of the BBA), which establishes the Program of All-Inclusive Care for the Elderly (PACE) as a Medicaid State plan option. PACE serves the frail elderly in the home and community, and features a comprehensive delivery system including acute and long-term care services and integrated Medicaid and Medicare financing. Enclosure 1 provides more information about PACE.

In our letter of March 23, 1998, we provided a suggested preprint and supplemental pages for States to express their intention to elect PACE as an option in the State plan, pending further guidance from the Health Care Financing Administration (HCFA). It is important to note that submitting the State plan amendment electing to cover the PACE option merely indicates the State's intent and does not obligate the State to enter into a program agreement with the Secretary and a PACE organization to provide PACE services. Enclosure 2 provides general information about completing the eligibility portions of the State plan amendment. To satisfy the remaining State plan amendment requirements for PACE, we have provided Enclosures 3 and 4 as suggested preprint text pages, and Enclosures 5, 6, and 7 as suggested preprint attachments and supplements.

The Application Process

The BBA incorporates the PACE model of care as a benefit of the Medicare program and enables States to provide PACE services to Medicaid beneficiaries as a State option. To provide this new Medicaid benefit, States must elect to cover PACE services as a State plan option and collaborate with potential PACE organizations to submit the PACE provider application. Upon completion and approval of these documents, a three-party program agreement is entered into.

This program agreement is the contract between the PACE organization, the State, and the Federal government, and is the mechanism for the State to receive matching funds for PACE services.