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**Senior Living***by Peter Fitzgerald***PACE Programs Build on Experience, Adapt to New Challenges**

The recent growth of Programs of All-Inclusive Care for the Elderly (PACE) indicates that this senior care model is building on its experience while continuing to adapt to new challenges. This growth is running parallel to the culture change movement, to increasing demand for community-based senior care services, and to an economy that is keeping more elderly residents in their homes, whether they intended to age in place or not. Implementing or contracting with PACE programs can extend a senior care facility into the community, furthering the care mission and diversifying services and sources of income.

**How Does Pace Work?**

PACE organizations serve frail elders by planning and providing a full range of social, aging and health services in a centralized PACE Center and in the home. PACE services support enrollees' ability to live at home for as long as possible, and they facilitate any eventual transition to a residential care community. The services and planning are provided by an interdisciplinary team that evaluates needs and integrates resources such as local hospitals, home care, area nursing homes or assisted living communities, respite care for families and more. PACE programs are geographically specific and are sponsored by a variety of local groups, including senior living providers, area agencies on aging, community health centers and others.

PACE integrates the provision of all Medicare- and Medicaid-covered services into one single consolidated service package. Medicare and Medicaid both reimburse PACE on a capitated basis, with a fixed amount per person, per month regardless of service level. The PACE interdisciplinary team therefore has more flexibility to implement care plans that respond to each individual's unique needs than it would under a state's Home and Community-based Services Medicaid waiver.

A Center for Medicare and Medicaid (CMS) evaluation of the PACE program, undertaken by Abt Associates, concluded that PACE enrollees have improved health status and quality of life, lower mortality rates, increased choice in how time is spent, and greater confidence in dealing with life's problems than non-PACE individuals with comparable health needs.

**An Upward Trend**

The PACE model of care became a permanent part of the Medicare program in 1997. Today, there are 61 PACE organizations serving approximately 16,000 frail elders in 22 states.

While PACE still serves a relatively small number of people, its growth trend is not unlike other new Medicare benefits: When HMOs were first created, it took almost two decades and some additional legislation for HMO enrollment to take off.

# The Capital Issue: Senior Living

There are indications that PACE may now be poised for a new phase of growth. Most notably, an accelerated growth rate beginning in 2007 and continuing through 2009 suggests that PACE is significantly expanding. Of the 61 operating programs, 14 began operations in 2008. Another 10 to 15 programs are expected to begin operations in the next eighteen months.

State support for expansion, the proven risk management in the provider-based capitation model, and the high quality of care are all fueling the growth of PACE. The model is also adapting to new challenges in order to serve more frail elders in more communities.

## **Building on Experience, Adapting to Challenges**

The expansion of PACE has introduced a number of new types of sponsoring organizations to the PACE model. Hospice organizations, Area Agencies on Aging, Community Health Centers and a Native American health service have sponsored the start-up of PACE organizations within the past two years. This sponsor interest represents a significant opportunity for PACE to grow by serving more communities.

Recently, federal grants were provided to 14 PACE organizations that will serve rural areas. With lower population density and travel distances, rural areas challenge the traditional PACE model. Rural PACE programs are combining a central PACE location with alternative delivery sites (for example, an adult day center) that offer a subset of services closer to rural residents' homes. Rural programs are also leading the way in applying telemonitoring to support care in the home and telehealth to access care specialists who may not be available in the rural area.

Integration of physician caregivers is also being explored at the local level. While enrollees traditionally received all primary care from a PACE-employed

physician, a number of sites are now integrating multiple community physicians into the PACE organization's interdisciplinary team. This helps consumers maintain their relationships with these physicians and facilitates continuity of care. PACE organizations are developing strategies to achieve these benefits while assuring the effectiveness of the interdisciplinary team approach to care.

## **Senior Living Missions, Margins and PACE**

Predicting future PACE growth in today's economic environment is challenging, but senior living and care providers already offer components of the overall program and are well positioned to implement PACE. Expansion efforts that are well financed and target multiple communities could take advantage of some economies of scale in the model related to start-up and development.

Start-up costs vary depending on whether programs undertake new construction or renovate space, and on the rate of enrollment growth. For programs that construct new PACE Centers and have an average rate of enrollment growth, the start-up costs of recently opened sites have ranged from \$2.5 to \$4 million. Sites with similar enrollment growth that have renovated space experienced start-up costs as low as \$1 million and as high as \$3 million, based on National PACE Association data on PACE organizations with 2008 start dates. The performance of well-established PACE programs is consistently strong, indicating their ability to support the initial capitalization of the program. The National PACE Association's Financial Benchmarking Services reports a 4 to 5 percent margin based upon a three-year rolling average from 2004 to 2006. In 2006, the median days' cash on hand ratio for PACE organizations was 122.

PACE programs can serve as a way for residential long-term care providers to diversify both their services and their income streams. Extending the organization's brand into the surrounding community can further the organization's reputation as a resource, and can improve occupancy if enrollees eventually need care beyond what can be provided in their homes. It's also a way to keep the community healthier and build on a mission.

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### **For more information about PACE, visit:**

#### **National PACE Association:**

[www.npaonline.org](http://www.npaonline.org)

#### **Centers for Medicare and Medicaid Services:**

[www.cms.hhs.gov/PACE](http://www.cms.hhs.gov/PACE)

#### **American Association of Homes & Services for the Aging:**

[www.aahsa.org/section.aspx?id=56](http://www.aahsa.org/section.aspx?id=56)