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West Health Leveraging PACE Model to Disrupt Senior Care

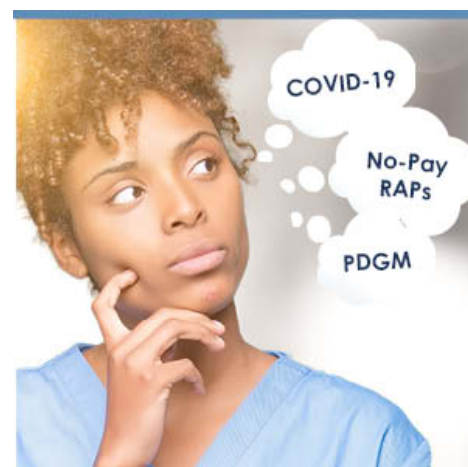
By Robert Holly | January 29, 2020

Photo provided by West Health

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When it comes to health care delivered in the home, many see hospital-at-home models as the next big, innovative concept to hit a boom period. But investors and other stakeholders interested in home- and community-based care shouldn't sleep on PACE programs, either.

That includes in-home care providers.



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PACE — or Programs of All-Inclusive Care for the Elderly (PACE) — is a Medicare and Medicaid program that helps keep people in their communities instead of the nursing home. Many experts agree the program is on the verge of significant expansion, with promising outcomes, regulatory clarity, private equity dollars and a burgeoning land grab driving that growth.



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“What has changed is that ... we’re reaching this critical threshold where the trajectory of costs around the oldest and most frail among us are just unsustainable,” Timothy Lash — president and CEO of Gary and Mary West PACE in San Marcos, California — told Home Health Care News. “There’s a recognition that we need to be doing something more than what we’ve been doing in the past.”

Nationally, there are more than 130 PACE programs in 31 states, according to statistics shared with HHCN from consulting firm Jade Gong & Associates. Combined, those programs run more than 260 individual PACE centers that serve upwards of 51,000 participants.

Launched last October with \$11 million in philanthropic funding from Gary and Mary West, the nonprofit West PACE is one of the newest efforts to

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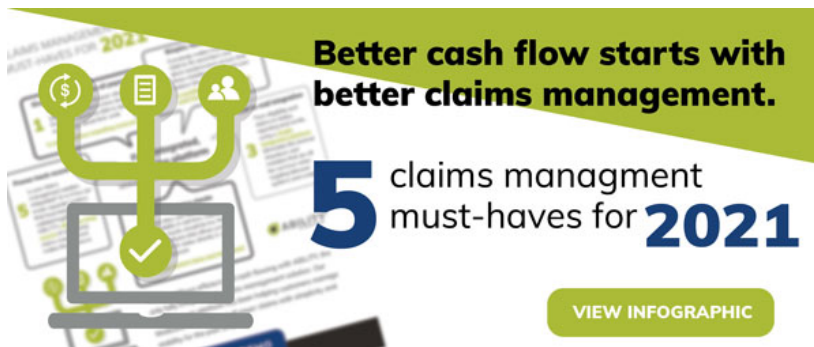
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advance the PACE model. Broadly, West PACE is part of aging-in-place powerhouse West Health's overarching mission of improving care for seniors and lowering health care costs.



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“We as an organization, we took a step back and realized there’s this tremendous opportunity to stand up a functioning model of care that could start to really evaluate what best-in-class care looks like for that high-need, high-cost and vulnerable population,” said Lash, who also serves as chief strategy officer of West Health and president of the organization’s Washington, D.C.-based policy center. “We looked at a number of different options, but just thought, ‘Wow. This can be so impactful.’”

Bold goals, financial sustainability

West PACE received its licensure from the state of California and the U.S. Centers for Medicare & Medicaid Services (CMS) in July 2019. It then began enrolling its first participants on Sept. 1, targeting a growth rate of about 10 to 15 new participants per month for the foreseeable future.

“We see the program easily reaching 400 to 500 participants over time,” Lash said.

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There are different guidelines that dictate who is eligible for the PACE model.

Typically, to qualify for PACE, participants must be 55 or older, live in the PACE organization's service area and be in need of nursing home-level care, as defined by state certifications. Participants also must be able to safely remain in their own homes, as housing is one of the few services PACE programs do not offer.

Historically, PACE is a holistic model of care that has been shown to reduce rates of emergency room visits, unnecessary hospital admissions and facility-based long-term care placements. West PACE expects to accomplish those same results with its interdisciplinary team of physicians, social workers, nurses, nutritionists, therapists and other health care professionals.

In terms of services, West PACE provides adult day programs, meals, medical care, social services and more, with transportation to and from its 20,000-square-foot center in San Marcos. Although it has a physical center, it also boasts all sorts of home-based care services, too.

Medicare and California's Medicaid program reimburse West PACE for the services it delivers.

If participants are enrolled in Medicare and Medi-Cal, they pay no out-of-pocket costs — or they pay their Medi-Cal "share of cost." The program also accepts people enrolled only in Medi-Cal and people who want to pay on a private-pay basis.



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“At its core, PACE is a model of care that checks off all the boxes,” Lash said. “It provides aligned incentives. It provides flexibility and agility, but it’s also a financing vector. As a nonprofit, PACE was very attractive because we could make the investments to be innovative and bold from the beginning, but we could do it in a way that wouldn’t require philanthropic dollars into perpetuity.”

Competition, for-profit conversions driving expansion

PACE has had “tremendous support” from the health care world, but, at times, state and federal policymakers have put other priorities first, according to Jade Gong, founder and principal of Jade Gong & Associates. That reality is partly reflected by the fact it took CMS several years to modernize PACE rules and requirements.

CMS issued a proposed rule for PACE in 2016. It [unveiled the final rule in 2019](#).

“The final rules that came out had some things that were very nice, some flexibilities around the definition of providers and the codification of things we had been doing,” Gong told HHCN. “It’s always nice to have something written down that says, ‘This is the [regulation]. You can do that.’”

Despite clarity, PACE has seen solid growth in plenty of existing markets, including California, New York, Massachusetts and Pennsylvania, she said. Even states that don’t currently have PACE models are currently going through the application process.

“I don’t know that we can use the word ‘common’ to describe PACE penetration. There are 31 states that have PACE, so there are 19 states and the District of Columbia that don’t have it,” Gong said. “You have to look at this state by state, too, because each state has its own strategy for taking care of dual-eligibles and the programs they want to invest in.”

One noticeable PACE trend of late: a clear shift toward for-profit programs and PE activity.

In 2016, for example, New York-based PE giant Welsh, Carson, Anderson & Stowe (WCAS) financed the for-profit transition of formerly nonprofit senior care company InnovAge. Its stake totaled \$196 million, including the option of a potential \$8 million earn-out in 2018.

InnovAge is one of the largest PACE organizations in the country, though it also offers in-home care services, day programs, care management services, memory-loss programs and affordable senior housing.

“During my tenure at [CMS] and in the private health care sector, I’ve become a huge advocate of the PACE model,” Tom Scully, general partner at WCAS, said in 2016, following his group’s InnovAge play. “It is the best way to care for frail seniors, but it has received little attention and grown very slowly due to limited access to new capital.”

Multiple nonprofit PACE organizations are in the middle of or nearing for-profit conversions, according to Gong.

Besides interest from PE, increased competition is also fueling PACE growth.

Many states don't allow overlapping programs in the same zip code or county, depending on policies. That's caused some PACE organizations to prioritize expansion before it's too late.

“A lot of programs are nervous of, ‘Ok. My market’s going to be taken,’” Gong said. “That has fueled a lot of interesting growth. It’s programs thinking, ‘I better find a way to grow now. I was here first.’”

‘Huge opportunity’ for home health providers

In 2017, the National PACE Association launched PACE 2.0, an initiative to expand access to PACE for complex and high-need, high-cost populations across the country. West PACE is among the PACE 2.0 operations active in 2020.

When it comes to future expansion, West Health hopes to use West PACE almost as a petri dish to figure out what works best for improving senior care and bending health care’s cost curve, Lash said. That expansion could come in the form of PACE — or something else entirely.

“A reasonable person would conclude that the model of PACE provides the learnings, the infrastructure [and] the capacity to do so much more,” he said. “If you have that in place, that infrastructure could be leveraged much more broadly. That is certainly how we see the world at [West Health] and what we’re trying to do.”

In addition to its in-house services, West PACE also contracts with a local home health business to round out its in-home care presence. Many other PACE organizations do the same, a strategy that is creating new partnership opportunities for home health and home care providers alike.

“[Our] program currently contracts out with a home health agency to provide many of the services required at home,” Lash said. “I think that’s a huge opportunity ... for home health agencies.”

Robert Greenwood, vice president of public affairs at the National PACE Association, [echoed similar remarks](#) during a May 2019 interview with HHCN.

“I do think this is an opportunity for [in-home providers contracting with PACE organizations] to increase,” Greenwood said. “As PACE programs grow faster and reach out into more communities, it will be unlikely that they’ll be able to just hire their own in-home staff to meet those needs. It will make more sense for them to contract in-home providers rather than develop this within their staffing structure.”

Companies featured in this article:

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Robert Holly

When Robert's not covering the latest in home health care news, you can likely find him rooting for the White Sox or roaming his neighborhood streets playing Pokemon Go. Before joining HHCN, Robert

covered everything from big agribusiness to the hottest tech startups.



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