Report to Congress:

The Centers for Medicare & Medicaid Services' Evaluation of For-Profit PACE Programs under Section 4804(b) of the Balanced Budget Act of 1997

U.S. Department of Health and Human Services

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Background

Programs of All-Inclusive Care for the Elderly (PACE) is a model of care that allows people who otherwise need a nursing home-level of care to remain in the community by providing health care and related support services, such as social supports, meals and chore services, and transportation. Sections 4801 and 4802 of the Balanced Budget Act of 1997 (BBA) authorized the PACE program as a permanent part of the Medicare program and a state option under Medicaid by adding sections 1894 and 1934 to the Social Security Act (the Act). To be eligible for PACE services, an individual must be at least 55 years of age, a resident in a PACE organization's geographic service area, and certified by the state Medicaid agency as being nursing home eligible.

A PACE organization is the entity that operates a PACE program under a PACE program agreement. Sections 1894(a)(3)(A)(i) and 1934(a)(3)(A)(i) of the Act require a PACE organization to be a public entity or a private, nonprofit entity organized for charitable purposes under section 501(c)(3) of the Internal Revenue Code of 1986. We will refer to all entities that meet this requirement as not-for-profit. However, sections 1894(h) and 1934(h) of the Act direct the Secretary of Health and Human Services (the Secretary) to waive the requirement that a PACE organization be a not-for-profit entity in order to demonstrate the operation of a PACE organization by private, for-profit entities. Section 4804(b) of the BBA requires the Secretary to provide a report to Congress on the impact of this demonstration on quality and cost of services, including certain findings regarding the frailty level, access to care, and the quality of care of PACE participants enrolled with for-profit PACE organizations as compared to not-for-profit PACE organizations.

Section 4804(b)(2) of the BBA requires the report to Congress to include findings on whether any of the following four statements is true with respect to the for-profit PACE Demonstration:

A. *The number of covered lives enrolled with entities operating under demonstration project waivers under sections 1894(h) and 1934(h) of the Act is fewer than 800 (or such lesser number as the Secretary may find statistically sufficient to make determinations with respect to the findings described in the subsequent statements).*
B. *The population enrolled with such entities is less frail than the population enrolled with other PACE organizations.*
C. *Access to or quality of care for individuals enrolled with such entities is lower than such access or quality for individuals enrolled with other PACE organizations.*
D. *The application of such section has resulted in an increase in expenditures under the Medicare or Medicaid programs above the expenditures that would have been made if such section did not apply (collectively referred to in this document as the BBA statements).*

Under sections 1894(a)(3)(B)(ii) and 1934(a)(3)(B)(ii) of the Act, after the date the report is submitted to Congress, the requirement that a PACE organization be a not-for-profit entity will not apply unless the Secretary determines that any of the specific findings described above are true. Under sections 1894(h)(2)(A) and 1934(h)(2)(A) of the Act, the terms and conditions for operation of a PACE organization under the for-profit PACE demonstration must be the same as for not-for-profit PACE organizations (except for the for-profit status). Because the

requirements are the same for not-for-profit and for-profit PACE organizations, operations for the for-profit PACE organizations participating in the demonstration are not expected to change if the for-profit exclusion no longer applies. These for-profit PACE organizations would become part of the permanent PACE program, but that change would not affect their enrollees or require any changes to enrollment. For-profit entities that are not currently participating in the demonstration but are interested in becoming PACE organizations would follow the existing application procedure for becoming a PACE organization.

In 2008, Mathematica Policy Research completed a study of the permanent not-for-profit PACE organizations (Beauchamp et al, 2008)[a]. An interim report to Congress (Leavitt 2009) based on this study was submitted in January 2009. At the time of the 2008 Mathematica study, no for-profit entities had enrolled in the PACE demonstration. Therefore, neither report assessed a for-profit PACE population nor did the interim report address the BBA statements.

Mathematica, under contract with CMS, conducted a study to address quality of and access to care for participants of for-profit PACE organizations, specifically focusing on the third BBA statement (Jones et al. 2013). The final report also includes material that provides insight into the first and second BBA statements, as detailed in the respective sections below.

The study on which the report was based was conducted in 2012-2013 and examined the four for-profit PACE organizations in operation during this period. Mathematica also identified four not-for-profit PACE organizations located in the same state (Pennsylvania) in a two-part process. First, not-for-profit plans were selected based on the length of time in operation; geographic characteristics (urban/rural); and population characteristics (age, race, ethnicity, and income, among others). The second step in the sampling process was to match individual participants within the not-for-profit plans to for-profit enrollees based on the length of time enrolled in their PACE plan. Four hundred and seven participants with a minimum of 6-months enrollment in a for-profit PACE plan were selected, matched with a final sample of 406 not-for-profit PACE participants. Telephone surveys were conducted with a total of 333 for-profit and 326 not-for-profit interviews completed.

Statement 1: For-Profit PACE Population Size

The first for-profit PACE organization began its participation in the demonstration at the end of 2007. The next three were added in 2011. Currently, there are six for-profit PACE organizations in existence, all operated by the SeniorLIFE corporation in Pennsylvania[b]; the first four were included in the Mathematica report and the other two did not enroll qualifying participants until after survey completion.[c]

[a] The report can be found at http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Reports/Downloads/Beauchamp_2008.pdf.

[b] A seventh for-profit PACE organization, operated by LIFE at Home, was terminated on May 1, 2012.

[c] Although one of the for-profit sites began its operations during the survey period, the practice did not have any qualifying participants with a minimum of 6 months enrollment in a PACE plan to report on services received.

As of December 31, 2014, the for-profit PACE organizations had a total enrollment of 1,088 covered lives, which is more than the 800 covered lives specified in the first BBA statement. Also, while not all of the for-profit PACE organizations or participants were available at the time of the for-profit PACE study, the sample size that was available for the survey was sufficient to make statistically significant determinations of differences with respect to the findings described in the second and third BBA statements.

Statement 2: Frailty of For-Profit PACE Participants

Using information from a survey administered to participants or participants' proxies, we examined six activities of daily living (ADLs) (Table 1) in order to assess relative levels of frailty between for-profit and not-for-profit PACE participants. We first observed that there were differences in the rate of proxy respondents between these two populations. Proxy respondents made up a greater proportion of the not-for-profit participant survey sample (43%) than the for-profit sample (32%). It is unclear why more not-for-profit participants used the assistance of proxies to help answer the survey. Because proxy respondents are known to answer these types of questions differently than self-responders[d], the responses on the frailty items were analyzed separately for the two types of responders. Respondents were classified into one of four ADL categories, reflecting increasing levels of frailty: participants with zero ADLs, those with 1 or 2 ADLs, those with 3 or 4 ADLs, and those with 5 or 6 ADLs. In other words, participants in the zero ADL category did not report requiring help with any ADLs whereas participants in the 5 or 6 ADLs category reported requiring help with 5 or 6 ADLs. As Table 1 illustrates, there was no statistically significant difference in frailty between the for-profit participants and the not-for-profit participants when we compared them within each of the two types of responders. Thus, we cannot conclude that for-profit responders are less frail within these groups.

Statement 3: Access to and Quality of Care for For-Profit PACE Participants

There is not a single, all-encompassing item or measure that can be used to determine whether access to or quality of care for participants is lower for those enrolled with for-profit PACE organizations. As such, the for-profit PACE study collected and analyzed 35 self-reported access to care and quality of care measures that were included in both the descriptive and multivariate analyses (Tables 2-5).

The analyses were performed on the survey results in two parts. The first part was a descriptive analysis to examine the relationship between two variables without any adjustments

[d] Andersen EM, Fitch CA, McLendon PM and Meyers AR. Reliability and Validity of Disability Questions in the US Census 2010. American Journal of Public Health; Aug 2000; 90(8); 1297.
Todorov A and Kirchner C. Bias in Proxies' Reports of Disability: Data From the national Health Interview Survey on Disability. American Journal of Public Health; Aug 2000; 90(8); 1248
Magaziner J, Zimmerman SI, Gruber-Baldini AL, Hebel R and Fox KM. Proxy Reporting in Five Areas of Functional Status: Comparison with Self-Reports and Observations of Performance. American Journal of Epidemiology: June, 1997; 146:418.

to account for the differences in populations (Tables 2 and 3). The second part was a multivariate analysis in which participant characteristics were used to adjust for factors that could confound the results (Tables 4 and 5).

There was no statistically significant difference between the for-profit PACE organizations and not-for-profit PACE organizations on a majority of the measures. Further, for measures where there were differences, we are unable to conclude that the findings are directly attributable to the care delivered by the PACE organizations. Rather, several underlying differences between the two sets of PACE participants were found, reflecting the different population characteristics prevalent in the PACE organization service areas. These confounding population-level characteristics are likely associated with the observed differences in access to and quality of care measures. The participants receiving care from the for-profit PACE organizations were more likely to live independently versus in an assisted living facility or an institutional setting, such as a nursing home. They also lived in less urban areas in Pennsylvania, and may not have had access to the same amount and diversity of medical providers. It is possible that some of the differences in participant experiences, such as "fallen in the past six months" or "injured by a fall in the past six months," may be due to living independently in the community and living in less urban areas; thus, these differences are not likely a reflection of the care provided by the for-profit PACE organizations.

Participants from both groups reported high levels of satisfaction of care. For each of the unadjusted measures collected on this topic, over 90% of participants from the two populations were satisfied or very satisfied; this included reporting on overall care at the PACE centers, coordination of care, and viewing participants as people.

The study also examined whether participants received help from PACE staff if they required help and, if they did receive help, had unmet needs (Table 6). For-profit PACE participants were consistently more likely to receive help from staff than not-for-profit PACE participants, indicating better access to care and quality of care, although this was only statistically significant for one item – receiving help with eating. For those receiving help from the PACE staff, a larger percentage of for-profit PACE participants reported unmet needs in five of the six ADLs; however, only unmet needs relating to getting around and using the bathroom were statistically significant. Given the mixed picture, we cannot conclude that the unmet needs were related to the access to or quality of care received from the for-profit PACE organizations.

We cannot conclude based on the overall pattern of results that there is any systematic difference in quality of or access to care between participants from for-profit and not-for-profit PACE organizations.

Statement 4: Expenditures of For-Profit PACE Participants

Prospective payment for for-profit PACE organizations is calculated using the same methodology as not-for-profit PACE organizations. Therefore, expenditures were equal between for-profit and not-for-profit PACE organizations after controlling for beneficiary risk score, organization frailty score, and county rates so there would not have been an increase in expenditures if the for-profit PACE participants had been enrolled with a not-for-profit PACE organization.

Conclusion

With respect to the BBA statements, the Department of Health and Human Services (HHS) cannot conclude that any of the four statements are true. The number of covered lives enrolled with for-profit PACE organizations is not fewer than 800 and the sample size for the survey examining BBA statements two and three was large enough to make statistically significant determinations of differences. We cannot conclude that for-profit PACE participants are less frail than not-for-profit PACE participants. We also cannot conclude that for-profit PACE participants experienced systematic adverse differences in quality of care or access to care as compared to not-for-profit PACE participants. Finally, expenditures were equal between for-profit and not-for-profit PACE organizations after controlling for beneficiary risk score, organization frailty score, and county rates so there would not have been an increase in expenditures if the for-profit PACE participants had been enrolled with a not-for-profit PACE organization.

We cannot conclude that any of the BBA statements are true. As such, under sections 1894(a)(3)(B) and 1934(a)(3)(B) of the Act, after the date this report is submitted to Congress, the requirement that a PACE organization be a not-for-profit entity will not apply.

Table 1. Comparison of Limitations of ADLs by For-Profit Status, controlling for Proxy vs. Self-Respondents

ADLs by For-Profit Status (Holding Respondent Type (Self vs Proxy) Constant)

Proxy

ADLs	0	1 - 2	3 - 4	5 -6	Sub-Tot
For -Profit	12	26	37	32	107
Not-For-Profit	18	33	38	52	141
Sub-Total	30	59	75	84	**248**

p-value = 0.53

Self

ADLs	0	1 - 2	3 - 4	5 -6	Sub-Tot
For -Profit	117	79	23	7	226
Not-For-Profit	94	56	24	11	185
Sub-Total	211	135	47	18	**411**

p-value = 0.35

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

Table 2. Descriptive Analysis of Access to and Quality of Care by For-Profit Status (percentage)

Measures of Access and Quality	For-Profit PACE	Not-For-Profit PACE
Care Management		
Pain Most or All of the Time	33.3	29.0
Severe Pain	19.3 **	14.0 **
Fallen in Past 6 Months	41.1	37.4
Injured by a Fall in Past 6 Months	17.3	13.9
Lost 10 or More Pounds (unintentional)	16.8 **	22.7 **
Takes a Great Deal of Energy to Get Services	57.2 ***	48.8 ***
Good or Very Good Reassurance/Emotional Support[a]	7.9	9.9
PACE Caregivers Paid Attention All of the Time[a]	54.6	60.8
Personal Care Needs Taken Care of All of the Time[a]	70.8	66.6
PACE Caregivers Completed All Work Most or All of the Time[a]	90.5	92.4
PACE Caregivers Rushed Through their Work None of the Time[a]	48.2	56.2
Signed Durable Power of Attorney or Living Will	79.8	82.5
Health Utilization		
Living in Group Home, Assisted Living Facility, or Nursing Home	7.7 ***	18.2 ***
Admitted to a Hospital in the Past Year	22.0 ***	29.1 ***
Nursing Home Stay in the Past Year	14.2 ***	29.1 ***
Flu Shot since Sept. 2012 (6 months, coincides with winter)	78.3 ***	85.0 ***
Flu Shot or Offered and Refused	95.5	96.0
Pneumonia Vaccination	78.6	82.3
Hearing Tested Regularly (at least once per year)	53.6	55.7
Eyesight Tested Regularly (at least once per year)	71.1 ***	83.0 ***

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

[a] The questions are conditional on the respondent receiving some type of direct assistance on any ADL from a PACE caregiver.

* 10% significance level.
** 5% significance level.
*** 1% significance level.

Table 3. Descriptive Analysis of Quality of Care Satisfaction Measures by For-Profit Status (percentage)

Measures of Quality	For-Profit PACE	Not-For-Profit PACE
Satisfaction Measures		
Visited the PACE Center in the Past Month	89.5 ***	80.9 ***
- Satisfied or very satisfied with overall care	91.4 **	94.8 **
Received Therapy at PACE Center	75.3 ***	59.5 ***
- Satisfied or very satisfied with therapy	96.3	96.4
Received Therapy Outside of PACE	13.2 *	17.1 *
- Satisfied or very satisfied with therapy	93.0	94.0
Satisfied or Very Satisfied with Information from MDs	90.9 **	94.0 **
Satisfied or Very Satisfied with Information on meds	96.1 **	98.2 **
Satisfied or Very Satisfied with Coordination	93.2 ***	96.7 ***
Always Received Transportation Help when Needed	89.7	90.0
Satisfied or Very Satisfied with Transportation Help	96.1 *	98.0 *
Satisfied or Very Satisfied with Respect	93.2	95.3
Satisfied or Very Satisfied with How Viewed as a Person[a]	96.8	95.6
Always Specialist Appt. when Needed	56.1 *	64.2 *
Not Enough Specialists	54.8 ***	34.6 ***
Could not See a Specialist	24.0 **	16.4 **
Satisfied or Very Satisfied with Specialist Care	94.0 *	97.1 *

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

[a] The question is conditional on the respondent receiving some type of direct assistance on any ADL from a PACE caregiver.

* 10% significance level.
** 5% significance level.
*** 1% significance level.

Table 4. Marginal Associations Between For-Profit Status and Care Management and Health Utilization

Access/Quality Variables	Association with For-Profit PACE Status[a]	Standard Error
Care Management		
Pain Most or All of the Time	2.7	3.4
Severe Pain	1.8	2.7
Fallen in Past 6 Months	10.5	3.5***
Injured by Fall in Past 6 Months	5.8	2.7**
Lost 10 or More Pounds (unintentional)	-4.7	3.0
Takes a Great Deal of Energy to Get Services	9.5	3.8**
Good or Very Good Reassurance/Emotional Support[b]	-1.2	3.7
PACE Caregivers Paid Attention All of the Time[b]	-11.7	7.4
Personal Care Needs Taken Care of All of the Time[b]	5.0	6.9
PACE Caregivers Completed All Work Most or All of the Time[b]	-0.1	4.1
PACE Caregivers Rushed Through Their Work None of the Time[b]	-7.4	7.5
Signed Durable Power of Attorney or Living Will	0.3	2.4
Health Utilization		
Living in Group Home, Assisted Living Facility, or Nursing Home	-9.8	2.4***
Flu Shot since Sept. 2012 (6 months, coincides with winter)	-9.8	3.0***
Flu Shot or Offered and Refused	-2.1	1.8
Pneumonia Vaccination	-5.7	2.9**
Hearing Tested Regularly (at least once per year)	0.2	3.7
Eyesight Tested Regularly (at least once per year)	-13.9	2.9***

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

a The values represent the percentage point change in the measure of access or quality associated with a participant being in a for-profit PACE program.

b The questions are conditional on the respondent receiving some type of direct assistance on any ADL from a PACE caregiver.

* 10% significance level.

** 5% significance level.

*** 1% significance level.

Table 5. Marginal Associations Between For-Profit Status and Satisfaction Measures

Access/Quality Variables	Association with For-Profit PACE Status[a]	Standard Error
Satisfaction Measures		
Visited the PACE Center in the Past Month	4.3	2.4*
- Satisfied or very satisfied with overall care	-3.3	1.9*
Received Therapy at PACE Center	12.9	3.5***
- Satisfied or very satisfied with therapy	-0.4	1.7
Received Therapy Outside of PACE	-2.4	2.8
- Satisfied or very satisfied with therapy	5.2	2.5**
Satisfied or Very Satisfied with Information from MDs	-3.2	1.8*
Satisfied or Very Satisfied with Information on Meds	-3.4	1.0***
Satisfied or Very Satisfied with Coordination	-3.1	1.3**
Always Received Transportation Help when Needed	0.7	2.1
Satisfied or Very Satisfied with Transportation Help	-1.0	1.2
Satisfied or Very Satisfied with Respect	-4.2	1.7**
Satisfied or Very Satisfied with How Viewed as a Person[b]	0.0	2.2
Always Specialist Appt. when Needed	-16.0	4.9***
Not Enough Specialists	16.2	5.1***
Could not See a Specialist	8.1	4.0**
Satisfied or Very Satisfied with Specialist Care	-1.0	2.0

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

[a] The values represent the percentage point change in the measure of access or quality associated with a participant being in a for-profit PACE program.

[b] The question is conditional on the respondent receiving some type of direct assistance on any ADL from a PACE caregiver.

* 10% significance level.
** 5% significance level.
*** 1% significance level.

Table 6. Comparison of Limitations of ADLs and Help with ADLs by For-Profit Status (percentage)

ADLs	For-Profit PACE	Not-For-Profit PACE
Eating		
Required Help with Eating	16.6	20.3
Received Help with Eating from PACE Staff[a]	70.2 *	53.8 *
Unmet Needs Related to Eating[b]	16.8	7.2
Getting Around Indoors		
Required Help Getting Around	26.4 ***	35.2 ***
Received Help Getting Around from PACE Staff[a]	66.0	53.4
Unmet Needs Related to Getting Around[b]	18.5 *	8.3 *
Getting Dressed		
Required Help Getting Dressed	37.2	40.6
Received Help Getting Dressed from PACE Staff[a]	64.4	55.9
Unmet Needs Related to Getting Dressed[b]	6.7	7.1
Bathing		
Required Help Bathing	46.6 **	53.6 **
Received Help Bathing from PACE Staff[a]	73.3	69.0
Unmet Needs Related to Bathing[b]	8.5	8.1
Using the Bathroom		
Required Help Using the Bathroom	24.5 ***	34.1 ***
Received Help Using the Bathroom from PACE Staff[a]	64.3	61.6
Unmet Needs Related to Using the Bathroom[b]	27.3 *	14.5 *
Getting In and Out of Bed		
Required Help Getting In and Out of Bed	19.2 ***	31.0 ***
Received Help Getting In and Out of Bed from PACE Staff[a]	52.3	48.6
Unmet Needs Related to Getting In and Out of Bed[b]	14.9	6.0

Source: Responses obtained from PACE participants through a survey administered by Mathematica from November 2012 through March 2013.

[a] The responses are conditional on the participants requiring help for the ADL.

[b] The responses are conditional on the participants receiving help for the ADL.

* 10% significance level.

** 5% significance level.

*** 1% significance level.

References

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