

# TARGETING SOCIAL DETERMINANTS OF HEALTH IN VALUE-BASED PAYMENTS

## Medicaid Managed Care Strategies

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Medicaid programs are disproportionately affected by social determinants of health (SDOH) because they serve low-income individuals that are disproportionately affected by SDOH. However, Medicaid programs also have opportunities to positively impact the health outcomes of Medicaid enrollees by strategically addressing SDOH.

Medicaid eligible individuals are disproportionately living in poverty and often experience food and housing insecurity. They may also face education and community safety issues as well as fragmented social support systems. The CMS is showing some interest in SDOH through waiver programs (home and community based services waivers and 1115 demonstration waivers). States are also taking a leadership role in advancing opportunities through payment and delivery systems to address SDOH. Let's talk about how states are using VBP in their managed care programs to address SDOH in an effort to lower state program costs and positively impact enrollee quality of life and health status.

### MANAGED CARE DELIVERY SYSTEMS

Medicaid managed care provides opportunities through contracting arrangements for states to incentivize their managed care partners to address SDOH. Indeed, several national companies have begun to focus on specific topics such as homelessness, nutrition and education, and states can leverage this experience to bring additional benefits to their enrollees. While states cannot directly include the cost of these non-medical services in capitation payments, the nature of the capitated payment system allows managed care plans to utilize value-added services or in-lieu of services to provide cost effective alternatives to covered services as well as complementary services that can impact health status. Free programs such as nutrition classes for diabetics or GED programs for enrollees can impact enrollee health and well-being. This strategy may or may not require additional state funding depending on whether the SDOH are funded through savings or additional incentive payments to managed care plans.

## VALUE-BASED PURCHASING

States may also utilize value-based payment strategies to incentivize providers to include SDOH as part of the service delivery model. CMS has specifically identified a process allowing states to develop and direct managed care organizations to utilize value-based payments creating flexibility for states to create innovative reimbursement models. Payment strategies such as global budgets, total cost of care and episodes of care bundles can give providers a predetermined payment amount or budget target and allow the provider to include other services such as housing or food, or referrals to such supports, to drive outcomes and service costs that hit or are below targeted budget metrics. Such flexibility can encourage providers and managed care organizations to address SDOH to achieve better health outcomes.

This strategy may or may not require additional state funding depending on whether the SDOH are funded through savings generated from the risk-based payment model, shared savings or additional incentive payments between managed care organizations and providers. States have also begun tying financial incentives and penalties to quality and population health metrics that are sensitive to SDOH as a further incentive to push value and innovation in Medicaid managed care organizations and to measure results.



## POLICY ISSUES AND KEY CONSIDERATIONS

There is flexibility within the existing Medicaid program to address SDOH. However, States must be mindful that there are specific federal prohibitions on reimbursement and coverage of non-medical services and supports under the Medicaid program; for example, Medicaid cannot fund room and board though federal funds are available for certain housing supports. States must be thoughtful of the outcomes they seek to impact and define the specific SDOH that are most likely linked to adverse health status. There will likely be limited funding and authority to pay for SDOH so it is critical to be selective, leverage other non-Medicaid social programs, connect with community resources and measure results.

## HELPFUL QUESTIONS TO GENERATE DISCUSSION

1. Identify state delivery system and/or reimbursement options to implement SDOH (funding and authority to implement).
2. Identify specific targeted populations or services that appear to have large outlier cost or quality outcomes that might be affected by SDOH.

3. Coordinate with provider and managed care partners to determine an SDOH strategy and metrics to determine impact of the initiative.
4. Develop an implementation plan, including any state plan authority, managed care contract language, and outreach plans to engage enrollees.

#### HOW MERCER CAN HELP

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