The Program of All-Inclusive Care for the Elderly (PACE)

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The Program of All-Inclusive Care for the Elderly (PACE) is a capitated health maintenance program designed for comprehensive care of the frail elderly. PACE had its origins with the demonstration project initiated by On Lok Senior Health Services in San Francisco, an organization devoted to meeting the health needs of the elderly ethnic Chinese community in that city. Since that time, several other PACE programs were established as Medicare demonstration projects. Finally, in 1997, as part of the Balanced Budget Act, the PACE structure was authorized as a permanent program with provisions for controlled growth into new settings (20 new programs per year).

Philosophy

The PACE model is based on the principal that the healthcare needs of the frail elderly — acute inpatient, ambulatory care, skilled nursing and home health — can most efficaciously and cost-effectively be provided in a home and clinic-based setting rather than an institutionalized setting. The PACE program furnishes all the services for the enrollee that he or she ordinarily receives from Medicare and Medicaid in a truly managed, coordinated program oriented to wellness and prevention.

The typical PACE enrollee is 80 years old, in generally poor health with multiple serious health problems (roughly equivalent to typical patients in skilled nursing facilities). Services are delivered by an integrated care delivery team including physicians, nurses, social workers, counselors, home helpers, pharmacists, nutritional counselors, physical therapists and transportation staff who provide care in day care, clinic and home settings whenever appropriate, and in skilled nursing facilities and hospitals when necessary.

Clinical Outcomes

Although enrollees are generally similar in health status to long-term, intermediate and skilled nursing patients, the data collected over the past 15 years indicate the following measures of clinical success:

- ✦ Hospital days per 1,000 enrollees comparable to the overall age specific Medicare population (including the well elderly).
- ✦ Hospital stays shorter by one-third than traditional Medicare patients.
- ✦ Only 5 percent of enrolled days spent in skilled nursing facilities.
- ✦ No increase in mortality despite the reduction in resource intensity.

Financial Structure

In addition to the noteworthy clinical benefits, the financial structure of the program is designed to provide an opportunity to yield significant financial return to PACE sponsors and to reduce expenditures by the Medicare and Medicaid programs. Financial terms and typical results are outlined below:

- ■ Medicare pays a capitated Adjusted Average Per Capita Cost (AAPCC) amount typically two to three times greater than normal AAPCC levels.
- ■ Medicaid pays a negotiated rate generally ranging from 85 percent to 95 percent of expected nursing home costs adjusted for health status.
- ■ Typically, combined monthly payments are $3,000 to $4,000 per month.
- ■ For enrollees not eligible for Medicaid, the monthly premium for the Medicaid covered services becomes the responsibility of the enrollee — a feature that has inhibited the expansion of the PACE model to more affluent enrollees.
- ■ Significantly reduced capital costs compared to nursing home and hospital facilities (approximately $1.5 million to serve 300 enrollees, instead of $50,000 to $100,000 per SNF bed).
- ■ Financial returns to PACE programs have generally been positive with profit margins upwards of 5 percent of reimbursement for some and the ability of PACE plans to accumulate adequate reserves.

Enrollee Satisfaction

Generally, the surveyed level of enrollee satisfaction has been excellent, with typical disenrollment rates (for reasons other than death) running under 1 percent per month and demand for the program growing steadily. The coordination of care and the relationship with caregivers who really know the enrollees is an often cited source of satisfaction for the program participants.

Advantages of PACE Development to Hospitals

All factors considered, we believe there are several advantages to hospitals in sponsoring PACE organizations:

- ✧ Opportunity to meet community healthcare needs in a clinically efficacious and cost-effective way.
- ✧ Setting within which to manage care in its best sense.
- ✧ Adequate financial returns.
- ✧ Potentially valuable complement to Medicare+Choice programs and Medicare SNF and Home Health programs which face reductions in reimbursement.
- ✧ Skills learned in PACE settings will carry over into other hospital programs such as wellness, case management, rehabilitation, home health and managed care programs.

Conclusion

Demand for assisted living facilities will continue to increase as the population ages, health needs related to longevity increase, and as financial resources of this population segment increase. Hospitals and health systems that are looking to expand their continuum of care, serve the Medicare population or fill a community need should consider developing an assisted living facility.