

# PACE: Independent Living, Better Health for Frail Older Americans

## *Programs of All-Inclusive Care for the Elderly (PACE) Provide a Tested, Community-Based Health Care Solution*

*Health care providers interested in developing a PACE site should consider the following:*

- **Take stock**

*A PACE sponsor must select a point person to lead the effort. This executive should set up the initial organizational structure and conduct an inventory of needed resources to support a program.*

- **Build your team**

*A PACE program's success depends upon an interdisciplinary team including physicians, social workers, nurses, therapists, and aides who approach their tasks in an integrated way.*

- **Scour the market for clients and services**

*An organization must develop relationships with potential sources of client referrals as well as with community-based health and social services providers that might both identify prospective enrollees and participate in their care.*

- **Raise capital**

*The sponsoring organization must identify funding sources for start-up costs usually readily accessible via banks or bond underwriters, including building or leasing a center site.*

- **Seek state support**

*An organization must negotiate a Medicaid capitation fee for its PACE. In states without the PACE regulatory apparatus, interested organizations need to press state officials to join them as partners in PACE development.*

Many frail elderly prefer to remain in their own communities, but often end up in a nursing home because they cannot navigate the hodgepodge of services and payers they need to remain independent. Programs of All-Inclusive Care for the Elderly (PACE) address this problem by providing the full spectrum of community-based medical and supportive services. The centerpiece of PACE is an adult daycare center, where older adults receive primary care therapies, meals, and social work and other services. PACE also includes hospital care, all medical specialty care, home care and nursing home care, if needed.

Currently, thirty-two PACE programs in 18 states operate about 80 centers. A single monthly fee for each enrollee pays for all PACE services, reimbursed through Medicare and Medicaid. Studies show that PACE has realized cost savings for both of these programs. PACE programs can be started under the auspices of hospitals, long-term care facilities, community health centers, medical practices and housing developers. Though clients are frail enough to be eligible for nursing home care, PACE's comprehensive and preventive services enable most to remain in lower-cost community settings.

## The JAHF Contribution



Since 1995, the John A. Hartford Foundation has supported the development of PACE through grants to On Lok Senior Health Services and to expand the program nationally by supporting the National PACE Association. Over \$3.5 million has been allocated to these efforts, which help frail elders maintain the independence they desire while more rationally allocating scarce Medicaid and Medicare dollars. The PACE awards are part of over \$10.2 million authorized since 1983 for programs to improve care coordination and community capacity to serve the health needs of older adults.

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## Programs for All-Inclusive Care for the Elderly (PACE)

PACE is the only fully integrated model of care for the frail elderly. The program has its roots in the early 1970s in the Chinatown-North Beach community in San Francisco. In the 1980s, the federal government allowed demonstrations of community-based care using a global-capitation financing approach, and the Balanced Budget Act of 1997 established the PACE model as a permanently recognized provider under both Medicare and Medicaid.

Research shows that PACE can achieve better health outcomes. For instance, in Texas, PACE enrollees have had fewer hospital admissions than the overall Medicare population (2,399 per 1,000 per year vs. 2,448) even though PACE enrollees are far more frail than the average Medicare patient. Nursing home admissions in PACE are lower, too; only 7.6 percent of PACE enrollees live in nursing homes although all are certified as eligible for institutional care.

Prospective sponsors do not have to reinvent the wheel but can turn to the National PACE Association (NPA), which has extensive resources to assist at every stage of development. These resources include technical assistance consultation, sample financial statements, site selection guidance, and model marketing materials.

### PACE: Step by Step

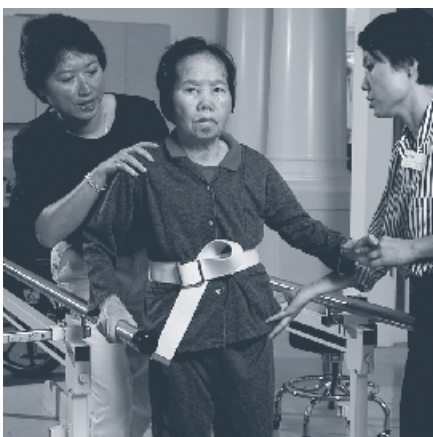
It usually takes from 18 months to three years to develop a PACE, beginning with the sponsor's decision to move ahead and culminating with government approval. Once an organization decides to pursue PACE, the next steps are:

#### Putting the Building Blocks in Place

The sponsor should select a point person to lead the development of the PACE center and who eventually will become the program director. The sponsor should first look within its own organization for someone with experience in health care management and finances, as well as knowledge of the needs of older adults.

The program director may need legal help to establish a separate nonprofit organization, with its own board of directors and articles of incorporation. A typical PACE organization also has a consumer advisory committee of clients, community representatives, and caregivers.

Both the sponsor and its PACE director should conduct an initial inventory of the organization's financial and services capabilities. Among some questions: Can the organization finance the startup costs? Can the sponsor's clinicians take on leadership roles? If the sponsor is a health system, can the center use its back office operations? This person can also help determine the state licensing requirements for the PACE program. The PACE provider application process focuses on many aspects of the program, and must be approved by state and federal authorities before operations can begin.



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*“When you have these multiple exposures—people observing an elderly person functioning in real life—you can better manage their clinical needs.”*

*It can take from 18 months to three years from the time a sponsor decides to move ahead and the time a PACE center wins government approval.*

### **Hiring Staff**

The center’s interdisciplinary team usually must include: a medical director, primary-care physician, center director, nurse, home care coordinator, drivers, occupational and physical therapists, dietician, recreation therapist and personal care attendants. This group must have a firm grasp of integrated care for the elderly. The director should explain to prospective members that the team will meet regularly to address each participant’s medical, social, and emotional status and develop a plan of care that will keep the individual as healthy and independent as possible.

Robert Harvey, senior vice president of Via Christi Health System, which sponsors the Via Christi HOPE center in Wichita, KS, says: “When you have these multiple exposures—people observing an elderly person functioning in real life—you can better manage their clinical needs.” For instance, a driver can report to the team any problems, such as if the client is upset or late for a pickup. Or a social worker could suggest that a participant might fare better at home if the program paid for guardrails or fumigation—expenses not ordinarily paid by Medicaid or Medicare. The team facilitates the goal of keeping a client in the least costly setting.

### **Marketing the Program**

Program officials should begin to get the message out to potential sources of client referrals and to prospective providers of those health and social services that the center’s staff cannot provide at the site. The program will need enough enrollees to make the venture financially viable. Because all enrollees must be eligible for nursing home care, the staff needs to know Medicaid eligibility requirements for nursing home admissions. Then the staff can use local demographic data and census information to analyze the potential size of the PACE client base.

Marketing expertise should be sought to develop a message and strategy and then meet with sources of referrals, such as area agencies on aging, Medicaid officials, health care providers, and hospital discharge workers.

The program director also must put together a panel of medical specialists, assisted living facilities, nursing homes, and hospitals and other providers that will accept PACE clients when additional services are needed. If the sponsoring organization is a health system or long-term care facility, it may provide some of these services directly.

Physicians are often willing to sit on a provider panel and take patients at a lower rate, says Via Christi’s Robert Harvey. “We explain to them, “You send a bill, we will pay in 30 days, and you have no Medicaid paperwork.”

### **Financing the Project**

A PACE organization needs significant capital to finance site acquisition and renovation, the purchase of vans, and other startup costs. The sponsor needs to do financial projections for its PACE, often with the help of a business consultant, an actuary, or financial experts within its own organization. An analysis would include

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assumptions of enrollment, Medicare and Medicaid capitation income, and estimates of inpatient and nursing home utilization. Working-capital needs and capital costs must be determined. The National PACE Association can provide a financial model for forecasting budgets and financial performance.

The program director should identify potential sources of start-up funds. Bienvivir Senior Health Services in El Paso, TX, floated tax-exempt bonds. Upham's Elder Service Plan in Dorchester, MA, received support from foundations and from Boston Medical College. Startup costs for Alexian Brothers Community Services were financed by a \$2.7 million equity transfer from its sponsor, a health system.

To demonstrate to investors that PACE is a stable and sound model, prospective sponsors can gather data from other PACE startups. For instance, despite capitation rates that are lower than overall fee-for-service payments, Denver's Total Longterm Care program increased its margin to more than 10 percent in 2001, up from 3.5 percent in 1999.

PACE personnel must also negotiate a Medicaid capitation rate with the state, which is based on the costs a state pays fee-for-service providers to serve a similar population. As a provider organization, they will also have to meet solvency requirements and secure necessary letters of credit, reinsurance, and other required documents.

#### **Seeking State Government Support**

As of 2004, only about half of the states have adopted PACE as a provider model. If a state regulatory system is not in place, organizations interested in pursuing PACE can take several steps to overcome barriers. Prospective sponsors can establish relationships with key state officials and provide them with information. In Texas and California, PACE sponsors organized coalitions of health providers and other supporters to promote regulatory changes and funding for state agencies that review applications.

### **For More Information**

"Developing PACE" ([www.npaonline.org](http://www.npaonline.org)) is a helpful list of ideas and forms for preparing a PACE application.

"Long-Term Care for Frail Elderly People - The On Lok Model"

Thomas Bodenheimer

The New England Journal of Medicine, October 21, 1999

"Lessons From the End of Life in the Program of All-Inclusive Care of the Elderly"

Joanne Lynn

Medical Care, December 2002

This pamphlet is available at the Web site of the John A. Hartford Foundation at [www.jhartfound.org/IDEAS/PACE](http://www.jhartfound.org/IDEAS/PACE).

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