

PACE Change of Ownership



Kelley Ordonio, MPA

*Division of Medicare Advantage
Operations, MCAG, CMS*

July 7, 2016

PACE Change of Ownership (CHOW)

Historically, change of ownership transactions have not materialized in the PACE program.

CMS is seeing an increase in CHOW activity and recognized the need to issue guidance.

PACE CHOW

CMS' ultimate responsibility is to the PACE participants, and our objective is to confirm that the acquiring entity is qualified and financially able to assume the responsibilities under the PACE program agreement.

What is a PACE CHOW?

- The removal, addition, or substitution of a partner;
- An asset transfer, meaning transfer of title and property to another party; or
- The merger of the PACE organization into another entity or the consolidation of the PACE organization.

PACE CHOW Transactions

- Results in the acquiring entity assuming the acquired PACE organization's responsibilities under the PACE program agreement
- Requires an executed Novation Agreement

PACE CHOW Requirements

- A Notification letter must be received by CMS.
- The acquiring entity must meet all requirements to qualify as a PACE organization under 42 CFR Part 460 Subpart B.
- The PACE organization must submit all of the documents to the DMAO portal at: <https://dmao.lmi.org/dmaomailbox/>.

Note: Requirements can be found in the Medicare Advantage regulations at 42 CFR §422.550, and PACE Manual Chapter 2, §20 and §20.3; 71 FR 71262-64 (Dec. 8, 2006).

Potential PACE CHOW Issues

- Uncertainty if a transaction is a CHOW and/or requires a novation
 - Contact CMS early and often for guidance
- Untimely notification
 - Failure to submit timely notification may delay review and approval
 - Failure to receive timely approval may result in Program Agreement termination
- Uninformed stakeholders
 - Any CHOW action requires State and CMS review and approval because the Program Agreement is a 3-way agreement
 - States and CMS may have different requirements related to CHOWs
 - CMS works closely with each State throughout the CHOW process

Questions

