

NATIONAL
ACADEMY
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INSURANCE

**Better Leveraging Medicaid to Improve
Social Determinants of Health**

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A vexing feature of the U.S. health care system is that despite having by far the highest costs in the world, our health outcomes have long lagged behind those of most other advanced industrial countries. Part of the puzzle can be explained by the fact that much of the cause of these poor outcomes lies upstream of our actual health care system – in the social determinants of health. For an in-depth analysis of how Medicaid can be better leveraged to combat social determinants of health, see the Academy's 2017 study panel report, *Strengthening Medicaid as a Critical Lever in Building a Culture of Health*.¹

While health care is an indispensable component of health, social, economic, and environmental factors also play key roles in determining health and wellbeing.^{2,3} Race, ethnicity, sex, socioeconomic status, and even geographic location are all associated with health and life prospects.⁴ Inequality in life expectancy by income is growing, as higher-income individuals benefit more than those with low incomes from rapid rates of improvement in life expectancy.⁵ Infant mortality rates, for example, correlate strongly with socioeconomic status, and three key drivers of infant mortality—maternal age, marital status, and education—are all strongly associated with family household income.⁶ Economic insecurity is also directly related to almost every other social determinant of health, from housing and food access to education and child care, as well as to an increased risk of poor mental health⁷ and other physical health disorders such as diabetes⁸ and heart disease.⁹

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¹ Sara Rosenbaum, Trish Riley, Alexandra L. Bradley, Benjamin W. Veghte, and Jill Rosenthal, 2017, *Strengthening Medicaid as a Critical Lever in Building a Culture of Health*, Washington, DC: National Academy of Social Insurance.

² JM McGinnis & WH Foege, 1993, Actual Causes of Death in the United States, *JAMA*, 270, 2207-2212.

³ Harry J. Heiman and Samantha Artiga, 2015, *Beyond Health Care: The Role of Social Determinants in Promoting Health and Health Equity*, The Henry J. Kaiser Family Foundation, <http://kff.org/disparities-policy/issue-brief/beyond-health-care-the-role-of-social-determinants-in-promoting-health-and-health-equity/>.

⁴ CDC, 2013, *CDC Health Disparities and Inequalities Report: United States, 2013*, <http://www.cdc.gov/mmwr/pdf/other/su6203.pdf>.

⁵ National Academies of Sciences, Engineering, and Medicine, 2015, *The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses*, Washington, DC: The National Academies Press, doi: 10.17226/19015.

⁶ Steven J. Haider, 2014, *Racial and ethnic infant mortality gaps and socioeconomic status*, <http://www.irp.wisc.edu/publications/focus/pdfs/foc311f.pdf>.

⁷ World Health Organization, 2007, *Breaking the Vicious Cycle between Mental Ill-Health and Poverty*, Accessed Jan. 21, 2016, http://www.who.int/mental_health/policy/development/1_Breakingviciouscycle_Infosheet.pdf.

⁸ Sandra A. Black, 2002, *Diabetes, Diversity, and Disparity: What Do We Do With the Evidence?*, *American Journal of Public Health*, 92(4), 543-548, <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1447113/pdf/0920543.pdf>.

⁹ Loucks, Lynch, Pilote, Fuhrer, Almeida, Richard, Agha, Murabito, and Benjamin, 2008, *Life-Course Socioeconomic Position and Incidence of Coronary Heart Disease: The Framingham Offspring Study*, *American Journal of Epidemiology*, 169(7), 829-836, <http://aje.oxfordjournals.org/content/169/7/829.full.pdf+html>.

Medicaid serves as a front-line responder for the country's most vulnerable populations and health problems.

As the nation's largest public insurer of low-income and medically vulnerable individuals and families, Medicaid – working in combination with other programs that address social determinants of health – has the potential

to play a strong role in any successful effort to improve both patient and population health. Medicaid serves as a front-line responder for the country's most vulnerable populations and health problems. As the source of health care financing for people who experience both elevated poverty and the associated health risks, Medicaid coverage is the primary means by which these populations gain access to health care. Moreover, in urban and rural communities with high concentrations of poverty, Medicaid functions as a key economic engine anchoring health care services in communities.



Over the past half century, Medicaid's importance has grown as a result of numerous social, demographic, and economic trends, as well as federal and state policy responses to these trends, which include an aging society and an increased demand for family caregiving, the greater survival rates of children and adults with disabilities, a weakening employer-sponsored insurance system (especially for low-wage workers), and broader economic shifts away from higher-paying jobs that carry good health benefits, especially in manufacturing. As Medicaid has expanded to meet these needs, the program has been at the forefront of initiatives to combine access to health care with broader efforts to combat underlying social risk factors. Indeed, many of these initiatives place strong emphasis on using health care as an entry point for more comprehensive responses to health and social risks.

Certain key characteristics of Medicaid make it unique among insurers as a partner with other programs that address social determinants of health. Unlike private insurance, which depends on specified "open enrollment" periods in order to manage health risks, Medicaid is structured to offer coverage at any time; enrollment is available whenever the need for health

care arises. Furthermore, Medicaid offers more comprehensive coverage, with lower cost sharing in recognition of the poverty and heightened health needs of program beneficiaries. Medicaid insures a greater and more sustained range of clinical services that promote health,

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including services for children and adults with severe disabilities such as extended mental health care and habilitative services. Medicaid also emphasizes coverage of preventive services, especially for children and adults of childbearing age. Unlike private insurance, Medicaid covers treatments in community settings – such as schools, Head Start programs, and adult day treatment settings – as well as in the home – through home-visiting programs for new mothers and infants. Because of the concentrated nature of poverty in many parts of the country, Medicaid is the chief source of health care financing for clinics, community health centers, and hospitals that serve as anchors for the community, frequently offering both health care and social services ranging from access to nutritious foods to education programs, job training, and connection to affordable housing.

In recent years, many states have undertaken service delivery and payment reforms in order to improve program quality and efficiency. States are now using Medicaid financing to achieve greater service integration, replace high-volume care with better-value care, and encourage health care systems to do a better job of aligning their own activities with those of social service programs in their communities through more active care management.

Policy Challenges

In positioning Medicaid as a more effective insurer that cooperates with social service programs in order to reduce social risk factors, states face certain challenges. Some of these challenges confront health insurance and health care generally, while others are unique to Medicaid. These unique challenges are the result of Medicaid's special mission and purpose as an insurer of populations made vulnerable by poverty, health risks and expanded medical needs, and a combination of factors that demand somewhat more comprehensive and flexible coverage.

Poverty

Medicaid is the nation's leading source of health insurance for low-income individuals and families. High levels of poverty increase demands on the Medicaid program and program costs. In addition, poverty is associated

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with a cascade of health risks that present significant challenges to securing adequate health care and maintaining optimal health. These risks often increase the need for supportive care management that can connect beneficiaries to social services.

State costs associated with Medicaid, including program transformation

Medicaid imposes substantial expenditure obligations on states. While the federal government supported the cost of the Affordable Care Act's adult Medicaid expansion for the first three years of full implementation, federal support will begin to diminish somewhat in 2017, dropping to 90 percent in 2020. Except for the considerable number of children and adults falling within traditional eligibility categories but identified through the ACA's simplified outreach and enrollment efforts, the normal federal funding formula applies, and many important administrative costs accompany eligibility expansion.

Furthermore, state Medicaid transformation efforts require an upfront investment in the operational and information infrastructures that lie at the heart of the transformation effort. As with other forms of health insurance coverage, state Medicaid programs also need to be able to invest in the types of ongoing progress assessments that help identify which initiatives are working and which require modification.

The complexity of the transformation process

While the federal-state partnership for implementing Medicaid is a critical element of the program's success to date in improving the social determinants of health, this partnership does lead to some challenges as states attempt Medicaid transformation. Three of the most important federal challenges are: the need for a simpler process for obtaining special program waivers or demonstration approval, the need for a longer budget window for proving the effectiveness of transformation efforts, and an approach to measuring cost-effectiveness that takes into account reduced expenditures for social services, education, and/or the criminal justice system as a result of better access to comprehensive care in settings where health care services are partnered with preventive social interventions.

Funding the social services that promote health

Inadequate funding for social services interventions poses a substantial problem. At its core, Medicaid has a strong mission of improving the health of vulnerable populations; but above all, Medicaid is health insurance that faces the same cost pressures confronting all forms of health insurance, as well as unique pressures arising from its special characteristics. Medicaid's central

role is as a payer of clinical care for people entitled to coverage to receive care from qualified, participating providers. While Medicaid may be more flexible than other forms of insurance to carry out its unique missions, Medicaid is meant to work with social service programs, not to take their place. Medicaid can be a strong insurance partner, but where social risk factors are concerned, Medicaid cannot go it alone.

Expanding Medicaid coverage and making coverage more stable

As of January 2017, 31 states and the District of Columbia have opted to extend Medicaid to all eligible residents with low household incomes, not merely those falling under certain categories. Other states may still opt for such an expansion, and retaining this option to do so is

important, as it eliminates the risk of major coverage gaps among the poor simply due to life circumstances such as a minor child reaching age 18, an older adult who is laid off from a job with good health benefits, or the end of a post-partum coverage period for a new mother. Furthermore, continuity of coverage remains a challenge in Medicaid, since even small changes in monthly income can result in the loss of coverage. To this end, approaches that structure enrollment among working-age adults on an annual basis (perhaps with a buy-in option for those just above the eligibility cutoff), much as job-based insurance operates, would be an important improvement, just as continuous eligibility is now a state option for children.

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Excluding high-need populations

Many states face challenges associated with covering people who are not long-term U.S. residents or who do not lawfully reside in the U.S. These challenges must be addressed to help stabilize health care and to avert the financial burdens borne by certain safety net institutions and state and local governments.

A fragmented health care infrastructure

Limitations in data infrastructure and capacity also pose a barrier to Medicaid. The current fragmented delivery system often forces health care providers to operate in silos, particularly where integration of physical and behavioral health care is concerned. Developing interoperable data systems that can facilitate information sharing, with informed beneficiary consent, across all members of patient health teams, all while protecting privacy and security, is critical to the operation of a health system that can best deploy resources where they are most needed.

Misallocation of risks and rewards

State Medicaid investments in improving health may require capital and entail risk. The absence of a means for generating shared savings that could flow from broader social and health gains – a problem that has been particularly manifest in special demonstration efforts aimed at improving the quality and efficiency of health care for people dually eligible for Medicare and Medicaid, where savings are more likely to flow to the federal government – in turn limits the incentive to provide state Medicaid programs with the financial flexibility to invest in improvements.



Future Directions for Medicaid

As Congress and a new President embark on a major health reform effort, these challenges and others arise in making Medicaid a more efficient insurer, a stronger purchaser of high quality health care, and a better partner in more comprehensive health improvement efforts. To this end, certain considerations might help guide efforts to reshape Medicaid:

- Coverage that is accessible through a simplified and streamlined enrollment and renewal process, stable over time, and affordable for covered populations;
- A benefit design that emphasizes both the services needed to keep patients healthy as well as community-based long-term services and supports for children and adults for whom a standard insurance plan is not sufficient;
- Incentives for patients to use preventive care and to adhere to ongoing treatments for high-cost conditions that can be well-managed in community settings;
- Incentives for states to undertake payment and service delivery reforms that reward efficiency and quality outcomes, and to invest federal and state funds in health care further upstream (i.e., prevention); and

- Incentives for states to test new approaches to purchasing coverage and creating delivery systems that have the capacity to integrate Medicaid-covered health care services with other health, educational, housing, nutritional, and social services that help beneficiaries attain and maintain health.

Some of these reforms may require legislative changes, such as a continuous eligibility option for adults or creating new financial incentives for states to incorporate promising service delivery and payment reforms into Medicaid coverage and financing. Others, such as moving toward a longer and more inclusive budget window to measure demonstration cost savings or simplifying the waiver process, can be accomplished administratively. Some of these reforms can be enacted by states to make more effective use of program flexibility already built into federal law.



Conclusion

Over the past half-century, Medicaid has demonstrated resilience and a unique ability to respond to far-reaching changes in underlying economic, social, and health circumstances. As the nation continues to build health improvement strategies into the health care system itself, Medicaid – as the nation’s largest public insurer – will play a crucial role in transforming the delivery system.

Furthermore, more than any other insurer, Medicaid stands to gain real value from improvements to the social determinants of health and health care integration, given the populations and health needs the program insures. Strengthening Medicaid’s power as an insurer and the efficiency with which it operates thus should be central to any plan to improve health and reduce inequality.

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