SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1672 (Solache) - Medi-Cal: Program of All-Inclusive Care for the Elderly: rates

Version: March 26, 2026
Urgency: No
Hearing Date: June 15, 2026

Policy Vote: HEALTH 9 - 0
Mandate: No
Consultant: Agnes Lee

Bill Summary: AB 1672 would add requirements to the rate-setting process for Program of All-Inclusive Care for the Elderly (PACE) programs.

Fiscal Impact: The Department of Health Care Services (DHCS) estimates the following:

- Ongoing state administration costs of $1.3 million ($657,250 General Fund, $642,750 federal funds).
- Ongoing costs for the actuarial contractor of $600,000 to $1,000,000 ($300,000 to $500,000 General Fund, $300,000 to $500,000 federal funds) due to increased workload in order to meet the required timelines.
- Cost pressures to PACE rates, potentially resulting in up to a 5 percent increase in PACE rates and approximately $160 million ($85 million General Fund, $75 million federal funds) in ongoing costs beginning in calendar year 2027.

Background: The PACE model of care provides a comprehensive medical/social service delivery system using an interdisciplinary team approach in a PACE Center that provides and coordinates all needed preventive, primary, acute and long-term care services. Services are provided to older adults who would otherwise reside in nursing facilities. To be eligible, a person must be 55 years or older, reside in a PACE service area, be determined eligible at the nursing home level of care by DHCS, and be able to live safely in their home or community at the time of enrollment.

DHCS contracts with organizations for the implementation of the PACE program. Current law requires the specific rate methodology for developing the rates applied to PACE organizations to address features of PACE that distinguish it from other managed care plan models. The rate methodology must be consistent with actuarial rate development principles and provide for all reasonable, appropriate, and attainable costs for each PACE organization within a region. Current law also requires DHCS to consult with PACE organizations in developing a rate methodology.

Proposed Law: Specific provisions of the bill would:

- Replace the requirement for DHCS to consult with PACE organizations in developing a rate methodology with a requirement for DHCS to negotiate with each contracting PACE organization consistent with existing federal regulation; and require DHCS to make a good faith effort to reach agreement with the contracting PACE organization on capitation rates.

- Require DHCS, at least 60 days prior to submitting rates to the federal government for approval, to notify the contracting PACE organization of the proposed rates.
- Authorize DHCS to define a reasonable date by which the PACE organization must submit written questions or feedback concerning the proposed rates; and require DHCS to respond in writing to those questions or feedback by no later than 30 days prior to submission to the federal government.
- Require DHCS, upon request by a contracting PACE organization, to provide the rationale for any assumptions or calculations concerning the proposed rates, including, but not limited to, the actual data and methodologies used to determine the amount that would otherwise be paid, the experience-based rate range, and the capitation payment rate for the PACE organization.

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