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. PACE, which primarily serves poor (Medicaid), old (Medicare) and frail (nursing home eligible) individuals living in their communities, has grown to 79 programs in 29 states. PACE is a comprehensive managed care program, proven 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 with sites doubling in number over the past 5 years with the potential to double again in the next 7 to 10 years. This model of care received favorable attention during health care reform and is viewed as a guide for becoming an Accountable Care Organization (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 degrees of support for PACE among the states and the only constant is change. A number of states are aggressively pursuing PACE development and expansion; such as Virginia, North Carolina, California, and New York. Several states are exploring PACE as a possible addition to their state plans; including Nebraska, Maine, and Mississippi.

Currently all PACE sponsors must be not-for-profit organizations. Everywhere except 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 service to other populations such as persons under age 55 with disabilities. In light of CMS support, pursuit by the majority of states 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 around 1900. Historically, these communities have been predominantly 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 the majority of assisted living and health care costs provided in the community. CCRCs serve only 2% of the senior population.

CCRC organizations are facing challenging times due to the housing and banking crises and the general economic decline. Occupancy is dropping, Medicare and Medicaid reimbursement is decreasing, fund raising and investment portfolio's are declining, and 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 develop a broad array of services for older adults regardless of their economic or functional status. This diversification is driven by mission, market and business objectives. The mission is to reach out to older adults, including who cannot afford a CCRC and those who want 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 less capital intensive revenue opportunities. **CCRCs can expand markets, strengthen social accountability, and increase revenues with less capital through PACE.**

SYNERGIES

Housing with Services

Affordable housing is a great place to market PACE due to similar financial eligibility requirements and because a significant number of residents (possibly up to 20%) will also be nursing home eligible. In addition, PACE operators prefer to concentrate participants in a few affordable housing sites—making it less costly to provide services versus geographically dispersed 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, resulting in significantly enhanced services and care management for the program. Henry Ford Health System (HFHS) and Presbyterian Villages of Michigan (PVM) have partnered to expand HFHS' Center for Senior Independence (PACE) to downtown Detroit. United Methodist Retirement Communities (UMRC) has partnered with PVM to co-locate affordable assisted living on the upper floors. Transportation is a significant cost in PACE ($400 to $600 per member per month) that can be minimized 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 a new phenomenon to CCRCs and the desire of residents to remain in their own home including independent living units is clear. Recently, National Church Residences (pursing PACE development), and Riverside Health System's Lifelong Health and Aging Related Services (three PACE Centers open and three more in development), both announced the addition of nationally-recognized chief medical officers to lead the way in integrating medical services across their continuum. Only a few CCRCs have been able to afford physician leadership in their communities. Full-time, salaried physicians and nurse practitioners are integral to the PACE model and can enhance care management across the entire continuum. As many CCRCs pursue home- and community-based services strategies, there will be funding gaps in certain services (e.g., transportation, adult day care, and private home care). A number of CCRCs are considering Life Care at Home; 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 taxes and state and federal income taxes. LeadingAge has emphasized the need to document efforts toward social accountability for all its members. PACE provides the opportunity to serve a Medicaid (impoverished) population in combination with Medicare, which is sustainable unlike the negative margins most CCRCs are incurring in providing skilled nursing to residents 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 (ABHSES) 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% was from minority populations. By 2004, over 30% of persons served were impoverished residents and participants and 7% were 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 the PACE Center is built, purchased, or leased. A reasonable estimate is $15,000 per participant slot, or $4.5 million to develop a 300-participant program. PACE proformas show that programs can be expected to repay a line of credit for the start-up costs within the first 5 to 7 years of operations.

Many CCRCs have strong balance sheets and significant liquidity to consider PACE investment. There are opportunities to finance the projects through short-term bank loans. Sometimes parent organizations have provided internal loans that were 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 new CCRC development and are looking for less capital and more revenue-intensive investments, to 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 ACOs and the need to grow PACE to serve a broader market to increase relevancy. PACE is a model for states developing new innovative ways to better serve dual eligibles and **CCRCs with PACE in their continuum will be positioned as leaders in these innovations and in ACOs. CCRCs have the experience and expertise to market PACE to the private pay.**

Common Not-for Profit and Faith-Based Traditions

Not-for-profit senior living organizations have led change over the last 100 years including CCRCs, quality initiatives in skilled nursing (restraint-free environments, small households, Green Houses®, and culture change), assisted living, and PACE. PACE currently remains restricted to not-for-profit sponsors. **Since CCRCs and PACE share not-for-profit traditions, common experiences in caring for frail seniors and the synergies outlined above, CCRCs should become the leading provider of PACE in the future.**