

Social Determinants of Health and Medicaid:

Policy Recommendations to Achieve Greater Impact on Reducing Disparities & Advancing Health Equity



As the federal-state program providing access to essential health care to over 77 million low-income adults, children, pregnant women, elderly adults, and people with disabilities, Medicaid has a unique opportunity to address the social risk factors that disproportionately impact these vulnerable populations. Caused by the socioeconomic conditions in which we live, learn, work, and play, these socioeconomic barriers or “social determinants of health” include inadequate access to nutritious food, lack of affordable housing, lack of convenient and efficient transportation options, limited opportunities for quality education and meaningful employment, limited broadband access, and more.

These socioeconomic barriers impact a person’s ability to live a healthy life, achieve their fullest potential, access quality health care, and can put them at greater risk of developing chronic conditions. The results can often be poorer health outcomes, more hospital admissions, and higher costs. For example, an individual may have diabetes-related hospital admissions due to food insecurity, develop asthma due to poor housing conditions, frequently visit an emergency department because of homelessness, or develop a stress-related illness like hypertension due to unemployment.

There is a growing body of evidence that indicates that these challenges not only lead to poorer health outcomes for beneficiaries and higher Medicaid costs but can exacerbate health disparities for a broad range of populations as well, particularly for racial and ethnic minorities.¹ The COVID-19 crisis has further exposed the health disparities and inequities that exist in America and demonstrated the crucial link between socioeconomic circumstances and health outcomes. It has also highlighted the important role Medicaid and policy flexibilities play in the ability of states, Medicaid managed care organizations (MCOs), and other stakeholders to address these socioeconomic risk factors of Medicaid populations. This could lead to more appropriate services that help address the needs of individuals, promote greater health equity, and lower total costs of care by reducing unnecessary hospital admissions and routine emergency department visits.

Policy Recommendations to Advance Work that Addresses Socioeconomic Needs:

State Medicaid programs and Medicaid MCOs recognize the importance of meeting the basic needs of their beneficiaries and have utilized policy levers to mitigate the socioeconomic risk factors that they face. Medicaid MCOs respond to health-related social needs in a variety of ways, ranging from offering services that are covered under the State Medicaid plan to designing and implementing new programs. Another approach involves investing grant funding, reserve funds, or savings in infrastructure and other innovative approaches that MCOs believe are critical to improving health outcomes but are not covered under Medicaid services or waivers.

Thanks to policy flexibilities and their own private investments, Medicaid MCOs and their community partners have made good progress in addressing health-related social needs. To achieve even greater and more lasting impact on reducing disparities and advancing health equity, the following policy recommendations would help scale and sustain Medicaid MCOs’ current work and facilitate additional work that address the social risk factors Medicaid beneficiaries face:

- **Increase flexibility in Medicaid waivers.**
 - Modernizing existing Medicaid policies that permit states to broaden the scope of covered services to include specific non-medical services and interventions will help address the social determinants of health.

Policy Recommendations

- Increase flexibility in Medicaid waivers.
- Create a pathway for interdisciplinary/interagency waivers.
- Broaden the interpretation of quality improvement activities for purposes of calculating Medicaid plan medical loss ratios (MLRs) to include expenditures for interventions that address social determinants of health so that these activities are treated as health-related instead of being categorized as administrative costs.
- Permit greater latitude in the use of “in lieu of services” (ILOS).
- Extend flexibilities to allow Medicaid MCO providers to participate in pooled funding arrangements with others in the community.

¹ <https://pubmed.ncbi.nlm.nih.gov/32975173/>; <https://pubmed.ncbi.nlm.nih.gov/32748673/>; <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2013.301421>; <https://pubmed.ncbi.nlm.nih.gov/29358482/>; <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2806885/>

- **Create a pathway for interdisciplinary/interagency waivers.**
 - State Medicaid agencies should be allowed to partner with other state agencies (such as Housing or Employment) to request interdisciplinary waivers and associated funding from multiple federal agencies under a combination of federal titles and funding sources. For example, a state’s Medicaid and Housing agencies could apply to CMS and the U.S. Department of Housing and Urban Development for a joint waiver to provide integrated health homes for homeless individuals with severe mental illness, pairing comprehensive medical and behavioral health care with housing assistance.
- **Broaden the interpretation of quality improvement activities for purposes of calculating Medicaid plan medical loss ratios (MLRs) to include expenditures for interventions that address social determinants of health so that these activities are treated as health-related instead of being categorized as administrative costs.**
 - Establishing managed care capitation rates that support social determinant of health interventions as quality improvement activities could accelerate the work of states.
- **Permit greater latitude in the use of “in lieu of services” (ILOS).**
 - Medicaid MCOs are permitted to provide some services that are not normally covered by the Medicaid state plan if those services are appropriate to the individual’s needs and substitute for a covered service at a lower cost. Enhancing flexibility to build best practices on addressing social determinants of health will advance innovation.
- **Extend flexibilities to allow Medicaid MCO providers to participate in pooled funding arrangements with others in the community.**
 - Such as state social service agencies, to more easily bring different funding sources together to have a greater impact on social determinants of health.

Medicaid Managed Care Organization Efforts on Social Determinants of Health:

Medicaid MCOs work with community partners to address a variety of needs, ranging from housing instability and homelessness, food insecurity, lack of transportation, social isolation, unemployment, safety, and educational opportunities, among others. Research has demonstrated that many services and interventions that address the health-related social needs of Medicaid beneficiaries result in improved health outcomes and significant savings to the Medicaid program as well as the larger health care system by reducing unnecessary health care utilization. For example:



\$10,464
yearly savings
per member

A Medicaid MCO in the Midwest launched an extra benefit to provide short-term, transitional housing and health care through 50 single room units to their homeless members. By partnering with local organizations, the program was able to provide members with medical care, behavioral health and recovery-focused services, peer support, case management, housing navigation services, life skills training, and stability while helping to connect members with long-term permanent housing. The program has resulted in an \$872 monthly average savings per member (\$10,464 in savings per member per year, or more than \$500,000 per year total) by integrating supportive housing, case management services, and a medical home. Inpatient stays at hospitals and skilled nursing facilities among individuals in the program have declined by 40%.²



\$753
monthly savings
per member

A Medicaid MCO in the Northeast that provided weekly delivery of ten ready-to eat meals to dually-eligible Medicaid and Medicare members (a covered benefit under the state Medicaid plan) saw savings of \$753 per member per month (or 16% less in costs) due to fewer inpatient admissions and fewer nursing facility admissions.³

² <https://www.healthcarefinancenews.com/news/insurer-investment-housing-reduces-healthcare-costs-ahip-says>

³ <https://pubmed.ncbi.nlm.nih.gov/31009050/#affiliation-1>; <https://pubmed.ncbi.nlm.nih.gov/30421335/>; <https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.0999>



A Medicaid MCO in the Western U.S. that implemented a program to address social isolation by connecting members who self-identified as lonely with social workers and volunteer phone pals who regularly called or visited members to build relationships and help address their needs saw an increase in member engagement with other programs (e.g., exercise programs) by 56%, a decrease in hospital admissions by 21%, and a decrease in emergency department use by over 3% (while control group saw an increase in ED use by 20%).⁴



Thanks to a state Medicaid waiver, a Medicaid MCO in the mid-Atlantic provided their members with screening and referrals for socioeconomic needs. After the screenings, the MCO witnessed a 26% reduction in inpatient hospital admission rates.⁵



Providing non-emergency medical transportation as a covered Medicaid service to help members who have little access to transportation get to/from medical appointments saves \$40 million per 30,000 Medicaid beneficiaries per month (\$480 million in savings a year).⁶

Medicaid is an essential safety net and has unique opportunities to address the health-related social needs of vulnerable populations. Medicaid MCOs are committed to working with CMS and state Medicaid agencies to address the underlying root causes of poor health for those most in need.

Links to Additional Information and Health Plan Examples Addressing Social Determinants of Health:

- [CMS Roadmap on Opportunities in Medicaid and CHIP to Address SDOH](#)
- [How Health Insurance Providers Are Innovating to Address Socioeconomic Needs During COVID](#)
- [Bridging the Digital Divide: How Health Insurance Providers Are Addressing SDOH and Promoting Access to Telehealth](#)
- [NORC MCO Learning Hub: Key Findings, Innovations, and Challenges MCOs Face on SDOH](#)
- [How Health Insurance Providers Combat Social Isolation and Loneliness](#)
- [How Health Insurance Providers Provide Safe and Affordable Housing](#)
- [How Health Insurance Providers Secure Access to Healthy Foods](#)
- [How Health Insurance Providers Are Addressing the Social Determinants of Health](#)

4 <https://www.ajmc.com/view/caremores-togetherness-program-addresses-a-symptom-of-living-with-chronic-illness-loneliness>

5 <https://www.amerihhealthcaritas.com/news/2019/071819-er-utilization.aspx>

6 <https://mtaccoalition.org/wp-content/uploads/2018/07/NEMT-ROI-Methodology-Paper.pdf>