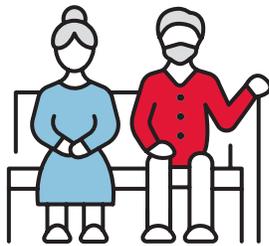


**\$19.3**  
**MILLION**  
ANNUALIZED

## INVESTMENT NEEDED IN THE FY 2026–27 STATE BUDGET TO STABILIZE PENNSYLVANIA’S LIFE PROGRAM

Pennsylvania’s Living Independence for the Elderly (LIFE) program helps older adults remain in their homes and communities while receiving comprehensive, coordinated care. **Sustainable Medicaid payments are essential to ensure providers can continue serving participants and expand access to this cost-effective model.**



### What is LIFE?

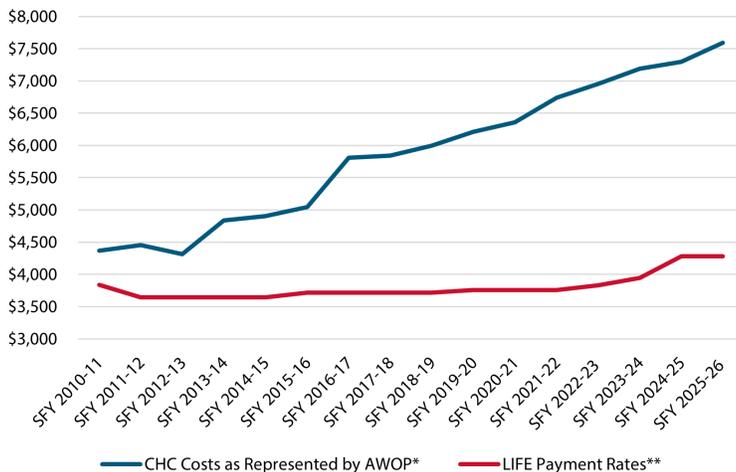
LIFE, known nationally as the Program of All-Inclusive Care for the Elderly (PACE), is an alternative to Community HealthChoices (CHC) that enables older adults who are nursing-facility clinically eligible to remain in their own homes while having their physical, medical, social, and behavioral health needs met. The program's participants benefit from **lower hospitalization rates, reduced caregiver burden, and a higher quality of life** compared to alternative managed care models serving a similar population.

### Growing Gap

The Amount that Would Otherwise be Paid (AWOP), which calculates the total costs to care for a similar population under CHC, incorporates necessary expenses like behavioral health, pharmacy, increases to nursing home rates, transportation, etc. Coupled with recent inflation trends, these are all increasing expenses the LIFE program is facing too, **but without a commensurate rate increase.**

### Payment Disparity in the Face of Rising Costs

Actual CHC-Equivalent Costs vs. LIFE Payment Rate for Dual-Eligible Individuals: 2010 - 2025



\* AWOP value represents CHC costs plus behavioral health (BH) and pharmacy costs  
 \*\* LIFE is expected to also cover BH and pharmacy costs from this payment

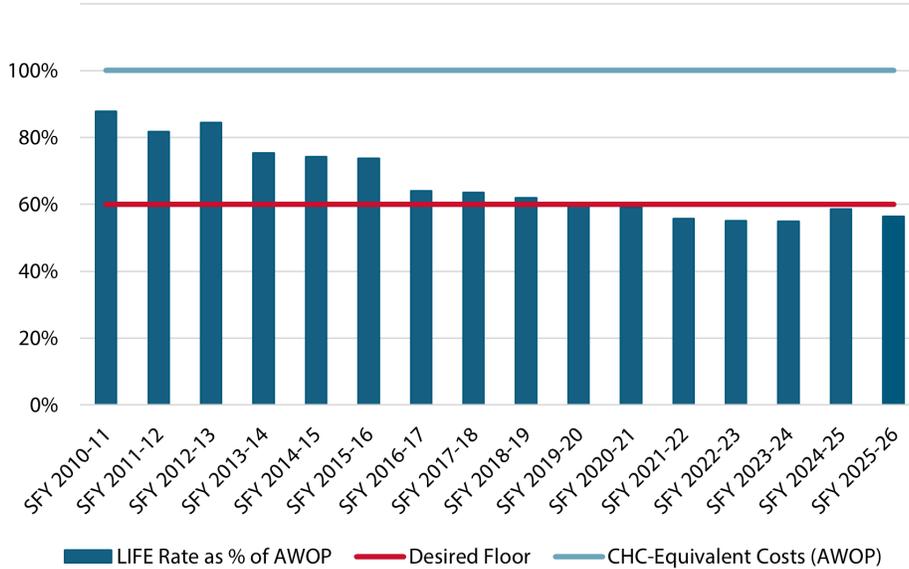
### The Value of LIFE

For every individual who receives care through LIFE instead of CHC, the state Medicaid budget saves over \$39,000 each year. For the approximately 7,500 dual-eligible individuals currently enrolled in LIFE, that’s a **total annual savings of nearly \$300 million.**

## OUR PROPOSAL

Establish a **minimum Medicaid payment rate for LIFE set at 60% of Community HealthChoices (CHC)-equivalent costs (AWOP).** This requires approximately **\$19.3 million in annualized state funding** in the FY 2026–27 budget.

### Rate as Percentage of AWOP: Actual Rate vs. Requested Floor



**CHC-EQUIVALENT COSTS**

**OUR ASK**

Setting LIFE payment rates at 60% of AWOP still guarantees a **40% savings to the state** while ensuring better stability for the LIFE program.

### What’s happening nationally?

According to a recent MACPAC report, “approximately half of states set the [PACE/LIFE] capitation rates as a fixed percentage of the AWOP (e.g., 95 percent of the AWOP).” *Currently, Pennsylvania sets LIFE rates at whatever they were the prior year, with no direct correlation to the AWOP or consideration of increased costs.*<sup>1</sup>

## HOW IS THE AWOP CALCULATED?

The AWOP, calculated annually, represents the monthly cost the state would have to pay in Medicaid funds for similarly situated individuals if they were enrolled in Community HealthChoice (CHC) instead of LIFE.

Mercer Government Human Services Consulting is contracted by the PA Department of Human Services (DHS) to calculate an updated AWOP value for each state fiscal year. In calculating the AWOP, Mercer:

- Makes adjustments for the comparative frailty of LIFE participants.
- Takes into account costs for things like behavioral health services and pharmacy, which LIFE providers must cover, whereas the CHC capitated rates do not cover these services, as they are instead woven into capitations through the Behavioral Health (BH) Managed Care Organizations.

<sup>1</sup>[https://www.macpac.gov/wp-content/uploads/2025/06/MACPAC\\_June-2025-Chapter-4.pdf](https://www.macpac.gov/wp-content/uploads/2025/06/MACPAC_June-2025-Chapter-4.pdf)