



NATIONAL PACE ASSOCIATION

# Issue Brief

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## Pass the PACE Part D Choice Act (S. 1703/H.R. 3549) End the PACE Part D Penalty

### Issue

Medicare beneficiaries in the Program of All-Inclusive Care for the Elderly (PACE) who are not eligible for Medicaid face Part D premium costs that are unaffordable for many who would benefit from PACE services. Currently, these beneficiaries must enroll in the Part D prescription drug plan of their PACE organization at a substantially higher monthly cost than other options.

- ♦ The average annual cost of Part D prescription drug coverage for a Medicare beneficiary in PACE is \$13,000.
- ♦ Medicare PACE participants pay 22x more than the average \$575 yearly premium for stand-alone Medicare Part D plans.
- ♦ In 2025 no \$2,000 Part D cap will be in place for PACE enrollees, like it will be for other Medicare enrollees, making the penalty much worse.

### Recommended Action

Congress can easily fix this Part D penalty by passing the PACE Part D Choice Act (S. 1703/H.R. 3549) so more Medicare enrollees can receive the high-quality care PACE provides.

Under the PACE Part D Choice Act, Medicare enrollees can afford to participate in PACE and see potential savings of more than \$11,000 a year in premiums. The savings would be achieved by enabling Medicare-only beneficiaries to obtain their Part D coverage from either the PACE organization or a marketplace Part D plan, whichever is more affordable.

The PACE Part D Choice Act is a cost-effective, bipartisan solution to fixing the Part D penalty.

### Benefits of Action

- ♦ Ending the PACE Part D penalty would expand access by making PACE affordable for more older adults with complex needs.
- ♦ Most older adults prefer to receive long-term care at home.

PACE offers Medicare beneficiaries needing long-term services and supports and wanting to continue living in their homes the highest quality of care available to them. Passing the PACE Part D Plan Choice Act would enable many more Medicare beneficiaries to afford access to PACE, providing them and their families with the care and support they need for a higher quality of life.

The assistant secretary for Planning and Evaluation at the U.S. Department of Health and Human Services recently reported PACE to be a consistent “high performer.”<sup>iii</sup> According to the analysis, PACE participants are notably less likely to visit the emergency room, be admitted to the hospital, or require nursing home placement. Another study by Mathematica Policy Research determined that PACE costs are comparable to the costs of other Medicare options, while delivering better quality care for an extremely frail, complex population.<sup>iv</sup> PACE enrollees also were found to experience lower mortality rates than comparable individuals in nursing facilities or receiving home- and community-based waiver services.

More than three-fourths (77 percent) of adults age 40 and over prefer to receive any necessary long-term care services in their home, according to a poll by the Associated Press and NORC Center for Public Affairs Research.<sup>v</sup> Access to community-based alternatives to nursing homes, including PACE, will be critical to meet the needs of Medicare beneficiaries in the coming years. According to MedPAC, approximately 10,000 baby boomers turn 65 each day and become eligible for Medicare, leading to a 50 percent increase in beneficiaries that will result in more than 80 million by 2030.<sup>vi</sup>

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## End the PACE Part D Penalty

Many of these older adults have modest incomes; half of all Medicare beneficiaries had annual incomes below \$29,650 in 2019.<sup>vii</sup> Furthermore, the number of middle-income seniors will jump to 15.9 million by 2033, a 100 percent increase. Nearly 60 percent of these middle-income older adults will be unmarried, and 40 percent will not have children within 10 miles of their homes, necessitating the need for paid care.<sup>viii</sup>

While individual care needs will vary, people age 65 and over have a 68 percent probability, on average, of experiencing cognitive impairment or requiring assistance with at least two activities of daily living (ADLs).<sup>ix</sup> Affordable access to PACE is vital for Medicare beneficiaries as these older Americans with cognitive and functional impairments seek community-based, long-term care options. Enabling Part D plan choice for Medicare beneficiaries seeking to enroll in PACE would remove a substantial cost barrier to their ability to receive community-based care as an alternative to nursing home placement.

### Background

Today, PACE serves more than 78,000 older Americans living with complex, chronic medical conditions who need long-term services and supports. The vast majority are Medicaid-eligible, either dual-eligible or Medicaid-only (99 percent). Less than 1 percent have Medicare-only coverage.

Enactment of the Medicare Prescription Drug, Improvement, and Modernization Act (P.L. 108-173) in 2003 changed how PACE organizations are paid to provide prescription drug coverage to their participants. Prior to the implementation

of Medicare Part D, prescription drugs were not covered by Medicare. PACE enrollee drug costs were paid by Medicaid or as part of the PACE private pay premium. Upon implementation of Part D, the Centers for Medicare & Medicaid Services (CMS) required PACE organizations to establish their own Part D plans and for these plans to be the only option available to Medicare beneficiaries enrolled in PACE.

PACE Part D plan premiums, the monthly amounts paid by Medicare beneficiaries for coverage, are high relative to alternatives in the Medicare Part D plan marketplace. The higher cost of PACE Part D plan premiums is due to the following:

- ♦ the small, high-acuity and frail elderly population served by PACE organizations;
- ♦ the absence of copays or deductibles in PACE Part D plans; as a result, contributions to the cost of the Part D plan that typically would be made through these instead are built into the monthly premium; and
- ♦ the unavailability to PACE Part D plans of drug manufacturer or Medicare subsidies received by all other Part D plans; as a result, PACE Part D plans must offset the lack of these funds by charging a higher monthly premium.

By offering Medicare beneficiaries the option of enrolling in a marketplace Part D plan, the PACE Part D Plan Choice Act would provide a significantly lower-cost alternative to the Part D plans of PACE organizations.

For more information, contact Francesca Fierro O'Reilly, vice president of Advocacy, at [FrancescaO@npaonline.org](mailto:FrancescaO@npaonline.org).

### Endnotes

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