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ELLEN BRESLIN
ebreslin@healthmanagement.com
Senior Consultant
Boston

HEALTH MANAGEMENT ASSOCIATES

State Medicaid Programs to Fine Tune Payment Methods to Account for Social Risk Factors

In 2017, we are likely to see a greater number of state Medicaid programs lay the groundwork to develop payment methods that account for the social determinants of health.

Massachusetts, Minnesota, and Oregon have been working on the design of quantitative methods to improve payment approaches that will represent an improvement over current methods. While some would say payment methods that account for the social determinants of health may not be the most tantalizing of topics, such methods are very important to provider-led entities and health plans that are subject to total cost of care targets and fixed capitation rate arrangements, respectively.

We are likely to see more state Medicaid programs turn their attention to methods that adjust capitation rates or total cost of care targets for social determinants of health in an effort to improve the accuracy of targets or payments to provider-led entities and health plans. Diagnostic risk adjustment tools simply do not account for important social risk factors such as race, ethnicity, language, education, neighborhood income, and housing status among others, which means providers serving a disproportionate number of members with an extremely important social risk factor such as homelessness are not compensated appropriately.

Medicaid officials recognize and appreciate the important role that social determinants of health play in both health and cost outcomes. State Medicaid programs have made much progress in promoting the development of innovative programs and approaches to address the non-medical and social needs of members. The hiring of community health workers by health plans to create important linkages between the healthcare system and social services and community-based organizations is one of the many examples that has become a common and effective strategy to address the social needs of members. Payment methods that account for social risk factors would boost the efforts of Medicaid programs to improve health and cost outcomes.

To date, few states have ventured into this new payment arena for many reasons. The work is time consuming and complex as it involves multiple regression techniques. Data limitations certainly represents one of the biggest challenges, as this type of work requires good data about members and their social risk factors. And the roadmap for taking on this type of work has been lacking to date. With that said, the work that Massachusetts, Minnesota, and Oregon have and are doing holds great promise for other states to enter this arena. Their work will pave the way for state Medicaid programs that are motivated to see payment methods improve to better address the non-medical needs of members, their health, and cost outcomes. In time, we may also see an improved emphasis on the collection of data to support a more robust analysis of the range of social risk factors that members face.