



## **PACE Organizations Need Targeted Medicare Part A Relief to Continue Caring for Community Dwelling Frail Older Adults**

4/16/2020

### **Issue**

Increasing COVID-19 infection rates are likely to destabilize Programs of All-Inclusive Care for the Elderly (PACE) organizations as the costs of caring for their high cost, high need participants rise precipitously, while their fixed Medicare and Medicaid payments remain stagnant.

### **Recommendation**

*When a PACE participant diagnosed with COVID-19 receives Medicare Part A services from a hospital and/or a skilled nursing facility, the Centers for Medicare and Medicaid Services (CMS) will reimburse the PACE organization for the entirety of those costs. This supplemental payment to the PACE organization will support the financial viability of the PACE organizations by addressing costs for which they are disproportionately at risk and not reflected in their Medicare capitation rates.*

### **Discussion and Supporting Information**

- PACE Organizations Care for a High Risk Population of Community-Based, Nursing Home Level of Care Older Adults  
PACE enrolls a population of individuals at high risk for COVID-19 infection and complications-- older Americans with multiple chronic conditions, with cognitive and functional limitations. All of the individuals served by PACE meet their state's criteria for needing a nursing home level of care, yet through the services of PACE 95% live at home in a community-based setting. In comparison to Medicare Advantage (MA) enrollees, PACE participants had an average payment adjustment risk score of 2.51 in 2019, indicating significantly higher medical complexity than the MA average risk score of 1.66.
- PACE Organizations Bear Full Financial Risk for All Medicare and Medicaid Covered Services  
Fully integrated and coordinated, PACE organizations are paid on a capitated basis that places them at full risk for all Medicare and Medicaid covered services, including Medicare Parts A, B and D as well as long-term services and supports. PACE organizations operate as direct care providers for many of the services their participants require, including primary care, transportation, in-home care, and rehabilitative services. For services they do not provide directly, PACE organizations pay contracted providers, including hospitals, nursing homes and specialists, using the capitated revenues they receive from Medicare and Medicaid.
- COVID-19 Related Acute and Post-Acute Care Cost Will Have a Disproportionate Impact on the Small, High Risk Pool of Vulnerable Older Adults Served by PACE  
PACE organizations are small, capitated providers of around the clock care with an average census of approximately 400 medically complex individuals. This small census of an entirely high-risk population means the impact of hospitalizations and associated

subacute care for individuals with COVID-19 is not spread across a larger, healthier population of Medicare beneficiaries and will represent a substantial strain on the capitated revenues received by PACE organizations.

On average, PACE Organizations receive approximately \$31,000 per year in Medicare capitation payments per Enrollee (Source: PACE Data Analysis Center, 2019 Average Medicare PMPM payment of \$2,574 \* 12 months = \$30,888). The cost impact of COVID-19 hospitalizations and related post-acute care is not sustainable under the PACE Medicare capitation rates, which do not reflect these costs in the baseline used to set them.

Moreover, these outlier Part A costs are being incurred at a time when a PACE organization must sustain the full range of services for which it is responsible that are needed by all of the enrollees in its care. Like COVID-19 hospitalization and post-acute care costs, the costs of many of these other necessary, critical services are also increasing significantly. PACE organizations are facing increased long-term service and support, personal protective equipment, and staffing costs as they continue to serve the majority of their enrollees at home, rather than at a PACE center. Resources cannot be diverted from these services to subsidize the costs of inpatient and related post-acute care for individuals with COVID-19. Thus, NPA requests your support of the aforementioned policy solution of CMS reimbursing PACE organizations for all Part A costs incurred by participants with a COVID-19 diagnosis.