

Eli's Hospice Insider

Reimbursement: Expect Big Changes Ahead For PACE Programs

Shifting PACE market may look familiar to hospice industry veterans.

A revamp of Medicare's PACE program may affect hospice patients, too ☐ and open up a potential new business avenue for you.

Game changer: Under language in the Balanced Budget Act of 1997, the **Centers for Medicare & Medicaid Services** commissioned studies examining the potential ill effects of a Programs of All-Inclusive Care for the Elderly (PACE) program provider being a for-profit entity. "Based on the findings in the report to Congress, we determined that ... the requirement that a [PACE Organization] be a not-for profit entity would no longer apply after May 19, 2015," CMS noted in a proposed rule published in the Aug. 16 Federal Register. "Because the statutory not-for-profit restriction no longer applies, we are proposing to remove the corresponding restriction in § 460.60(a) in its entirety."

The change to allow non-profits is already in effect and getting much investor notice ☐ and industry concern (see story, p. X). But this rule draws attention to the new opportunity.

Background: The PACE program began as a way to help Medicare beneficiaries avoid costly hospitalizations and nursing home stays, with a demonstration program in 1983, CMS notes in the proposed rule that drew 101 comments. The demo program slowly expanded, then became an official Medicare benefit in BBA 1997. The program has grown slowly. "More than 34,000 older adults are currently enrolled in about 100 PACE organizations in 31 states, and enrollment in PACE has increased by over 60 percent since 2011," a CMS fact sheet from Aug. 11, 2016 states.

With the over-65 U.S. population set to double in the next 30 years to around 83.7 million by 2050, CMS is looking to improve care and cut costs ☐ and PACE seems like a good solution.

For-profit investors seem eager to jump into the PACE fray, reported the New York Times in a Kaiser Health News story. They find attractive reports of hefty profit margins as high as 15 percent (compared with an average of 2 percent among nursing homes) and "geographic monopolies that are all but guaranteed by state Medicaid agencies to ensure the solvency of providers."

Several private equity firms, venture capitalists and Silicon Valley entrepreneurs have entered the market, the Times says. For example, **InnovAge** last year converted from a nonprofit to a for-profit in Colorado. This year, InnovAge received \$196 million in backing ☐ the largest investment in a PACE business since the rule change was made ☐ from **Welsh, Carson, Anderson & Stowe**, a private equity firm with \$10 billion in assets under management, according to the newspaper.

Now, CMS has "proposed the first major update to the PACE program in a decade," the agency said when publishing the proposed rule.

"This proposal will help the program reflect the latest advances in caring for frail elders and changes in the use of technology," said **Andy Slavitt**, CMS acting administrator, in a blog post. "The goal of this proposal is to strengthen beneficiary protections and provide PACE organizations with more administrative and operational flexibilities so they can do what they do best ☐ caring for our nation's most vulnerable individuals."

Here's What The New Rule Entails

The new proposal aims to expand the program and offer it to more beneficiaries, taking into account advancements made in the administration of healthcare in the past decade and the rise of non-physician practitioners.

Here are some of the PACE rule highlights, according to CMS:

- Promotes care coordination between different providers with a team flexibility.
- Open to "non-physician primary care practitioners to provide some services in the place of primary care physicians" and expand the program.
- Requires PACE groups to follow Medicare Part D legislation.
- Deters fraudulent behavior with new sanctions and punishments that may include termination from the program.

"Over the last six years, since the onset of the Affordable Care Act, we have been taking significant steps to care for more people, care for them better, and make healthcare more affordable," Slavitt said. "But for us to be successful, we need to work hand-in-hand with patients and their families, physicians and clinicians, and other actors to support new approaches to care. Team-based models that put the individual in the center, like PACE, will be a vital part of the fabric of our system."

Note: A link to the rule is at www.regulations.gov/document?D=CMS-2016-0143-0002.