“The PACE Evaluation”: Two Responses

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Letters to the Editor

"The PACE Evaluation": Two Responses

Dear Editor,

The June 1995 issue of The Gerontologist published an article by Branch et al. As co-authors of that article, we would like to clarify one point.

Branch et al. offered interim findings from Abt Associates' evaluation of the Program of All-inclusive Care for the Elderly (PACE) demonstration. Both the demonstration and evaluation have been sponsored by the Health Care Financing Administration.

Among other things, PACE involves the capitated financing of Medicare and Medicaid reimbursements. An important issue in evaluating any such program of capitated financing is whether the program is managing risks by avoiding them — i.e., by "skimming" or other means of avoiding potentially difficult clients whose care does have to be financed by the programs to which the capitated program is compared.

Branch et al. give the impression that we suspected the PACE sites were skimming clients. We wish to emphasize that that impression is wrong. The article does briefly summarize considerations the PACE sites use in selecting and enrolling clients. But these considerations do not support a conclusion that the PACE sites are skimming clients, nor did we intend that that inference be drawn. The interim findings presented in Branch et al. leave questions about skimming and related issues unanswered.

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Reference

Dear Editor,

We are writing to respond to the article, "The PACE Evaluation: Initial Findings" by Branch et al., which appeared in the June 1995 issue of The Gerontologist. The Health Care Financing Administration (HCFA), as the sponsor of the demonstration project to test the health services delivery concept used in the Program of All-inclusive Care for the Elderly (PACE), and Abt Associates, as the evaluator of this program for HCFA, have a different perspective about site selection of clients from what is suggested in the Branch et al. (1995) article. The authors suggest that the PACE sites may be engaging in skimming; however, we do not believe that there is currently any evidence to support this statement.

As the recent article in The Gerontologist noted, PACE is an innovative approach for providing acute and long-term care services to individuals who are eligible for both Medicare and Medicaid benefits. As originated and ultimately refined at On Lok, San Francisco, the key features of the PACE approach are:

- A clientele of very impaired and frail elderly who are nursing home-eligible and likely to require care for the rest of their lives;
- Provision of comprehensive medical and social services by a team of providers (physicians, nurses, therapists, and social workers) who work together;
- Emphasis on participants' frequent attendance at a day health center where the services are generally provided, combined with continued community residence, and
- Capitation of Medicare and Medicaid reimbursements at a fixed, preset amount per client.

PACE was designed to serve the frail elderly in the community, in particular, those considered most at risk of needing institutional placement for long-term care services. Although the PACE demonstration sites and On Lok are targeting a defined group of elderly, this does not imply, as suggested in the article by Branch et al., that PACE is "skimming" by excluding groups of nursing home-eligible clients.

HCFA, the PACE demonstration sites, and On Lok would be the first to agree that PACE, as a model of care, is not appropriate for all of the frail elderly who are nursing home-eligible. As part of the evaluation of PACE, Abt Associates has made site visits to all of the PACE demonstration sites, and has found a number of common factors across the sites that influence their decision about whether an individual would be appropriate for PACE. These factors include the safety of the housing or home environment of the individual interested in applying for PACE, the extent of family support, whether behavioral issues exist, the mental health status of the potential PACE client, the presence of substance abuse problems, and the need for 24-hour-a-day care. Each of these factors, individually and collectively, plays an important role in the client's ability to benefit maximally from the program. The statement in the article's conclusion that suggests that sites are systematically excluding some nursing home-eligible clients, thus leading to "skimming," is not supported in the body of the article. The reference on page 351 made to client

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characteristics (factors) which appear to influence client acceptance or denial does not support the conclusion of "skimming." When enrolling participants, sites have a responsibility to that participant as well as to other participants, to provide care according to the PACE model. In this regard, sites take into consideration a number of factors — staffing ratios, transportation, the availability of transitional care, among others, as well as the client characteristics noted — when deciding which clients are appropriate for enrollment. If, because of one or more of the characteristics, it can be determined that the prospective client will not be able to benefit from the program or that another program would be more suitable, the site has the responsibility to deny enrollment.

Abt researchers have found that as the demonstration sites have matured, the sites have exhibited greater flexibility in their care planning and a greater willingness to accept more frail clients. This is perhaps due to greater confidence and experience on the part of the intake and treatment teams in their ability to manage the care of the frail elderly. This contrasts with the statement by Branch et al. that the sites are “skimming.” In fact, in terms of functional status, the clients served by the PACE demonstration sites appear to be as impaired as nursing home residents who are Medicaid-eligible and more impaired than the Medicaid elderly living in the community. In 1993, the average PACE enrollee was dependent in 1.78 to 3.42 out of 5 activities of daily living (ADLs) across On Lok and the demonstration sites. Similarly, data from the Medicare Current Beneficiary Survey suggest that the average nursing home resident who was Medicaid-eligible had 3.2 limitations in ADLs, while the average Medicare enrollee living in the community and Medicaid-eligible had 0.46 limitations in ADLs.

On Lok and the PACE demonstration sites have worked hard at developing and refining the PACE model of care. Although PACE may not be appropriate for all nursing home-eligible elderly, we have found no evidence to suggest that the sites are “skimming” in their selection of clients. Once the evaluation of PACE is completed, we will have more information about what types of clients are most effectively served by PACE.

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Reference

Dr. Branch’s Response

Dear Editor,

I would like to add some additional comments to this controversy about “skimming” in the PACE sites.

First, I agree with my co-authors that the data are preliminary, cannot support a firm conclusion of niche marketing/skimming, and the original paper did not intend to suggest an impression to the contrary.

Second, Clauser, Kidder, and Mauser apparently agree with the Program of All-inclusive Care for the Elderly (PACE) client selection process as described in our paper: through 1992 not all long-term care (LTC) applicants/clients were appropriate for PACE (see Table 1 of the article). The subset who were judged appropriate were generally less frail or lighter care clients than those in institutional LTC as portrayed by national statistics (their own letter states an ADL dependency range of 1.78 to 3.42 at On Lok and the PACE sites compared to a mean of 3.2 among nursing home residents; I would wager a dollar to a donut that this difference is statistically significant). In any event, our article acknowledged two terms to describe this situation — niche marketing or skimming. I apologize if the word “skimming” offended, and reiterate that this conclusion is not warranted from preliminary data.

But I want to take this opportunity to extend the discussion beyond the statement of my co-authors. Why was there such a strong reaction from Health Care Financing Administration (HCFA) officials and the Abt corporate vice president, who assumed responsibility for the PACE evaluation after me? Why is “skimming” one of those words we hesitate to say in our field?

In my opinion, the heart of the answer is that HCFA might be overpaying if any niche marketing were occurring. The logic to support this statement is the following. HCFA’s reimbursement strategies for capitation payments for Medicare beneficiaries are based on the Adjusted Average Per Capita Costs (AAPCC) of all the Medicare beneficiaries in an area, with adjustments for age, sex, institutional status, poverty status, and geographic area, but not any adjustments for clinical or case-mix differences. Consequently, if a provider entity such as an HMO or a PACE site receives an “average” capitation payment, that is, one based on the assumption that the specific enrollees represent the average of the whole reference group, but in fact the enrollees are not average but healthier and therefore less costly, then the capitation payment in reality is an overpayment. Brown and colleagues (Brown et al., 1993) have presented data suggesting that HCFA is in fact overpaying HMOs for Medicare patients by 10% rather than saving 5% as HCFA intended, by paying 95% of the average because the HMO enrollees were not comparable to the whole Medicare population from which the “average” was determined, but rather were a healthier subset.

Does this phenomenon of enrolling a healthier subset than the average imply that the Medicare HMOs were necessarily disingenuous? Certainly...
not. It could simply be that a healthier subset is interested in the prevention logic of the HMOs. If there is any problem, it is with the reimbursement logic, not with the provider. Similarly, there is no implication that the PACE sites may have been disingenuous either.

What the preliminary data do suggest, however, is that a fuller discussion of the basis for PACE capitation payments in particular, and PACE reimbursements in general, are in order. To that end, I had prepared another manuscript, one that argues that the current HCFA financial reporting requirements make it virtually impossible to know how much the PACE programs cost in terms of public and private monies. Unfortunately, HCFA has not released that manuscript for peer review in order to enlighten this important discussion.

In summary, our original article did not conclude that niche marketing/skimming was in fact occurring, but raised the possibility. But this concept is a proverbial hot button in our field because of its implications. Clearly, HCFA does not want anyone suggesting that they are overpaying, and the sites do not want anyone saying that could reduce their capitation payments. But these are public monies and public discussion is warranted. I urge Dr. Vladeck to override his staff and release the subsequent manuscript.

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Reference

"The Alzheimerization of Aging": A Response

Dear Editor,

In his article, "The Alzheimerization of Aging," Richard C. Adelman (Adelman, 1995) commented that the National Institute on Aging (NIA) invests a disproportionately large share of its resources in research on Alzheimer's disease at the expense of other interests of the broader scientific community in gerontology. He believes that the support of Alzheimer's disease is so large that only trivial amounts of support are available for other areas of interest in gerontology.

Readers of The Gerontologist need to take into account several key issues in reflecting upon Dr. Adelman's commentary. We agree that funding for fundamental gerontology research is unfortunately low and support advocacy by the gerontology community. We strongly disagree, however, that current funding for Alzheimer's disease is disproportionately large or that it can be blamed for inadequate funding of other areas of research. The explosive growth of neuroscience research and of research on Alzheimer's disease in particular is not the result of market-