



To: House Taxation Committee

From: Shawn Sullivan, President/CEO of Midland Care Connection, Inc.

Date: March 18, 2021

RE: Testimony in Support of SB 147

Thank you for the opportunity to provide testimony in support of SB 147, which would provide a sales tax exemption for non-profit integrated community care organizations. This legislation requires that to qualify for the sales tax exemption, an organization be exempt from federal income taxation, certified to participate in the Medicare program as a hospice provider and be approved by the Kansas Department for Aging and Disability Services to serve as a Program of All Inclusive Care for the Elderly (PACE) provider.

Midland Care provides care and services to more than 1,700 people across 21 counties in Northeast Kansas. The post-acute and home-based services we provide include the Program for All-Inclusive Care for the Elderly, hospice, meals on wheels, home health, palliative care, adult day care and grief and loss counseling services.

As a 501(c)(3), Midland Care Connection is recognized by the federal government as a charitable business based on the mission of the organization. We do have a sales tax exemption for our meals on wheels program. However, for the rest of our programs, Midland Care has paid sales tax since incorporated in 1978.

We would ask for your support of this legislation for fairness and equity reasons. The largest program at Midland Care is the PACE program. There are three PACE organizations in the state of Kansas. Two of the three PACE programs are sales tax exempt due to the nature of the parent organization they are a part of that meets state sales tax statutes. PACE is a nursing home alternative. The model of care is able to successfully keep 96.7% of the older adults served in Kansas by PACE living at home in the community despite being certified by the state as needing nursing home level care. If not for the PACE program, the people served by PACE would likely be prematurely living in nursing homes. If non-profits, these nursing homes are also sales tax exempt. Additionally, not-for-profit hospices that are programs of hospitals are sales tax exempt because the hospital is.

We also ask for your support of SB 147 for the purposes of promoting growth of the PACE program. This is a program that has successfully demonstrated the ability to better the well-being of seniors with chronic care needs to be served in the community. PACE is a provider based managed care plan that also provides savings to the Medicaid budget for the State of Kansas. Based on how Medicaid rates are set,

our PACE programs save the state Medicaid program 10% for every person served. This is because the PACE programs are paid at least 10% less than what the KanCare managed care organizations are paid for a similar population. The PACE programs are able to successfully save the state money by keeping seniors needing nursing home care healthier, living at home and out of high-cost settings. The three PACE programs have been working with the state agencies and Legislature to remove barriers to enrollment into this program. There are currently three PACE provisions in the House appropriations bill that would assist with growing PACE. The passage of SB 147 would further assist with the growth of the PACE program as our organization would be able to more easily expand into new markets and rural areas and help more of our vulnerable seniors live a better life and stay at home.

I ask for your support of SB 147. A sales tax exemption will provide equity with the other PACE programs and allow us to serve more people in Kansas communities by providing healthcare services and other assistance to individuals who may not otherwise receive that care.

Additional Background Information

What is PACE? The Program of All-Inclusive Care for the Elderly (PACE) model is centered on the belief that it is better for the well-being of seniors with chronic care needs and their families to be served in the community whenever possible. PACE serves individuals who are age 55 or older, certified by their state to need nursing home care, able to live safely in the community at the time of enrollment, and live in a PACE service area. While all PACE participants must be certified to need nursing home care to enroll in PACE, only about 5 percent of PACE participants nationally reside in a nursing home. If a PACE enrollee needs nursing home care, the PACE program pays for it and continues to coordinate the enrollee's care.

Delivering all needed medical and supportive services, a PACE program is able to provide the entire continuum of care and services to seniors with chronic care needs while maintaining their independence in their home for as long as possible. Services include the following:

- adult day center and clinic services;
- physical, occupational and recreational therapies;
- meals;
- nutritional counseling;
- social work and personal care;
- medical care provided and coordinated by a PACE physician familiar with the history, needs and preferences of each participant;
- home health care and personal care;
- all necessary prescription drugs;
- social services;
- medical specialties, such as audiology, dentistry, optometry, podiatry and speech therapy;
- respite care;
- and hospital and nursing home care when necessary.

The first PACE program in Kansas started in 2002 through Via Christi Health in Wichita. Midland Care started its PACE program in 2007. When KanCare was implemented several years ago, the enrollment cap previously placed on PACE was eliminated as any person eligible for PACE would instead be served through the more costly KanCare program if not enrolled in PACE. The Kansas Department for Aging and Disability Services (KDADS) also expanded market areas of Via Christi and Midland Care and awarded a new market to Bluestem PACE. PACE programs are able to achieve and demonstrate positive outcomes through our integrated model of care. States pay PACE programs on average 10% less than the cost of caring for a comparable population through other Medicaid services, including nursing homes and home and community-based waiver programs. 95% of PACE participants live in the community even though they have on average 5.8 chronic conditions and 46% have dementia. Other positive outcomes include the following:

- A 24 percent lower hospitalization rate than dually eligible beneficiaries who receive Medicaid nursing home services.
- A 16 percent lower rehospitalization rate than for dually eligible beneficiaries age 65 and over.
- Less than one emergency room visit per member per year.
- Despite being at nursing home level of care, PACE participants have a low risk of being admitted to a nursing home.
- 97.5 percent of family caregivers would recommend PACE to someone in a similar situation.