

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

OCTOBER 2019





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Senator Pat Neal
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Dear Fellow Taxpayer,

It is projected that, by the year 2030, one-fourth of Florida's estimated 26 million residents will be 65 years of age or older. As our population continues to age, the demand for different types of health care will also grow. Policymakers and healthcare providers will be challenged to find ways to improve access, control costs, and improve the quality of care for our senior residents.

The Program of All-Inclusive Care for the Elderly (PACE) provides comprehensive medical and social services through an interdisciplinary team, while allowing seniors to remain comfortably and safely in their own homes. The PACE program has been shown to improve patient outcomes, in terms of increased senior autonomy and improved health measures. The PACE model is also able to produce considerable cost-savings to the taxpayer by providing healthcare at a lower cost and by deferring elders from expensive nursing homes. As such, PACE represents a practical alternative to expensive institutional care for Florida's elderly residents.

This report, part of a series of TaxWatch research reports on long-term care for Florida's growing elderly population, focuses on community-based care, expanding care into underserved areas, and driving down the costs of health care. TaxWatch is pleased to present this report and its findings and looks forward to engaging policymakers and state regulators in discussion during the upcoming legislative session and beyond.

Sincerely,

Dominic M. Calabro
Dominic M. Calabro
President & CEO

INTRODUCTION

In the year 2050, U.S. Census Bureau estimates that there will be 83.7 million people in the United States who are 65 years or older¹. This estimate is nearly twice as many seniors as there were in 2012. Additionally, by 2050, the elderly population, specifically those who are 85 years old and older, is predicted to start growing at a faster rate than the working age population.²

Florida's aging population is growing rapidly. While Florida's overall population is expected to grow by almost 5.1 million between 2010 and 2030, elder Floridians will account for most of Florida's population growth, representing 55.2 percent of the gains in population. Florida's Office of Economic Development and Research estimated that there were 3,259,602 people aged 65 and older in 2010. By 2040, this number is expected to increase to 6,642,622.³

As of 2010, there were 2.5 million Floridians in their 50s, 2.1 million Floridians in their 60s, 1.4 million Floridians in their 70s and almost 1 million Floridians in their 80s and above. There is every reason to believe that these numbers will continue to rise. Recent estimates predict that Florida's 65 and older population will represent 24.1 percent of Florida's overall population by the year 2030.⁴ As Florida's population continues to age, the elderly population will require vastly different and more costly forms of health care, such as long-term care for chronic conditions, more frequent examinations and follow-ups, and services and care for cognitive and mental impairments.

Not only do seniors demand different types of health care, but meeting these needs will cost more, as nearly half of lifetime healthcare costs are accrued during the senior years. Despite the large elderly population, Florida lags in long-term services and support for the elderly, currently ranking 46th in the nation.⁵ To prepare for the future long-term care needs of the elderly, it is crucial for Florida to look for ways to control costs and improve quality of life for our senior residents. The Program of All-Inclusive Care for the Elderly (PACE) is such a program, that can provide needed care to Florida seniors at a lower cost.

PURPOSE

Florida TaxWatch undertakes this independent research project to provide taxpayers and policymakers answers to the following questions:

- What is PACE and how does it work?
- Who is eligible to participate in PACE?
- How is PACE funded?
- Where are PACE services available?

1 Leatherby, L. (2016, April 26). Medical spending among the U.S. elderly. Retrieved from <https://journalistsresource.org/studies/government/health-care/elderly-medical-spending-medicare/>

2 Ibid.

3 (2015, February). Retrieved from http://edr.state.fl.us/Content/population-demographics/data/Pop_Census_Day.pdf.

4 Ibid.

5 Reinhard Susan C., Jean Accius, Ari Houser, Kathleen Ujvari, Julia Alexis, and Wendy Fox-Grage. "Picking Up the PACE of Change, 2017: A State Scorecard on Long-Term Services and Supports for Older Adults, People with Physical Disabilities, and Family Caregivers". AARP, The Commonwealth Fund, and The SCAN Foundation. 14 June 2017. Web. Accessed: 3 October 2017. "www.longtermscorecard.org/2017-scorecard".

- What are the benefits of PACE?
- What are the challenges facing PACE? and
- What are the opportunities facing PACE?

Having answered the above questions, TaxWatch offers recommendations to policymakers regarding the state's investment into PACE and making PACE more accessible to older Floridians.

WHAT IS PACE AND HOW DOES IT WORK?

PACE OVERVIEW

PACE is a comprehensive, long-term care program where a single provider is responsible for all primary, acute, and long-term care services, as well as all appropriate social, restorative, and supportive services for adults 55 or older at home or in healthcare facilities. The program is distinct in that it enables seniors to live safely and independently at home to achieve a healthy quality of life and remain active and connected within their community. This home-based care model is generally considered both less expensive and more desirable by long-term care recipients. Conclusions made regarding PACE and its quality of care and cost-effectiveness have been based on studies of the program under not-for-profit ownership⁶.

PACE originated from years of demonstration, experimentation with operational flexibility, and established results. Federal and state governments pursued the development of community-based programs as early as the 1970s by encouraging experimentation with fee-for-service programs, and by offering Medicaid requirement waivers. Using Medicaid reimbursement, one of the nation's first adult day centers was developed by On Lok Senior Health Services, a non-profit located in San Francisco.

Demonstrating success, On Lok expanded program deliverables throughout the next ten years, offering complete medical care, home-delivered meals, and social support. In 1987, On Lok received multiple grants for operational support and to build multiple sites which replicated its unique model. Three years later, the first PACE program received Medicare and Medicaid waivers for operation, which later became a permanently recognized provider of both Medicare and Medicaid programs in the Balanced Budget Act of 1997.⁷

Federal regulations were finalized in November of 2006 and U.S. Department of Health and Human Services' Centers for Medicare and Medicaid Services (CMS) appropriated \$7.5 million to 15 PACE sites.⁸ Currently, there are 126 PACE programs operating 260 PACE centers in 31 states, serving more than 45,000 participants.⁹

6 Lori Gonzalez (2017) A Focus on the Program of All-Inclusive Care for the Elderly (PACE), *Journal of Aging & Social Policy*, 29:5, 475-490, DOI: [10.1080/08959420.2017.1281092](https://doi.org/10.1080/08959420.2017.1281092)

7 "Programs of All-Inclusive Care for the Elderly (PACE)". Centers for Medicare and Medicaid Services. 9 June 2011. Web. Accessed: 29 September 2017. "www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/PACE11c01.pdf".

8 Sebelius, Kathleen. "Report to Congress Evaluation of the Rural PACE Provider Grant Program". National PACE Association. 2011. Accessed: 6 October 2017. "<http://www.npaonline.org/sites/default/files/PDFs/Rural>

9 National PACE Association, retrieved from www.npaonline.org/PACE-you/find-PACE-program-your-neighborhood, March 19, 2018

The PACE Innovation Act of 2015 provides authority to waive certain provisions of Section 1934 of the Social Security Act in order to test the application of PACE-like models for additional populations, including populations under the age of 55 and those who do not qualify for a nursing home level of care, under Section 1115A of the Social Security Act.¹⁰

PACE MODEL OF CARE

PACE provides comprehensive health care services that are designed to improve the autonomy of seniors and their quality of life. By enabling seniors to live in their homes and in the community as long as possible, PACE programs maximize the dignity of and respect for elders while preserving the family unit. The National PACE Association states that:

“The PACE Model of Care 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.”¹¹

PACE follows a comprehensive model, as the program is the single provider for an entire spectrum of care and services. Services may include (but are not limited to) adult day care, medical care provided by a PACE physician, home health care and personal care, an array of therapies, coverage of all necessary prescription drugs, social services, meals and nutritional counseling, medical specialties, respite care, and hospital and nursing home care when necessary.¹²

What makes PACE programs unique is the use of an interdisciplinary team (IDT) of health care professionals on an on-going basis to facilitate these services. Typically, an IDT includes registered nurses, social workers, occupational and physical therapists, a dietitian, an activity coordinator, and other paraprofessional caregivers, all under the supervision of a medical director. For each enrollee, the IDT develops a care plan to respond to all the participants’ needs, which include around the clock care, 24 hours a day, seven days a week, 365 days a year.

PACE participants receive most of their care from staff in centrally located PACE centers. Additionally, PACE programs operate a transportation fleet to guarantee that seniors are provided with safe and timely transportation to and from the PACE center and medical appointments. Easy access to transportation is crucial to seniors being able to remain at home, as one in five respondents from a 2016 Needs Assessment Survey conducted by the Department of Elder Affairs’ (DOEA) Bureau of Planning and Evaluation stated lack of transportation as the primary barrier to receiving medical care.¹³

¹⁰ Centers for Medicare and Medicaid Services, retrieved from www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/PACE/PACEInnovationAct.html. March 19, 2018.

¹¹ “Is PACE for you?”. National PACE Association. Web. Accessed: 29 September 2017. “www.npaonline.org/PACE-you”.

¹² Ibid.

¹³ “Assessing the Needs of Elder Floridians Results of the 2016 Needs Assessment Survey”. Department of Elder Affairs, State of Florida. 2016. Web. Accessed: 12 October 2017. “http://elderaffairs.state.fl.us/doea/pubs/pubs/2016_NA_Presentation.pdf”

Patients also have the option to voluntarily withdraw from the program at any time without incurring any financial penalties. Through this centralized health care delivery system and interdisciplinary health care team, PACE is well-positioned to maintain independence of their patients while controlling for costs that would have been incurred otherwise if serviced in a traditional nursing home.

WHO IS ELIGIBLE TO PARTICIPATE IN PACE?

To be eligible for PACE under federal program rules, an individual:

- Must be 55 years of age or older;
- Must live within the defined service area of a PACE center;
- Must be able to live safely in the community;
- And are certified as needing nursing home level of care.

The average participant is 76 years old and has multiple, complex medical conditions, cognitive and/or functional impairments, and significant health and long-term care needs.¹⁴ Additionally, individuals must be certified by Comprehensive Assessment and Review for Long-term Care Service (CARES) as needing nursing home-level care. CARES is Florida's federally mandated pre-admission screening program for nursing home applicants. For those who are not Medicaid eligible, individuals have the option to pay for PACE out-of-pocket or through private insurance, although these rates are not regulated by the state.

HOW IS PACE FUNDED?

PACE programs receive fixed per-member, per-month Medicaid and Medicare capitated payments, in addition to other payments from private parties for participants who are not dual eligible.¹⁵ In return, the PACE organization assumes full financial risk for all services, including long-term care, i.e. nursing home care. These pooled payments provide a strong incentive to avoid duplicative or unnecessary services and support the use of suitable community-based alternatives to nursing home care.

Since each state oversees their Medicaid Program, Florida PACE Medicaid capitation rates are settled between PACE providers and the Agency for Health Care Administration (AHCA). Capitation payments are a way to control health care costs, by controlling the use of health care resources, the provider assumes full financial risk for services provided to patients.¹⁶

14 Advocacy Resource Library: National PACE Association. (2019). Retrieved from <https://www.npaonline.org/policy-advocacy/advocacy-resources/advocacy-resource-library>

15 Federal regulation requires PACE capitated rates to be lower than the Medicaid Upper Payment Limit (UPL). In Florida, the UPL is calculated as the cost of serving someone in under

16 Alguire, P. C. (n.d.). Understanding Capitation. Retrieved from <https://www.acponline.org/about-acp/about-internal-medicine/career-paths/residency-career-counseling/guidance/understanding-capitation>

Medicaid capitation rates are Federal regulations requiring states to set prospective monthly capitation rates consistent with the following criteria:

- The capitation rate is less than the amount that states otherwise would have paid if the participants were not enrolled in the PACE program;
- The rate accounts for the frailty of the PACE participants;
- The rate is a fixed amount regardless of changes in the participant's health status; and
- The rate can be renegotiated on an annual basis.¹⁷

To set Medicaid Capitation Rates in Florida, AHCA uses a cost-based methodology approach, with rates calculated net of the average patient liability. It is also of importance to note; capitation rates are a projection of future costs based on a set of assumptions¹⁸. Actual costs will be reliant on each contracted PACE organization's situation and experience¹⁹. AHCA has continued to contract with Milliman for the 2019 Calendar Year to calculate PACE rate settings and determine if capitation rates are below the Upper Payment Limit (UPL). Based on findings from the Milliman report, compared to the 2018 statewide base rates, the 2019 statewide base rates represented an 8.8% increase for the Medicare eligible population and an 8.4% decrease for the Medicaid Only population, which equates to a 5.6% increase overall.²⁰

A comparison of capitation rates for PACE Programs in Florida is presented in Table 1.

17 Upper Payment Limits and Medicaid Capitation Rates for Programs of All-Inclusive Care for the Elderly (PACE*). (2016). Retrieved from [https://www.npaonline.org/sites/default/files/PDFs/2016 UPLs and Medicaid Capitation Rates for PACE.pdf](https://www.npaonline.org/sites/default/files/PDFs/2016%20UPLs%20and%20Medicaid%20Capitation%20Rates%20for%20PACE.pdf)

18 2019 PACE Program Capitation Rate Development Report

19 Ibid.

20 2019 Program Capitation Rate Development Report

Table 1. PACE Capitation Rate Comparison (2018-19)

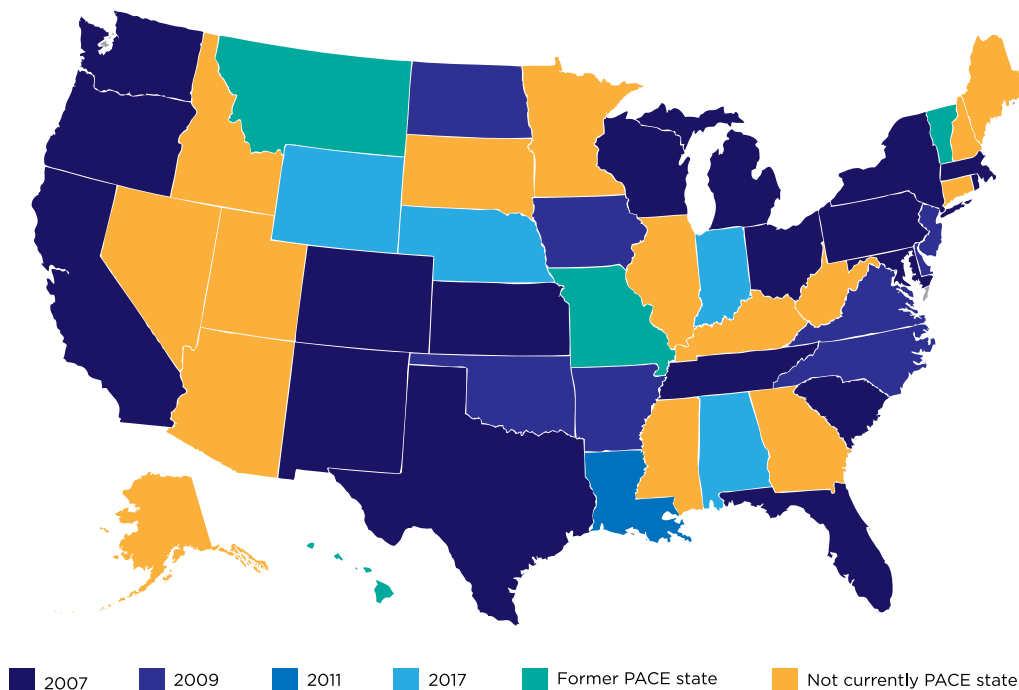
	2018	2019	Change
New 2019 PACE Plan			
Medicare Eligible	\$2,211.06	\$2,405.11	8.8%
Medicaid Only	\$5,863.48	\$5,362.81	-8.5%
Total	\$2,503.11	\$2,641.61	5.5%
Florida PACE Center (Miami-Dade)			
Medicare Eligible	\$2,251.51	\$1,654.65	-26.5%
Medicaid Only	\$5,965.93	\$5,450.46	-8.6%
Total	\$2,776.92	\$2,191.57	-21.1%
Florida PACE Center (Broward)			
Medicare Eligible	\$2,175.42	\$2,269.41	4.3%
Medicaid Only	\$5,771.72	\$5,238.59	-9.2%
Total	\$2,684.12	\$2,689.41	0.2%
Florida PACE Center Total	\$2,773.04	\$2,212.42	-20.2%
Hope PACE (Lee)			
Medicare Eligible	\$2,291.83	\$2,763.94	20.6%
Medicaid Only	\$5,604.60	\$5,092.59	-9.1%
Total	\$2,405.96	\$2,844.16	18.2%
Hope PACE (Charlotte)			
Medicare Eligible	\$2,448.08	\$2,870.19	17.2%
Medicaid Only	\$5,633.66	\$5,134.64	-8.9%
Total	\$2,557.83	\$2,948.20	15.3%
Hope PACE (Collier)			
Medicare Eligible	\$2,167.17	\$2,736.93	26.3%
Medicaid Only	\$5,656.55	\$5,229.17	-7.6%
Total	\$2,287.38	\$2,822.79	23.4%
Hope PACE Total	\$2,414.75	\$2,858.21	18.4%
Suncoast PACE (Pinellas)			
Medicare Eligible	\$2,058.39	\$2,930.52	42.4%
Medicaid Only	\$5,612.81	\$5,075.33	-9.6%
Total	\$2,235.70	\$3,037.51	35.9%
Palm Beach PACE (Palm Beach)			
Medicare Eligible	\$2,189.08	2,815.98	28.6%
Medicaid Only	\$5,536.55	5,378.09	-2.9%
Total	\$2,298.64	\$2,899.83	26.2%
Source: Milliman Report 2019 - PACE Program Capitation Rate Development			

WHERE ARE PACE SERVICES AVAILABLE?

NATIONWIDE

There are currently 31 states that participate in the PACE program, with 126 sponsoring organizations, and 260 PACE centers as of March 2019 (see Figure 1).²¹

Figure 1. National PACE Service Availability



Source: National PACE Association 2019

FLORIDA

Florida became one of the earlier adoptees of PACE, with the first program accepting enrollees in 2003.²² Florida's PACE program is managed by the Department of Elder Affairs (DOEA) and the Agency for Health Care Administration (AHCA). Currently, there are four PACE providers in Florida, servicing Broward, Charlotte, Collier, Lee, Miami-Dade, Palm Beach, and Pinellas counties. The newest provider, Palm Beach PACE, began serving seniors in Palm Beach County in November 2013.²³

The Florida Legislature must first authorize a new PACE program and, once authorization is approved, the PACE provider can then ask for funded slots, which are also appropriated by the Legislature during the legislative session. There is no guarantee that the authorization will be approved, and the number of slots requested will be appropriated. PACE Providers in Florida, their service areas, and the number of funded slots for each, are identified in Table 2.

21 PACE Facts and Trends: National PACE Association. (2019, March). Retrieved from <https://www.npaonline.org/policy-and-advocacy/PACE-facts-and-trends-0>.

22 "PACE Facts and Trends: Age, Dementia, Ethnicity and More". National PACE Association. 2017. Web. Accessed: 29 September 2017. "www.npaonline.org/PACE-facts-and-trends-age-dementia-ethnicity-and-more".

23 "Program of All-Inclusive Care for the Elderly & Statewide Medicaid Managed Care Long-term Care Program Comparison Report". State of Florida Department of Elder Affairs and Florida Agency for Health Care Administration. 7 February 2014. Web. Access: 29 September 2017.

Table 2. PACE Service Areas and Funded Slots

PACE Providers	Counties Funded	Funded Slots
Florida PACE	Broward, Miami-Dade	934
Hope Select Care PACE	Lee, Charlotte, and Collier	650
Palm Beach PACE	Palm Beach, Martin, and St. Lucie	656
Suncoast PACE	Pinellas	325
Cornerstone PACE*	Orange	150
PACE Partners of NE Florida*	Baker, Clay, Duval, Nassau, and St. John	100
	Program Total	2,815

Source: DOEA 2019 Summary of Programs and Services *Applications currently under review by CMS.

The Legislature appropriated additional funds to increase PACE by 100 slots in Miami-Dade County; by 100 slots in Lee County; by 100 slots in Collier County; by 75 slots in Martin County; and by 100 slots in Baker, Clay, Duval, Nassau, and St. Johns County, effective July 1, 2018.²⁴ The 2019 Florida Legislature appropriated \$1,839,196 from General Revenue and \$2,915,705 from the Operations and Maintenance Trust Fund to fund 150 slots in Orange County.²⁵

WHAT ARE THE BENEFITS OF PACE?

COST SAVINGS

At the national level, the PACE program provides care that is, on average, 16.5 percent less expensive per person, per-month than similar Medicaid programs would otherwise provide.²⁶ An analysis conducted by Milliman for AHCA and DOEA in a 2014 report found that the Medicaid cost to serve PACE's current 724 enrollees for one month is approximately \$1.8 million and the Medicaid cost to serve the same enrollees in Statewide Medicaid Managed Care (SMMC) for one month would be approximately \$2.6 million, a cost 44 percent higher than the cost of PACE.²⁷ According to an analysis done by the National PACE Association, PACE rates are 13 percent less than the state costs of providing alternative services to a comparable population.²⁸ The PACE program has been found to reduce cost to PACE enrollees by 16-38 percent compared to Medicare Fee-for-service costs.²⁹ Additionally, the PACE program has also appeared to total 5-15 percent less than costs for comparable Medicaid beneficiaries³⁰

PACE is also effective at keeping seniors in their homes as long as possible. One study found that of the participants that passed away, only 20 percent spent 30 days or more in a nursing home prior to death.³¹ This

24 Florida Legislature, "2018-19 General Appropriations Act," Line Item No. 403.

25 Florida Legislature, "2019-20 General Appropriations Act" Line Item No. 404

26 "Upper Payment Limits and Medicaid Capitation Rates for Programs of All-Inclusive Care for the Elderly (PACE)". National PACE Association. 2016. Web. Accessed: 5 October 2017.

27 PACE Rates: Milliman's State of Florida Agency for Health Care Administration and Department of Elder Affairs September 1, 2013 - August 31, 2014 Capitation Rate Development for PACE Organization

28 Advocacy Resource Library: National PACE Association. (2019). Retrieved from <https://www.npaonline.org/policy-advocacy/advocacy-resources/advocacy-resource-library>

29 "The Need For Additional Flexibility In Medicare Advantage," Health Affairs Blog, August 29, 2016. <https://www.healthaffairs.org/doi/10.1377/hblog20160829.056247/full/>

30 Ibid.

31 Friedman, S., Steinwachs, D., Rathouz, P., Burton, L., Mukamel, D. "Characteristics predicting nursing home admission in the Program of All-Inclusive Care for Elderly people." *The Gerontologist*, 45 (2): 2005. 157-66.

allows Florida to contain Medicaid and Medicare costs in a predictable manner as hospitalizations and institutionalizations are some of the costliest forms of health care. The existing research indicates that the success of PACE is partially attributable to the program's form of reimbursement. PACE programs receive per-member, per-month Medicaid and Medicare capitated payments, in addition to other payments from private parties. In return, the PACE organization assumes full financial risk for all services, including long-term care, which includes nursing home care.

IMPROVED QUALITY OF LIFE

The empirical evidence shows that PACE is a feasible model for providing health care while maintaining the independence of the elderly. At the national level, only seven percent of PACE participants are eventually placed into nursing home care.³² The majority of Florida's PACE participants live alone (67.4 percent), in either a private residence or an assisted living facility. Evidence shows that PACE enables patients to live independently, as only 13.7 percent of the enrolled PACE participants are married or partnered and approximately one-quarter (26.1 percent) have a primary caregiver to provide for their Activities of Daily Living (e.g., eating, bathing, dressing, etc.) and Instrumental Activities of Daily Life (e.g., managing money, performing housework, using transportation, etc.) needs.³³ This allows PACE participants to maintain their dignity and autonomy throughout their remaining years.

Comprehensive care programs such as PACE have been found to be effective in reducing healthcare utilization.³⁴ There is some evidence that PACE improves certain aspects of care quality, such as care related to the management of specific health issues such as pain. Also, based on a single study with a robust research design, PACE participants have lower mortality rates than their comparison group counterparts over the period of 1 to 4 years after enrollment, a finding substantiated by results from two other studies.³⁵ PACE participants were found to spend more days in the community than PACE decliners --- a result that is in line with the positive findings for satisfaction, since spending time in institutional care is likely to reduce patient satisfaction and quality of life. Nationally, roughly 93 percent of PACE elders said they would recommend the PACE program to a friend or relative.³⁶

Not surprisingly, the performance of the interdisciplinary PACE team has been found to be positively correlated with improvement in beneficiary health.³⁷ Based on a study that evaluated PACE participants in programs with a full-time medical director and in programs where the medical director was a trained

32 "PACE Facts and Trends: Age, Dementia, Ethnicity and More". National PACE Association. 2017. Web. Accessed: 5 October 2017. "www.npaonline.org/PACE-facts-and-trends-age-dementia-ethnicity-and-more".

33 "Program of All-Inclusive Care for the Elderly & Statewide Medicaid Managed Care Long-term Care Program Comparison Report". State of Florida Department of Elder Affairs and Florida Agency for Health Care Administration. 7 February 2014. Web. Access: 29 September 2017.

34 Meunier, M. J., Brant, J. M., Audet, S., Dickerson, D., Gransbery, K., & Ciemins, E. L. (2016, November). Life after PACE (Program of All-Inclusive Care for the Elderly): A retrospective/prospective, qualitative analysis of the impact of closing a nurse practitioner centered PACE site. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/27232590>

35 Ghosh, A., Orfield, C., & Schmitz, R. (2014, January). Evaluating PACE: A Review of the Literature. Retrieved from <https://aspe.hhs.gov/basic-report/evaluating-PACE-review-literature#conclude>

36 Hostetter, M., Klein, S., & McCarthy, D. (2016, August 12). Aging Gracefully: The PACE Approach to Caring for Frail Elders in the Community. Retrieved from https://www.commonwealthfund.org/publications/case-study/2016/aug/aging-gracefully-PACE-approach-caring-frail-elders-community?redirect_source=/publications/case-studies/2016/aug/on-look

37 Ghosh, A., Orfield, C., & Schmitz, R. (2017, February 21). Evaluating PACE: A Review of the Literature. Retrieved from <https://aspe.hhs.gov/basic-report/evaluating-PACE-review-literature#finding>

geriatrician , participants were more likely to experience better functional status outcomes, as were participants in larger and more established programs as well as in programs in which the ethnic mix of PACE nonprofessional staff more closely matched that of the participants.³⁸

One of the two measures the National PACE Association focuses on is how satisfied participants are with PACE. Between 2012 and 2016, PACE participants gave PACE programs an average rating of 4.02 out of a possible score of 5.0. Since PACE organizations are fully responsible for the quality and cost of all care provided, they have a financial incentive to provide all necessary care. Table 3 shows the average participant satisfaction ratings between 2012 and 2016.

Table 3. Average Participant Satisfaction Ratings

Year	Rating
2012	4.04
2013	3.96
2014	3.94
2015	4.07
2016	4.10
Average	4.02
Source: National PACE Association 2019	

A research study conducted in 2016 revealed that the use of comprehensive models such as PACE lead to improved functional outcomes for participants and cost savings through decreased utilization.³⁹ Additional studies that compared PACE participants with similar individuals found that PACE participants are less likely to be admitted to a nursing home or hospital, more likely to delay entry into a nursing home, and more likely to die at home than in a hospital.⁴⁰ Additionally, it is a more effective use of the workforce and the PACE Program allows family members to stay in the workforce.

Compared to Statewide Medicaid Managed Care – Long-Term Care (SMMC LTC), the PACE program provides its participants with a unique service delivery system, with many services being delivered through adult day care centers and case management is provided by multi-disciplinary teams. The Florida Statewide Medicaid Managed Care LTC program has two types of health plans: - Health Maintenance Organizations (HMOs) and Provider Service Networks (PSNs), which offer nursing facility services and home and community-based long-term care services.⁴¹ In a 2016 study funded by the Commonwealth fund, providers from four communities who were surveyed regarded health plans more as an administrative entity than as innovators in delivery system reform.⁴²

³⁸ Ibid.

³⁹ Meunier, M. J., Brant, J. M., Audet, S., Dickerson, D., Gransbery, K. and Ciemins, E. L. (2016), Life after PACE (Program of All-Inclusive Care for the Elderly): A retrospective/prospective, qualitative analysis of the impact of closing a nurse practitioner centered PACE site. *Journal of the American Association of Nurse Practitioners*, 28: 596-603. <https://www.ncbi.nlm.nih.gov/pubmed/27232590>

⁴⁰ Friedman, S. M., Steinwachs, D. M., Rathouz, P. J., Burton, L. C., & Mukamel, D. B. (2005). Characteristics predicting nursing home admission in the program of all-inclusive care for elderly people. *Gerontologist*, 45(2), 157-166.

⁴¹ AHCA: Statewide Medicaid Managed Care Program. (2017). Retrieved from https://ahca.myflorida.com/medicaid/statewide_mc/outreach_presentations.shtml

⁴² Summer, L., & Hoadley, J. (2014). The Role of Medicaid Managed Care in Health Delivery System Innovation. Retrieved from <https://www.commonwealthfund.org/publications/fund-reports/2014/apr/role-medicare-managed-care-health-delivery-system-innovation>

Also, many providers stated that when Managed Care Organizations are not at risk for the full continuum of care, they may have limited ability to promote integration and coordination of care,⁴³ which is a key difference in distinguishing the PACE program from SMMC LTC.

WHAT ARE THE CHALLENGES FACING PACE?

Even though PACE has demonstrated success in terms of cost savings and improved quality of life for participants, the PACE model remains unavailable for many Floridians.

SERVING RURAL AREAS

The challenges affecting all community-based long-term care systems, including transportation, housing, and workforce, tend to be more pronounced and more difficult to address in rural communities. Transportation is an enduring challenge that is often the hardest and most expensive problem to solve for organizations trying to address the need for community-based long-term care in rural areas. Poor housing stock in many rural areas poses problems for efforts to keep people in their homes and for innovative programs to use existing housing stock to support alternative housing options (e.g., assisted living).⁴⁴

Typically, states with large rural populations have found it difficult to develop PACE programs due to low population density. Since PACE uses a model of centralized care, counties with low population densities face coordination and transportation complications. Florida has sixty-seven counties and of those counties, thirty are considered rural.⁴⁵ The highly-regulated nature of PACE, coupled with high up-front fixed capital costs, make finding a population of patients large enough to support PACE in rural areas more difficult. This pattern of locating in high-density urban populations is evident in Florida as well, given that PACE programs can only be found in heavily-populated regions along the coast, leaving much of Florida underserved.⁴⁶

Even though Florida was ranked 10th in the nation in terms of population and housing unit density in 2010, elderly rural populations are still underserved in the state.⁴⁷ Taxpayers are more likely to finance the rural elderly population's health care costs as Medicaid tends to cover a higher share of elderly rural Floridians.⁴⁸ The Florida counties with the highest percentage of adults on Medicaid in areas in which no current PACE organization is available are DeSoto (25 percent), Hardee (24 percent), Madison (22 percent), and Hamilton (21 percent).⁴⁹ Rural counties in Florida stand to benefit immensely from a strategically placed PACE organization, but PACE programs are less likely to locate in these rural areas as they cannot reach a critical mass of enrollment necessary to counterbalance the additional costs associated with transportation and fixed capital outlay. These limitations may disadvantage PACE when policy makers consider options for addressing the long-term care needs of rural residents, despite PACE's cost-effectiveness and positive outcomes.

43 Ibid.

44 Peter Fitzgerald, Andy Coburn, and Sharon Dwyer, "Expanding Rural Elder Care Options: Models That Work," March 20, 2018.

45 (2018, January 12). Rural Health Information Hub. Retrieved from <https://www.ruralhealthinfo.org/states/florida>

46 United States Census 2010

47 Population, Housing Units, Area, and Density: 2010 - United States -- States; and Puerto Rico 2010 Census Summary File 1.

48 "Medicaid in Small Towns and Rural America: A Lifetime for Children, Families, and Communities". The Georgetown Center for Children and Families Georgetown University Health Policy Institute. 28 June 2017. Web. Accessed: 10 October 2017.

49 Ibid.

AUTHORIZATION PROCESS

Providers looking to become a PACE organization face barriers to entry, including large upfront capital requirements, and lengthy regulatory processes. There are two applications that need to be completed for applicants seeking to become a PACE provider, one is the standard Centers for Medicare and Medicaid Services (CMS) application and the second being a state application, which varies from state to state.⁵⁰ DOEA and AHCA review the application and once the application is initially reviewed, a single on-site survey is conducted for a new or expanding PACE provider using CMS' tool. Once approved, AHCA certifies the new PACE site to CMS and CMS also reviews the application and provider readiness. If approval from CMS is granted, a three-way agreement is made between the PACE provider, AHCA, and CMS.

Not until a PACE provider is granted an appropriation from the Legislature for enrollment slots, will the agreement become final, however, slots are not always funded in the same year the program is authorized, as the planning and approval process takes between one-and-a-half to two years.^{51 52} Furthermore, PACE providers often experience delays in the application process, such as obtaining necessary licenses. This lengthy approval process, coupled with funding uncertainty, discourages potential providers from investing in a PACE program.

Expansion of current PACE programs is also impaired by certain legal regulations. Florida PACE programs are subject to legislative approval and funded enrollment slots (enrollment caps) governed by the General Appropriations Act. Every enrollment slot for each PACE provider must be specifically authorized by the Florida Legislature. For comparison nationally, state-imposed caps tend to follow a 'pooled' enrollment cap approach. This pooled method allows for more discretion amongst providers as to how to allocate slots within PACE centers and organizations. Florida's enrollment caps limit PACE growth. The appropriation history and number of clients served are shown in Table 4.

50 (2019). PACE Application Process and Requirements: National PACE Association. Retrieved from <https://www.npaonline.org/start-PACE-program/PACE-application-process-and-requirements>

51 "Bill Analysis and Fiscal Impact Statement". The Professional Staff of the Committee on Health Policy. 27 March 2014.

52 Gross, Diane L., et al. "The Growing Pains of Integrated Health Care for the Elderly: Lessons from the Expansion of PACE." *The Milbank Quarterly* 82.2 (2004): 257-282.

Table 4. PACE Appropriation History & Numbers Served

Fiscal Year	Combined Funding	Clients Served
2008-09	\$10,278,683	550
2009-10	\$10,278,683	550
2010-11	\$9,960,079	900
2011-12	\$14,269,333	795
2012-13	\$25,207,786	1,018
2013-14	\$28,330,951	1,100
2014-15	\$36,526,016	1,108
2015-16	\$39,550,155	1,539
2016-17	\$50,282,883	1,866
2017-18	\$47,718,123	1,894
2018-19	\$62,045,114	2,145*

Source: Monthly Enrollment Reports from PACE: 2019 Summary of Programs and Services Section D
* Projected

FUNDING FOR NEW PROGRAMS

Higher enrollment capacity poses a challenge to PACE programs, as it places additional usage of the adult day care centers, transportation vehicles, and the interdisciplinary health care team. PACE programs are reluctant to invest in expanding their infrastructure, as it entails taking on additional financial risk without secured appropriations. Furthermore, PACE programs may be initially capital-constrained by insufficient appropriations and are unable to expand into new service areas.

LARGE UPFRONT STARTUP COSTS AND FIXED CAPITAL OUTLAY NEEDS

Another obstacle to overcome is the upfront financial cost associated with the operation of a PACE program. PACE programs are required to demonstrate the necessary capital to directly provide PACE center services, such as the adult day care center, primary care clinic, and transportation. This places PACE at a disadvantage as the center represents a significant capital investment while other long-term care models, such as the Statewide Medicaid Managed Care Long-Term Care (SMMC LTC), have no such requirements.

Additionally, PACE programs are required to operate a reserve requirement as a risk-bearing entity. This is because PACE uses a risk model, meaning that the PACE program must cover all necessary services, even if the cost of those services exceeds the payment made by the state. These financial conditions must meet all standards set by DOEA, AHCA, and CMS prior to expansion or approval for a new organization. These requirements place a large barrier to entry for new PACE programs and deter potential existing health organizations from forming their own PACE program.

ENROLLMENT SLOTS ARE APPROPRIATED BY COUNTY AND NOT BY PROVIDER

Enrollment into a PACE program is also limited to those who reside specifically in the county where a PACE organization operates. Funding for enrollment slots is set forth by the General Appropriation Act (GAA) bill's proviso language, which explains how and where the slots can be used. By restricting enrollment slots in such a way limits the ability to use appropriated slots in other counties. For example, the Suncoast PACE program has been at capacity for the past few years without any new slots being funded, while the Palm Beach PACE program currently has an excess of PACE slots and is unable to transfer slots to Suncoast PACE. This seriously impacts the Suncoast PACE program, who is unable to enroll participants because they have reached their allotted PACE slots. The only way for Suncoast PACE to receive more enrollment slots is through the legislative budget process.

LACK OF AWARENESS OF THE PROGRAM

Another factor that hinders the growth of the program is a general lack of awareness about it. Statistics collected by the National PACE Association indicate that enrollment has been slowly growing year over year since 2012, there are many people who qualify for PACE but are unaware of such a program being offered in their respective states. Information on the PACE program in Florida should be made more easily available by the governing Agencies and partners of PACE to increase awareness and support of the program.

WHAT ARE THE OPPORTUNITIES FACING PACE?

EXPANDING TO NEW POPULATIONS

PACE has been demonstrated to be an effective and cost-reducing model of health care for the elderly; however, it is largely unavailable to many eligible Floridians. To encourage the growth of PACE, current PACE programs and the State of Florida need to align their focus to target the at-risk and high-cost communities.

The PACE Innovation Act of 2015 gave authority to waive certain provisions of Section 1934 of the Social Security Act to test the application of models like PACE on additional populations. These populations may include those between the ages of 21 and 65 with disabilities that are mobility impaired and require nursing home level care. Although the test model is in its infancy, it has the potential to attract new PACE providers to previously underserved areas as the number of potential enrollees expands. This will serve a much-needed community, as a total of 923,751 seniors in Florida aged 65 or older lived in an area designated as “medically underserved” in 2016.^{53, 54}

The relaxation of other program requirements has the potential to expand access to PACE as well. For example, CMS is currently proposing additional flexibility to the caretaking team. This is crucial as it is difficult to find qualified staff who are willing and able to participate in PACE, especially in less densely

⁵³ Medically underserved populations are areas having too little primary care providers, high infant mortality rate, high poverty, or high elderly populations.
⁵⁴ “2016 Profile of Older Floridians”. The Florida Department of Elder Affairs. 2016. Web. Accessed: 13 October 2017.

populated areas. Overall, relaxing certain regulatory restrictions has the potential to reduce costs, improve efficiency, and increase access statewide.

STATE SUPPORT

To expand PACE statewide, it is essential that the state of Florida offers public support, such as funding, more appropriate regulations, and public education. At the national level, in states with the highest levels of PACE access, budgets adequately supported growth through appropriate capitation rates and the growth of enrollment caps.^{55, 56}

Significantly raising appropriated slots or even eliminating enrollment caps will encourage the growth of PACE. To illustrate, New York was not subject to any mandated enrollment limits and the state experienced one of the fastest growth rates in PACE enrollments.⁵⁷ Without the necessary funding, current or future PACE programs have difficulty planning for growth or expanding into new markets.

Knowledge of and familiarity with the program is also a necessity to improve program enrollment. Moreover, public knowledge of PACE availability is significantly lacking as a recent analysis found that families and enrollees learned of the PACE program primarily through word-of-mouth, not through formal referrals.⁵⁸ Patients should be able to receive unbiased and informed options when deciding upon their long-term care program. PACE should also be presented as an important part of the state's overall managed care plan as it is just one part of the continuum of care.

Finally, the state can support the growth of PACE through timely reviews of PACE applications. Many of the states with high levels of PACE-access have an established request for proposals process and even committed state staffing resources to PACE development. Florida needs to work alongside potential PACE programs to help define service areas to ensure long-run feasibility. It has been demonstrated that states that have sustained their support of PACE over time have successfully achieved high levels of statewide access to the program.⁵⁹ To do this, Florida must invest in PACE through appropriate and predictable funding and in synchronized actions to communicate Florida's dedication to the PACE model of care. Achieving high levels of enrollment requires coordinated efforts from CMS, the state of Florida and PACE sponsoring organizations. CMS has done their part at the Federal level, it is now up to policymakers and PACE programs to do the rest to expand statewide access.

55 "What Role Can PACE Play in State and Federal Efforts to Reform Managed Long-Term Services and Supports?". National PACE Association. May 2014.

56 "PACE Development in New York: A Report on the Current Status of PACE Policies and Issues". National PACE Association. Web.

57 "PACE: How to Achieve Widespread Adoption". National PACE Association. 1 September 2015.

58 Beeber, Anna Song. "Luck and Happenstance: How Older Adults Enroll in a Program of All-Inclusive Care for the Elderly." *Professional case management* 13.5 (2008): 277-283.

59 "What Role Can PACE Play in State and Federal Efforts to Reform Managed Long-Term Services and Supports?". National PACE Association. May 2014.

CONCLUSIONS

Florida's elderly population is large and growing rapidly. Almost one-quarter of the state's total population will be of retirement age by the year 2030. Policymakers will be challenged to provide cost-effective programs and services to meet the healthcare needs of this growing population. PACE represents one tool in the policymakers' toolbox to help meet this demand. PACE is a model of care that provides comprehensive medical and social services through an interdisciplinary team approach while allowing seniors to remain comfortably in their own homes. PACE programs have demonstrated their success through improved patient outcomes, in terms of increased senior autonomy, improved health measures, and improved access to quality health services.

PACE Programs improve participants' quality of life by providing opportunities for people who might otherwise be homebound to interact with others and to nurture their physical and mental health. The PACE model is also able to produce considerable cost-savings to the taxpayer by providing healthcare at a lower cost and by deferring elders from expensive nursing homes. The PACE program's effective use of interdisciplinary teams, care coordination, and care plans aids in cost containment and reduces hospitalization. As such, PACE represents a practical alternative to expensive institutional care for Florida's elderly residents.

RECOMMENDATIONS

Florida TaxWatch research suggests that increasing the state's investment in PACE programs would help to provide a cost-effective alternative to nursing home placement for many of Florida's elderly residents. Florida TaxWatch recommends that AHCA and the DOEA work closely with the Florida Legislature to identify ways to encourage the growth of PACE and to make PACE more accessible to older Floridians. Options for consideration include:

1. Increasing enrollment caps and allowing slots to be used by a provider in any authorized counties, to allow PACE providers greater discretion regarding the allocation of authorized slots;
2. Relaxing the geographical restrictions on the location of PACE centers to permit more flexibility to use enrollment slots across county lines to provide for the areas they serve.
3. Streamlining the application and approval process for PACE centers;
4. Establishing more creative options for the up-front financing of adult day care centers, primary care clinics, and transportation; and
5. Increasing the education and awareness of PACE programs and services for AARP members and the public at large.

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Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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