

**Testimony to  
The Commission on Affordable Housing and Health Facility  
Needs for Seniors in the 21st Century**

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**by  
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Madame Co-Chairs and Commissioners, on behalf of the Board of Directors and membership of the National PACE Association (NPA), I am grateful for the opportunity to testify before a commission that is exploring one of the most important challenges in meeting the needs of older adults in a cost-effective manner, consistent with emerging consumer demands - eliminating the regulatory and financing fragmentation between housing and health care that is necessary to allow older adults to receive a comprehensive array of coordinated services in their homes.

The National PACE Association is a not-for-profit trade association created in 1994 to promote the interests of Programs of All Inclusive Care for the Elderly (PACE). The mission of NPA is to improve the lives of frail older adults. As of December 2001 there are 36 not-for-profit PACE organizations operating in 19 states, serving approximately 8000 individuals. Twenty-five of these programs are operating at full risk under Medicaid and Medicare while the remaining 11 programs are operating under pre-PACE status whereby they capitated for Medicaid services but bill Medicare on a fee-for-service basis. In addition to representing all 36 operating PACE programs, NPA also actively serves as members an additional 25 not-for-profit organizations in some stage of PACE program consideration or development.

Before providing the commission with an overview of the PACE model of care, and specific thoughts and recommendations as requested, I would like to begin by commending the commission for its effort to bridge the vitally important gap between senior housing and services. Unfortunately, too many older adults get caught in this costly and undesirable gap. Your success could both dramatically improve the lives of older adults, and provide opportunities to advance innovative methods of meeting the needs of the frail elderly in the most cost effective and consumer-desired manner.

**Brief Description of PACE**

PACE and its supporters have been working for years to advance it as a mainstream, one-stop acute and long term care option for older adults eligible for nursing home care. The Balanced Budget Act of 1997 provided opportunities for PACE programs to transition from demonstration programs, which they operated as for approximately 10 years, to permanent provider status. As of January 1, 2002 the PACE programs operated by Alexian Brothers Community Services in St. Louis and the University of Pennsylvania School of Nursing in Philadelphia have successfully achieved permanent provider status.

The PACE model of care was created in 1973 in an effort to help the Asian-American community in San Francisco care for its elders in their own homes. For these families, the option of placing frail elderly family members in a nursing home was not a culturally acceptable solution. In order to meet this community need, On Lok Senior Services ("On Lok" is Cantonese for "peaceful, happy abode") created an innovative way to offer a comprehensive array of medical supervision, physical and occupational therapies, nutrition, transportation, respite care, socialization and other needed services through a team approach to care.

The PACE model is centered around the belief that it is better for the well-being of older adults with chronic care needs and their families -- as well as a better use of public resources -- to receive services in the community whenever possible. Because PACE providers emphasize an interdisciplinary team approach to constant reassessment of need and coordination of care, participants avoid costly and often preventable nursing home and hospital stays by expanding the range and intensity of services provided where they prefer to live - in their homes.

In order to be eligible for PACE a person must be aged 55 or older, certified by the state to need nursing home care and live in an area served by a PACE program. PACE has demonstrated that it can successfully provide care that allows elders with complex and intensive needs to continue living in the community. The typical PACE participant is very similar to the average nursing home resident. On average, she is 80 years old, has 7.9 medical conditions and is limited in approximately 3 activities of daily living. Forty-nine percent of PACE participants have been diagnosed with dementia. Despite their high level of care needs, more than 90 percent of PACE participants are able to continue to live in the community. The specific community living arrangements vary. Some live alone in private homes, others with family and the remainder in federally assisted housing, community-based alternatives such as adult foster care, etc., or PACE program housing.

PACE features four innovative aspects that enable the program to adapt itself to the needs of each individual participant, instead of attempting to adapt each participant to the needs of the program.

**Flexibility.** PACE creatively plans for and coordinates the care of each participant enrolled in the program based on his or her individual needs - with the goal of enabling older individuals to remain living in the community.

**All-inclusive care.** PACE programs provide, coordinate and oversee all needed preventive, primary, acute and long term care. At the center of every PACE program is an adult day setting where clinical services, therapies and social interaction can take place. The average PACE participant attends the day center three times a week. PACE programs also provide transportation that enables participants to live as independently as possible in the community while having access to the supportive services, medical specialists, therapies and other medical care they need. If a participant needs hospital or nursing home care, it is coordinated and paid for by the PACE program.

**Interdisciplinary Teams.** Each morning, care planning teams -- comprised of physicians, nurse practitioners, nurses, social workers, therapists, van drivers, aides and

others -- meet to exchange information and solve problems as the conditions and needs of PACE participants change. The interdisciplinary teams allow information gained through interaction with the PACE participant over time, and in different settings, to be shared and the viewpoints of various disciplines to be brought together. Because PACE participants have regular contact with primary care professionals who know them well, changes in health status can be proactively and comprehensively addressed by a wide range of health care professionals. The team approach allows for more information to be available at the critical points when important and immediate health care decisions need to be made than would be possible among a fragmented array of fee-for-service providers.

**Capitated Payment Arrangements.** The PACE program's capitated payment arrangement allows participants to avoid costly and often preventable nursing home and hospital stays by expanding the range and intensity of services provided where they prefer to live - in the community. PACE provides a comprehensive set of health care and supportive services that are specifically tailored to the needs of each PACE participant regardless of whether such services would be reimbursed under traditional fee-for-service Medicare and Medicaid. This system of payment provides for a more common sense, and less restrictive, approach to organizing and delivering services than what is currently available in the traditional fee-for-service health care system.

### **Costs and Benefits of PACE**

Although PACE was developed to serve frail older adults in the most comprehensive way possible, it is also a proven way to meet the needs and expectations of a new generation of long term care consumers in a cost effective manner. A study by Abt and Associates titled "A Comparison of the PACE Capitation Rates to Projected Costs in the First Year of Enrollment," compared Medicaid and Medicare capitation rates paid to PACE programs with Medicaid and Medicare expenditures for a comparison group in the first year following enrollment in the program. The study found that Overall, total Medicare and Medicaid capitation payments are generally comparable to estimates of projected Medicare and Medicaid fee-for-service expenditures for PACE enrollees in the year following enrollment. NPA believes the study's finding that combined Medicare and Medicaid capitation payments for PACE are comparable to projected fee-for-service costs in the first year post-enrollment falls short of assessing the true cost savings that accrue to payers over the course of enrollees' stay in PACE.

Tow states recently conducted studies and published favorable findings on the cost-effectiveness and quality of care PACE provides. With regard to savings to the Medicaid program, recent studies conducted by Texas and Tennessee found that PACE demonstrated significant cost savings, compared to the cost of serving individuals in nursing homes.

PACE is also increasingly consistent with changing consumer demands. In the fall of last year the NPA conducted a series of focus groups across the country with baby boomer-aged family caregivers of seniors with chronic care needs. Some of the focus groups were with family caregivers in communities without PACE programs and some were with family caregivers recruited from PACE programs. The focus groups clearly demonstrated that the family members of PACE participants were significantly more

satisfied with the care and attention their loved one received in PACE compared to more traditional care options (i.e., nursing homes and other institutional providers). Participants spoke forcefully about what may be the key expectations for baby boomers as they arrange care for their parents, their spouses and themselves. The focus groups participants consistently stated that they expected:

- To have options to choose from
- To be listened to and respected
- To be supported, without being replaced, in their caregiving role
- To have choices even as their loved one's needs changed
- To have access to professional caregivers that knew them individually

Focus group participants with family members who were enrolled as PACE participants consistently indicated that PACE met these expectations to a greater degree than the focus group participants who were from communities without a PACE program.

State policymakers are also increasingly looking toward promoting PACE development as a way to address their expanding need for long term care. Despite sudden looming state budget deficits, the recent Supreme Court decision in the Olmstead case and the increasing number of families facing caregiving responsibilities are motivating many state policymakers to explore innovative and cost effective alternatives to nursing homes, like PACE.

For example, this past year, the state of Texas enacted legislation requiring key state agencies to work together to expand PACE statewide. The state of Colorado currently is advancing similar legislation. State activities such as these indicate that state policymakers are actively advancing policies to create more innovative, consumer friendly and cost-effective models of care to meet the needs of a growing nursing home population.

Recognizing the opportunity to support state efforts to expand or make PACE available, NPA secured funding from the John A. Hartford Foundation for Accelerating State Access to PACE (ASAP), a project to provide direct financial support for states wishing to expand or make available PACE services to older adults. The project also provides the association funds to train state administering agency staff on the best practices for supporting and overseeing PACE provider expansion. Fourteen states currently are working on grant applications for ASAP project funds. NPA will begin awarding these funds in March of 2002.

The PACE Expansion Initiative (PEI) is another project NPA currently is working on. Funded jointly by the Robert Wood Johnson and John A. Hartford Foundations, the three year PEI project is focused on expanding the availability of PACE by working with health care providers and other interested organizations to develop a process for considering, creating and operating a PACE program.

Under the PEI project, NPA staff currently is involved in a number of areas to promote PACE expansion. Staff are working to better educate policymakers, providers and the public about the benefits of the PACE model of care. A Core Resource Set for PACE (CRSP) is being developed to provide organizations with essential resources for PACE development and operations. The association also is working to examine the

PACE model from a financial and business perspective so that future and current members will have reliable financial models to aid them in decision-making.

It is the hope of NPA that through the PEI and ASAP projects, and other associated efforts, we can bring together potential PACE providers and states to advance PACE as a more widely available option of care for older adults. Over the course of the next few decades, health care providers will have to meet the growing demand to deliver services to seniors in need in a manner consistent with their preferences. PACE provides at least one way to meet those goals.

### **Needs of the Elderly**

Having read much of the previous testimony, I'm confident the commission has heard a great deal about the changing demographics and associated imperatives that lie ahead for our aging society. Therefore, I would like to focus on what I see as an important factor that is often overshadowed by conventional discussions of demographics - changing consumer demand.

For the last 40 years, older adults generally accepted the mostly institutional options that were available to them in the community. Twenty years ago when older adults were in need of nothing more than supportive services (assistance with activities of daily living) they were admitted to nursing homes, which they accepted as the focal point for accessing the help they needed. Ten years later, assisted living facilities boldly emerged as a less restrictive and less institutional alternative to nursing homes. While seen as a breakthrough for older adults that simply needed supportive, non-skilled services, assisted living was regulated in most states as an institution. But by applying a less rigid regulatory framework compared to nursing homes it provided a greater degree of flexibility in the provision of services and design. Its emergence most significantly, however, illustrated the fact that older adults in need of supportive services were drawn to less institutional and more residential environments when in need of support and care.

Our existing long term care financing and delivery system has created artificial connections between settings and the range and type of care and services. The PACE model has effectively demonstrated that a high level of care and services can be delivered across many different settings, in a seamless manner not possible in fee-for-service health care. The model also has demonstrated the value of care coordination capable of following each individual across multiple care settings (home, hospital, etc.) and bringing to bear whatever service may be most effective, as opposed to the service for which reimbursement is available. The trend toward delivering care and services across many different settings is playing out in senior housing as older adults are increasingly abandoning the tendency to move every time their care needs change to the next reimbursable setting. Rather, they have become more sophisticated at piecing together community-based services in order to continue living at home in one setting and "aging in place." As such, the following trends are beginning to be seen all across the country:

- Older adults living in their homes are depleting all of their resources to pay for home care and other supportive services in order to remain living at home and "age in place".

- The percentage of nursing home care paid for by Medicaid has steadily risen in the last decade - significantly attributed to the changing pattern of service utilization whereby older adults often exhaust their resources on home and community-based services before entering nursing homes.
- Average lengths of stays and occupancy rates of nursing homes are falling - again, partially a reflection of changing consumer demands and associated spending on home and community based alternatives that allow the individual to remain living in his or her home.
- Continuing care retirement communities that have relied on entrance fees generated from residents who need advanced levels of care vacating their apartments are becoming financially challenged as these residents actively bring home and community-based services into their homes to delay or altogether avoid nursing home placement.

Taken together, these trends clearly illuminate that the preferences of consumers in need of care and assistance are changing. They are beginning to say, "Give me what I want to buy, not what you have to sell."

Looking forward, one of the biggest challenges in meeting the needs of older adults will be effectively recognizing and successfully responding to their service preferences as consumers. And while the fragmented and institutionally biased financing and delivery systems for care and housing for older adults are significant obstacles to overcoming these challenges, the most promising place to start is in the senior housing arena. Focusing our efforts on allowing more flexibility in how senior housing settings and the health care delivery system can collaborate and complement one another would be a significant step in the right direction. One of the more important measures of our success as a nation in meeting the needs of older adults is to what extent we can honor their wishes to remain living in their homes as independently as possible through the provision of a comprehensive and highly coordinated array of cost effective services.

### **Lessons Learned in Linking Services in Senior Housing**

As a result of the fragmented approaches to regulating and financing long term housing and health care in this country, many low-income older adults residing in senior housing lack a non-institutional option when faced with the need for even minimal assistance. Through the work of this commission I am hopeful that you can lay the groundwork needed to set the stage for a transition toward a more residential, rather than institutional, emphasis in meeting the needs of tomorrow's older adults.

The lack of appropriate, safe and supportive senior housing effectively leads to premature -- and in some cases inappropriate -- nursing home placements. How many times as professionals in this field have we received a call from a daughter in Boston whose mother is on the verge of being discharged from a hospital in St. Louis where she lives. While the nursing home probably is too restrictive based on her needs, she's unable to live independently as she needs someone to coordinate her home care, follow-up physician visits, assist with her meals, help with ADLs, etc. Accordingly, and in many cases, for her safety and the comfort of her daughter, she has no other alternative but to

leave her home and be admitted to a nursing home because that is the only service provider that is reimbursed and required to cobble together these services as part of their 24 hour a day 365 day a week responsibility to those they serve. At \$150 a day this is a very expensive and undesirable environment for meeting the primary need of care coordination. PACE programs could, for example, provide and coordinate all needed services that enable to older adults to remain living in their homes as independently as possible.

The following real life case study adapted from materials developed by the American Association of Homes and Services for the Aging illustrates the fragmented and institutionally biased nature of our health care delivery system for older adults. It also illustrates how PACE is the perfect solution to meeting the needs of older adults in senior housing.

**A woman with malnutrition and skin breakdown.** *An elderly woman living in a low-income housing project was referred to a long term care facility because she was becoming disoriented and was suffering from skin breakdown. Both problems were caused by a combination of malnutrition and flea infestation in her apartment. The long term care system paid for her to be admitted to a hospital for a few days and then she was admitted to a nursing home. What this woman really needed was a geriatrician to treat her, a nurse to follow up with her at her home until her skin healed, home delivered meals and periodic pest control. But her needs could not be met in her home because she had no access to a geriatrician, the nurse could not be adequately reimbursed, there was a waiting list for meals on wheels, and no one pays for pest control. As a result Medicare and Medicaid would provide a \$25,000 solution to a \$900 problem.*

This is a vivid example of how a PACE program could have identified and provided the solution in a cost effective manner and, in addition, continued to provide and coordinate needed services to avoid the next expensive solution.

Although housing itself is not a covered benefit under PACE, housing plays a very significant role in maintaining the ability of PACE providers to effectively and efficiently meet the needs of PACE participants in the community. As PACE programs have increasingly forged relationships with, or opted to operate, senior housing, they have come to appreciate the key role housing plays in allowing PACE participants to remain living as independently as possible in the community. While On Lok, the original and largest PACE program, has utilized this arrangement for some time, the most recent and significant innovation common among other PACE programs is integrating PACE services within senior housing. Increasingly, PACE sites are beginning to forge relationships with federally assisted housing providers and making great strides in integrating PACE and senior housing.

In terms of specific lessons learned regarding the linkage between PACE and senior housing I offer following:

First, it is essential that PACE be recognized as a community-based model for delivering care and services. This is true even when care and services are delivered in the same building where a PACE participant may live. PACE programs must adhere to all necessary state home care and other regulations that would be necessary when providing services to an older adult in a non-congregate single housing setting. Therefore, when states, and to some extent HUD, view the senior housing facility itself as an institution,

based on the range and intensity of services that enable older adults to remain living independently, it threatens the underlying basis for the success of PACE. Imposition of institutional regulations or practices on the settings in which the care is provided, as opposed to regulating the service itself, is a step down the path toward treating senior housing as institutions. To the extent that PACE participants can live safely and competently with the support of PACE services they should enjoy the same degree of independence as they would living in a single family home in the community at large.

The second lesson relates to the design and use of common space within senior housing for the provision of PACE services. While common space is often available within federally assisted housing properties it seldom accommodates co-locating PACE services within the building. As such, the richness and immediacy of PACE services available to PACE participants residing in senior housing is closely tied to the availability of appropriate common space. Were senior housing facilities built to accommodate the co-location of non-institutional service providers such as PACE, great success could be achieved in both preventing more expensive institutional placements and meeting consumer preferences to remain living in their homes.

While there have been a few challenges to the linkage between PACE and senior housing, the relationship has generally been positive. Consequently, there certainly will be continued developments across the country in this area by PACE providers that continue to seek out innovative methods of enabling older adults to remain living independently as long as possible.

### **Recommendations to the Commission**

NPA believes that many more innovative relationships could be developed between senior housing and existing and developing PACE programs. With regard to specific recommendations to encourage and promote collaboration between senior housing and PACE providers to better serve older adults we offer the following:

- Conduct a comprehensive analysis of the pros and cons regarding the collaborative arrangements forged between federally assisted housing providers and PACE programs to identify and implement policy changes that could potentially foster the further development of these relationships and arrangements in a positive manner.
- Create a HUD financing program for retrofitting, if needed, and creating PACE program day centers within federally assisted housing facilities. This would provide a significant boost in expanding the availability of PACE to older adults in senior housing and the community at large. It also would positively assist PACE sponsors in overcoming some of the challenges providers face in financing day centers, which typically fall well below the dollar threshold for using tax-exempt bond financing.
- Educate HUD staff on the appropriateness of and ability to provide PACE services to residents of federally assisted senior housing. While generally supportive, it would help to expand the awareness of innovative strategies for

meeting the needs of senior housing residents.

### **Conclusion**

The PACE model has successfully demonstrated that a high degree of health care services can be delivered to older adults across many different settings through a comprehensive, coordinated and high quality array of services. Older adults want to receive care in their own homes. To do so, they need safe, affordable and accessible housing options that are well integrated with community-based organizations. By coordinating and delivering essential supportive and health care services, PACE offers a comprehensive program for older adults with health care needs who could potentially remain living independently in the community. Clearly, PACE programs will rely on the ability of their participants to live at home and for this reason our success in serving PACE participants is fundamentally linked to your success. The time is right to explore ways of expanding the benefits of the PACE model to those older adults aging in place in senior housing settings. At the same time, senior housing providers may be able to effectively leverage their physical assets by providing a setting for PACE services to more effectively serve both their residents and others in their community.

Once again, NPA appreciates the opportunity to testify. Should you care to learn more about PACE, please visit our website at [www.npaonline.org](http://www.npaonline.org). Should you have any questions, please contact me at 703-535-1567.