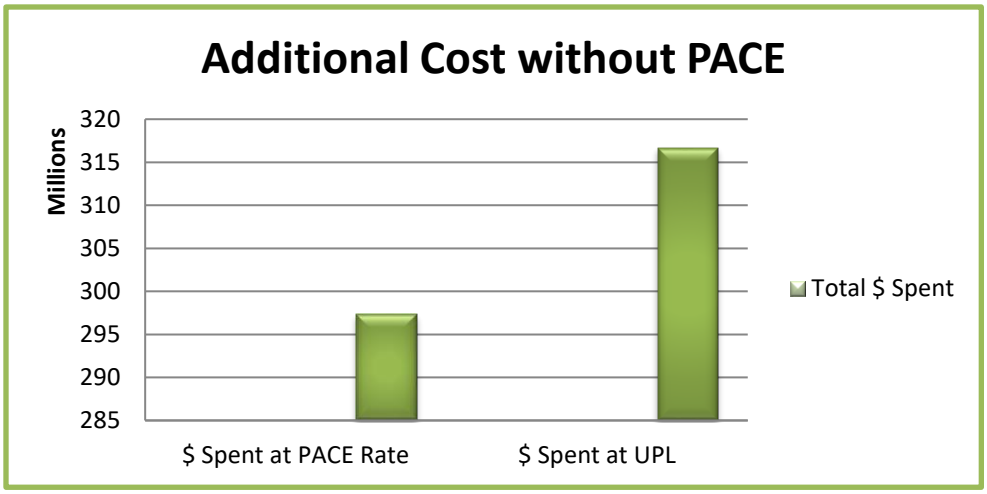
PACE Cost-Effectiveness

PACE provides Medicare and Medi-Cal covered benefits including, but not limited to, primary and specialty medical care, adult day care, in-home services, home care, prescription drugs, laboratory and diagnostic services, physical and occupational therapies, meals, transportation, and as necessary, hospital and nursing home care. An interdisciplinary team of physicians, nurses, social workers, therapists, and aides develops each treatment plan and manages all services. PACE provides aggressive delivery of preventative care and regular access to physicians and other health care professionals.

Based on analysis of recent data, PACE costs less on a per member basis than other services and programs serving frail seniors, is effective in managing beneficiaries with multiple chronic conditions and keeps frail seniors in their homes and communities and out of expensive hospitals and nursing homes.

PACE is Cost-Effective Relative to Medi-Cal Fee-for-Service



PACE capitation rates are set 5 percent below the level the state would pay for a comparable population outside of PACE[1]. In 2015 the state paid $19.3 million less than it would have if all current PACE participants were served outside of PACE[2].

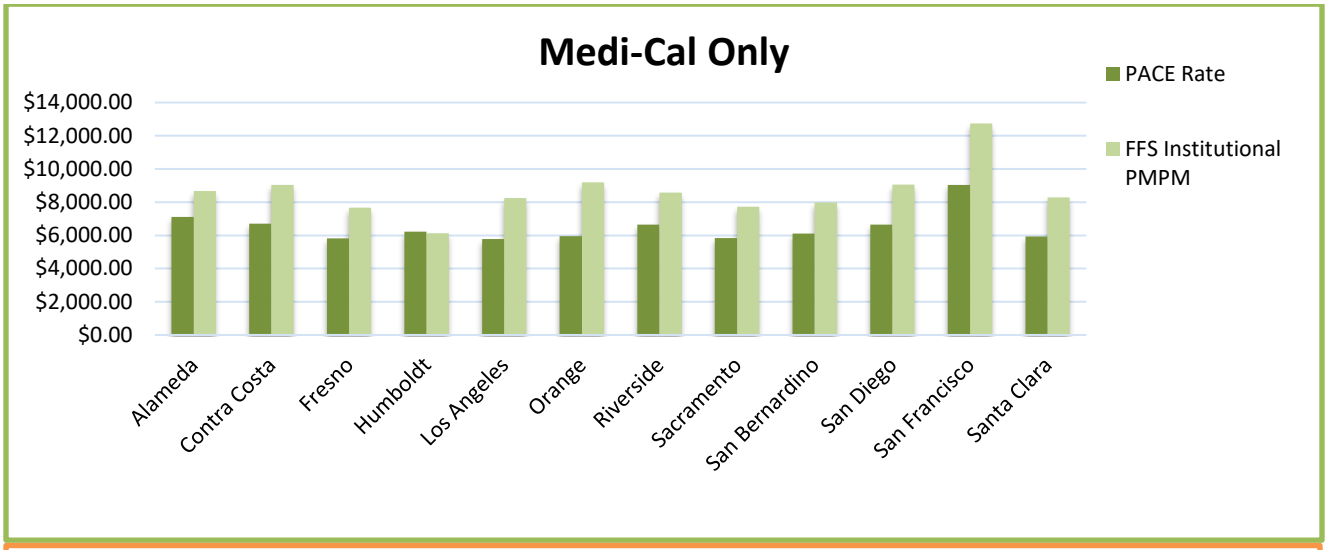
[1] According to Welfare & Institutions (W&I) Code 14593(e)(1), PACE capitation rates effective April 1, 2015 are to be paid at no less than 95% of the amount the Department of Health Care Services (DHCS) estimates would be payable under the state plan if all of those services were to be provided under the Medi-Cal fee-for-service (FFS) program. This amount is known as the Upper Payment Limit (UPL). The PACE UPL encompasses a comprehensive benefit package, and includes all of the covered benefits and coordinated services available through the PACE State Plan Amendment.

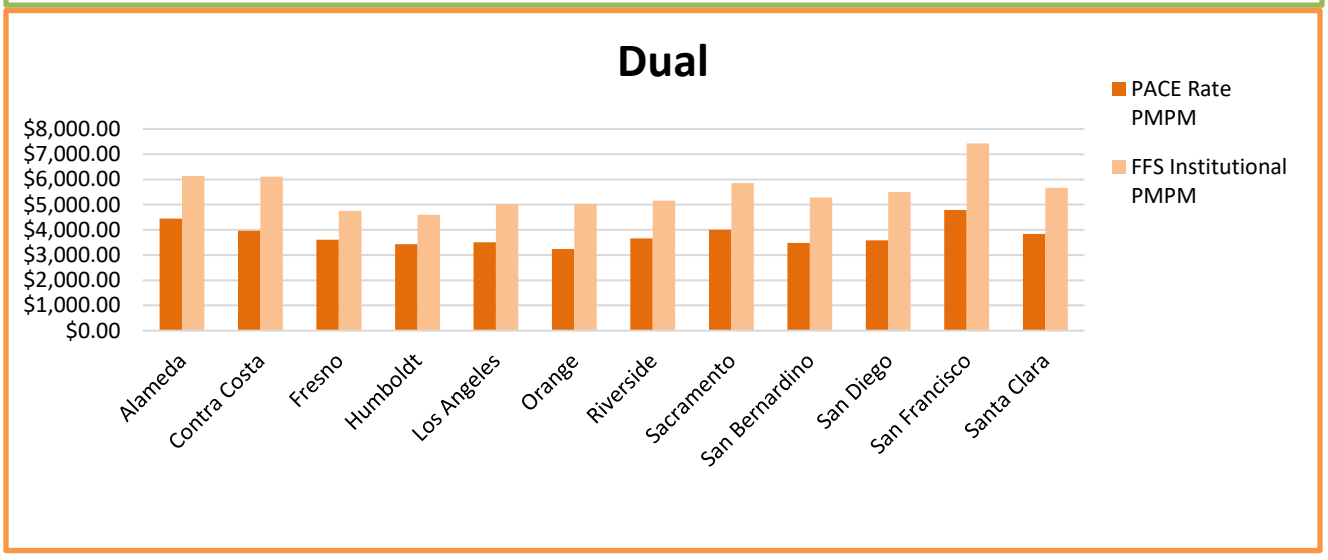
[2] Figure derived from DHCS calendar year 2015 PACE UPL and rate development documents and May 2015 Medi-Cal Estimates for PACE.

PACE Cost-Effectiveness

PACE is Cost-Effective Relative to Institutional Care

PACE costs significantly less than institutional care. Utilizing the Cost and Reimbursement Comparison Schedules (CRCS) developed by DHCS for the calendar year 2015 PACE UPLs[3], the monthly PACE capitation rate is on average 31% less than the cost of institutional care[4] for a dual eligible FFS beneficiary[5] and on average 24% less for a Medi-Cal FFS beneficiary[6].





[3] DHCS calendar year 2015 PACE UPL and rate development documents

[4] Includes costs for Inpatient Hosp., Outpatient Hosp., NF, Rx, PCP, Specialty Physician, FQHC, Lab & Radiology, Transportation, Short Doyle, Hospice, Personal Care, ADHC, MSSP, Assisted Living, HCBS Waivers, Other Medical

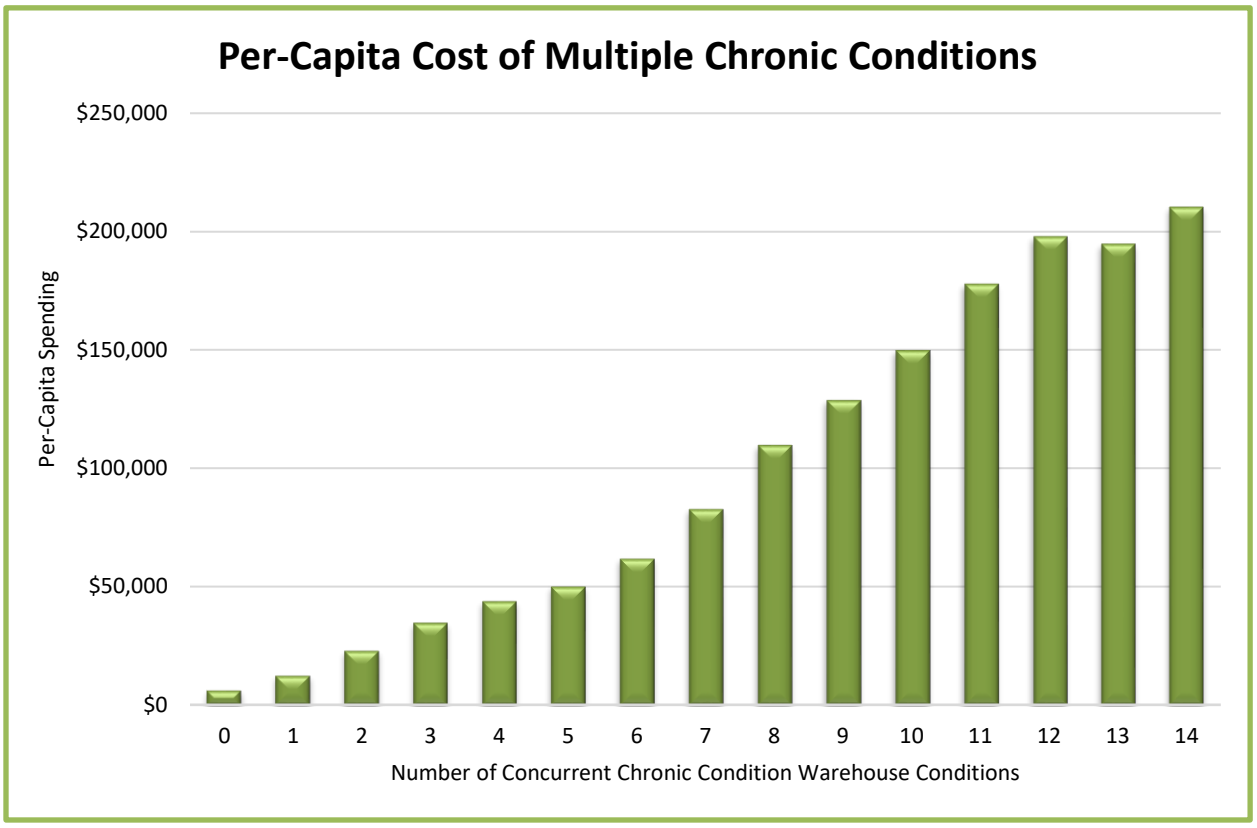
[5] Average of Individual PACE programs' capitation rate compared to institutional FFS costs for dual beneficiaries

[6] Average of Individual PACE programs' capitation rate as compared to institutional FFS costs for Medi-Cal only beneficiaries

PACE is Effective at Managing Chronic Conditions

PACE is the only program that has a proven track record in successfully managing the care of beneficiaries who have a combination of high medical needs combined with high levels of frailty. The average PACE participant is 76 years old, has 18 medical conditions and is impaired in 3 – 5 activities of daily living (bathing, walking, toileting, feeding and transferring). Nearly half of PACE participants are diagnosed with Alzheimer's or a related dementia.

As the chart below shows[7], per-capita costs to Medicare and Medi-Cal for dually eligible beneficiaries in California can reach $100,000 or more for beneficiaries with eight or more chronic conditions. Despite the fact that PACE participants have an average of 18 medical conditions, average capitation payments for dually eligible PACE enrollees are approximately $70,000 per year.[8]



[7] Chart adapted from figure 41 of the following report: Medi-Cal's Coordinated Care Initiative Population Combined Medicare & Medi-Cal Cost, Utilization, and Disease Burden, November 2012
http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Dual%20Data%20Sets%20Medicare.pdf

[8] The avg. Medi-Cal capitation for dual eligibles in PACE is $3800 and the avg. Medicare capitation is approximately $2000 per member per month.

PACE Cost-Effectiveness

PACE is the Gold Standard for Integrated Care

PACE participants have lower rates of hospital and emergency room utilization than beneficiaries served by other plans serving frail seniors, including Medicare Advantage Special Needs Plans. Hospital and emergency room utilization rates for PACE participants are comparable to those for the general Medicare fee-for-service population, which includes healthy seniors as well as frail seniors.

Enrollee Characteristics	California PACE[9]	Medicare FFS[10]	C-SNP 10,11,12	D-SNP 10,11	FIDESNP 10,11	I-SNP 10,11,12
% Aged 65+	78%	--	81%	54.8%	97%	92.8%
% Nursing Home Certifiable	100%	--	N/A	N/A	30.6%	100%
% with Alzheimer's or related dementia	41%	--	2%	2%	18%	44%
Utilization Measure						
Acute Days/1000	2,112	2,063	2293	2870	3080	2131
Average Length of Stay	5.3	--	6.1	5.4	5.9	6.5
ER visits/1000	485	418	637	958	914	252
Medical Conditions						
Average Risk Score	2.3	1.49	1.74	1.21	1.49	2.23
Average Number of HCCs	4.9	1.92	2.37	1.78	2.32	3.88

PACE Keeps Frail Seniors in Their Homes and Communities with High Rates of Satisfaction.

Research shows that PACE produces significant improvements for the beneficiaries it serves, including fewer hospitalizations, fewer nursing home admissions, an increased number of days in the community, better health, better quality of life, greater satisfaction with overall care arrangements and better functional status. Despite the fact that all PACE participants are certified by the state as meeting the criteria for nursing home placement, only 4 percent are residing in nursing homes at any time.

Enrollee Satisfaction Ratings[9]	
% Very satisfied (% rating on overall PACE care)	93%
% Who would refer PACE to a close friend	93%

[9] PACE totals/averages from PACE reported program data for July 1, 2015 – June 30, 2016
[10] CY 2008 data from 2010 SNP Alliance, Profile and Advanced Practice Report, February 2011 – The Lewin Group.
[11] CY 2009 data from 2010 SNP Alliance, Profile and Advanced Practice Report, February 2011 – The Lewin Group.
[12] CY 2012 data from 2013 SNP Alliance, Profile and Advanced Practice Report, February 2014 – The Menges Group.