The Synergies of a Program for All-Inclusive Care for the Elderly and the Continuing Care Retirement Community

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PROGRAM FOR THE ALL-INCLUSIVE CARE OF THE ELDERLY (PACE)

The Program of All-Inclusive Care for the Elderly evolved from On-Lok, which began in the late 70s serving the Chinese-American community in San Francisco. Today, PACE, which primarily serves poor (Medicaid), old (Medicare) and frail (nursing home eligible) individuals living in their communities has grown to 88 programs in 28 states. PACE is comprehensive managed care, which has been able to reduce frail seniors' use of hospitals and nursing homes and keep them in their communities. This is accomplished through intensive primary care, inter-disciplinary team care management, services provided in the PACE Center, home care and transportation.

PACE is enjoying significant growth, doubling in number in the past 7 years with the potential to double again in the next 7 to 10 years. This model of care has received favorable attention during health care reform and is being viewed as a guide for becoming Accountable Care Organizations (ACO). Recently, CMS awarded 15 innovation grants to states for developing new programs for dual-eligibles. Of the 15 states receiving grants, 13 were already providing PACE in their state plans.

The key challenge to expanding PACE is the varying support of PACE by the states. A number of states have aggressively pursued PACE development and expansion such as Pennsylvania, Virginia, North Carolina, California, and New York. Several states are exploring adding PACE to their state plans including Nebraska, Maine, and Mississippi. A few states are resisting expanding PACE or have eliminated funding such as Ohio, New Jersey, and Montana.

Currently all PACE must be not-for-profit organizations and except for New York City, programs are awarded an exclusive service area usually by ZIP Code and/or county. CMS is working creatively with the National PACE Association (NPA) to allow greater flexibility and innovation to increase the growth of PACE, including serving other populations such as persons under age 55 with disabilities. In light of CMS support, the majority of states pursuing development and/or expansion of PACE and the strategic alignment with health care reform, **it is reasonable to conclude that PACE has reached its tipping point. In a number of states, PACE will actually become a LAND GRAB.**

CONTINUING CARE RETIREMENT COMMUNITIES (CCRCS)

Continuing Care Retirement Communities (CCRC) began in Europe to provide shelter and care for the aged. Seven CCRCs were operating in the United States before 1900. Historically, these communities have been mostly religious-based and not-for-profit. Today, most CCRCs remain not-for-profit despite a significant growth in development by organizations such as Hyatt and Marriot.

LeadingAge defines a CCRC as "an organization that provides individuals a combination of housing options, accommodations, and health care services, depending on the level of care needed." Research indicates that living in a CCRC may have a positive impact on quality of life through socialization and a focus on healthy living. CCRCs primarily serve middle- and upper-income seniors and 40% of residents have an extended contract covering most assisted living and health care costs provided in the community. CCRCs serve only 2% of the senior population.

Many multi-facility and even single site CCRC organizations are facing challenging times due to the housing and banking crises and the general economic decline. Occupancy is dropping, Medicare and Medicaid funding is decreasing, fund raising and investment portfolio's are declining, and finally capital for new development or repositioning is scarce. Many CCRCs have strategically developed home- and community-based services for the broader community. The vision is to be able to develop a broad array of services for older adults regardless of economic or functional status. This diversification is driven by mission, market and business objectives. The mission is to reach out to older adults, who could not afford to be in a CCRC and those individuals wanting to remain in their own homes. The market broadens from 2% of older adults to potentially all seniors. The business objective is to diversify into revenue not capital intensive services. **CCRCs should broaden to serve the entire market, strengthening social accountability, and increasing revenues with less capital through PACE.**

SYNERGIES

Housing with Services

Affordable housing is a great place to market PACE because of similar financial eligibility requirements and because a significant number (possibly up to 20%) will also be nursing home eligible. In addition, PACE prefers to concentrate participants in a few affordable housing sites—making it less costly to provide services versus in participants' homes. Although PACE does not routinely pay for housing, participants residing in inadequate living environments are a common problem. In addition, Many CCRC organizations have already developed affordable housing and in some states—affordable assisted living.

In Pennsylvania, a LeadingAge member developed tax-credit financed affordable housing next to their PACE and it has significantly enhanced services and care management for the program. In partnership, Henry Ford Health System (HFHS) and Presbyterian Villages of Michigan (PVM) are expanding HFHS' Center for Senior Independence (PACE) to downtown Detroit. United Methodist Retirement Communities (UMRC) again in partnership with PVM is co-locating affordable assisted living on the upper floors. Transportation is a significant cost in PACE ($400 to $600 per member per month) and can be avoided for participants in attached housing. **CCRCs are experienced developers and operators of housing with services—a valuable component of PACE.**

Care Management across the Continuum

"Aging in Place" is not new to CCRCs and the desire of residents to remain in their own home including independent living is clear. Recently, National Church Residences who is pursing PACE development, and Riverside Health System's Lifelong Health and Aging Related Services which has three PACE Centers open and three more in development across three markets, have both announced the addition of nationally-recognized chief medical officers to lead the way in integrating medical services across their continuum. While a few CCRCs have been able to afford physician leadership in their communities, for most it has not been possible. In PACE, full-time, salaried physicians and nurse practitioners are integral to the model and can enhance care management across the entire continuum. As many CCRCs pursue home- and community-based services strategies there will be gaps in certain services, which are difficult to fund (e.g., transportation, adult day care, and private home care). A number of CCRCs are considering Life Care at Home and PACE provides an infra-structure for this kind of program. **PACE is a platform for improving care management and developing a comprehensive service continuum.**

Social Accountability/Medicaid

CCRCs are faced with challenges regarding property, state and federal income taxes. LeadingAge has been emphasizing the need to document efforts toward social accountability for all its members. PACE provides the opportunity to serve a Medicaid (impoverished) population combined with Medicare, which is sustainable unlike the negative operating margins most CCRCs are incurring in providing services to residents in skilled nursing reimbursed by Medicaid. In an article, "Are CCRCs and PACE a Good Fit" published in the May 2011 BB&T Newsletter, Tommy Brewer wrote:

> *Consider this - a multi-site senior living provider recently had to replace an existing 40 year old 60 bed nursing home. In keeping with industry trends and to meet market demands, the institutional nursing home is being replaced with three 20 bed residential style buildings. The cost of this project is approximately $7.5 million. This same provider was also recently awarded three PACE sites and is*

planning to start a PACE program that will serve approximately 450 participants. The projected cost to initiate PACE and cover start up losses is $7 million. In addition to costing less and serving many more seniors, the estimated financial profits associated with PACE far exceed those expected by the nursing home.

Alexian Brothers Health System Elder Services (ABHSE) embarked on a mission to change the face of its ministry. In 1998, ABHSES served 1,500 seniors, of which 7% were impoverished and less than 1% of those served were considered minorities. By 2004, ABHSES served over 30% impoverished residents and participants and 7% minorities. ABHSES' net operating margin, on a percentage basis, remained about the same. **PACE allows CCRCs to expand their mission to the economically disadvantaged while being good stewards of the organization's resources.**

Capital to Fund PACE Start-up

One of the most significant challenges for PACE development is the funding of start-up or expansion costs. Total start-up costs will vary based on whether you build, purchase, or lease the PACE center. However; a reasonable estimate is $15,000 per participant slot or $4.5 million to develop a 300-participant program, which could cash flow further expansions. PACE proformas show that programs can be expected to repay a line of credit for the start-up costs in 5 to 7 years of the beginning of operations. Many health systems, though possessing adequate capital, have committed all of their resources to acute-care operations.

Many CCRCs have strong balance sheets and significant liquidity to consider PACE investment. There are opportunities to finance the investments through short-term bank loans. Other parent organizations have provided internal loans and refinanced into long-term debt after stabilization (paying the parent back out of proceeds). A number of healthy CCRCs with significant liquidity are reconsidering investment in development of new CCRCs and are looking for less capital and more revenue-intensive investments, which strengthen their mission for seniors. **Many CCRCs have the liquidity and the mission imperative to make a strategic investment in PACE.**

The Future of Senior Living and PACE

CCRC and PACE have additional synergy in light of rising health care costs, development of accountable care organizations and the need to grow PACE to serve a broader market increasing its relevancy. PACE is a model for new innovations to serve dual eligibles and CCRCs having PACE in their continuum will be leaders in these innovations and in ACOs. **In addition, if any organizations can figure out how to market PACE to the private pay community, it will probably be CCRCs.**

Common Not-for Profit and Faith-Based Traditions

Not-for-profit senior living organizations have initiated most innovations over the last 100 years including CCRCs, quality initiatives in skilled nursing (restraint-free environments, small households, Greenhouses™, and culture change), assisted living, and PACE. PACE is currently a restricted market to for-profit organizations. **Since CCRCs and PACE share not-for-profit traditions, a common experience in restoring/maintaining a sense of community for frail seniors and for all the synergies outlined above, CCRCs should become the leading provider of PACE in the future.**