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Accounting for  
Social Risk Factors in  
Medicare Payment:  
Criteria, Factors, and Methods

July 2016

# Committee on Accounting for SES in Medicare Payment Programs

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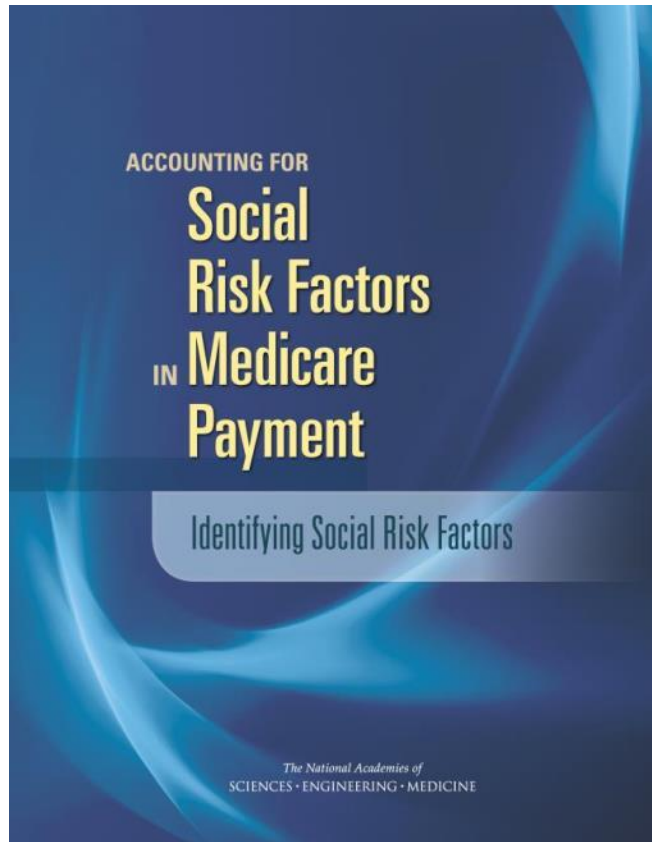
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# Accounting for Social Risk Factors in Medicare Payment

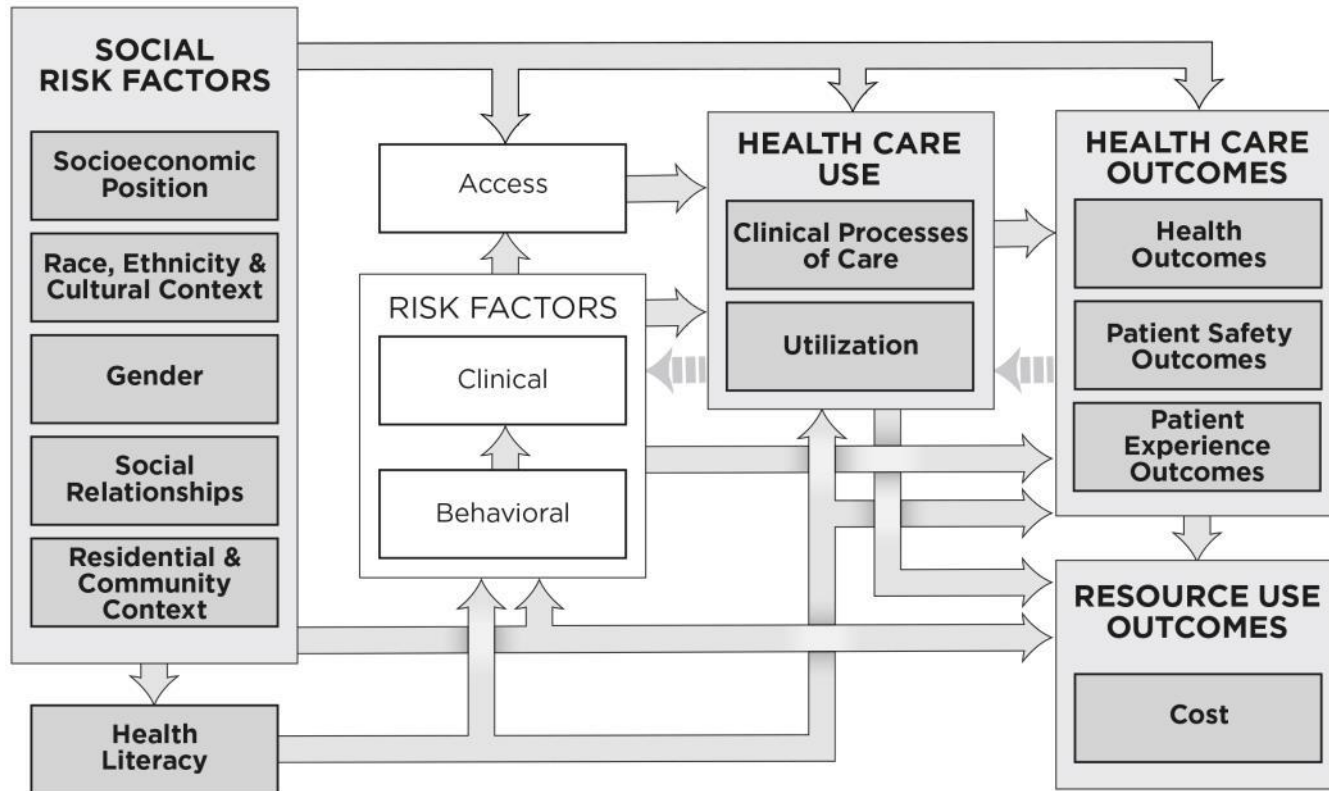


In this first report, the committee presented a conceptual framework and described the results of a literature search linking social risk factors, including socioeconomic position, to health-related measures of importance to Medicare payment and quality programs.

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# Accounting for Social Risk Factors in Medicare Payment

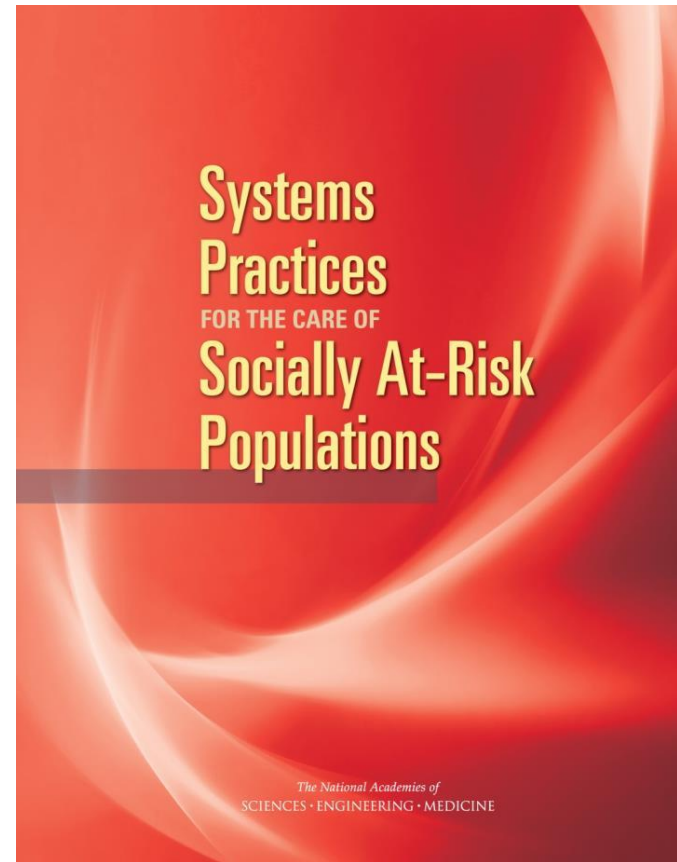
## Social Risk Factor Framework



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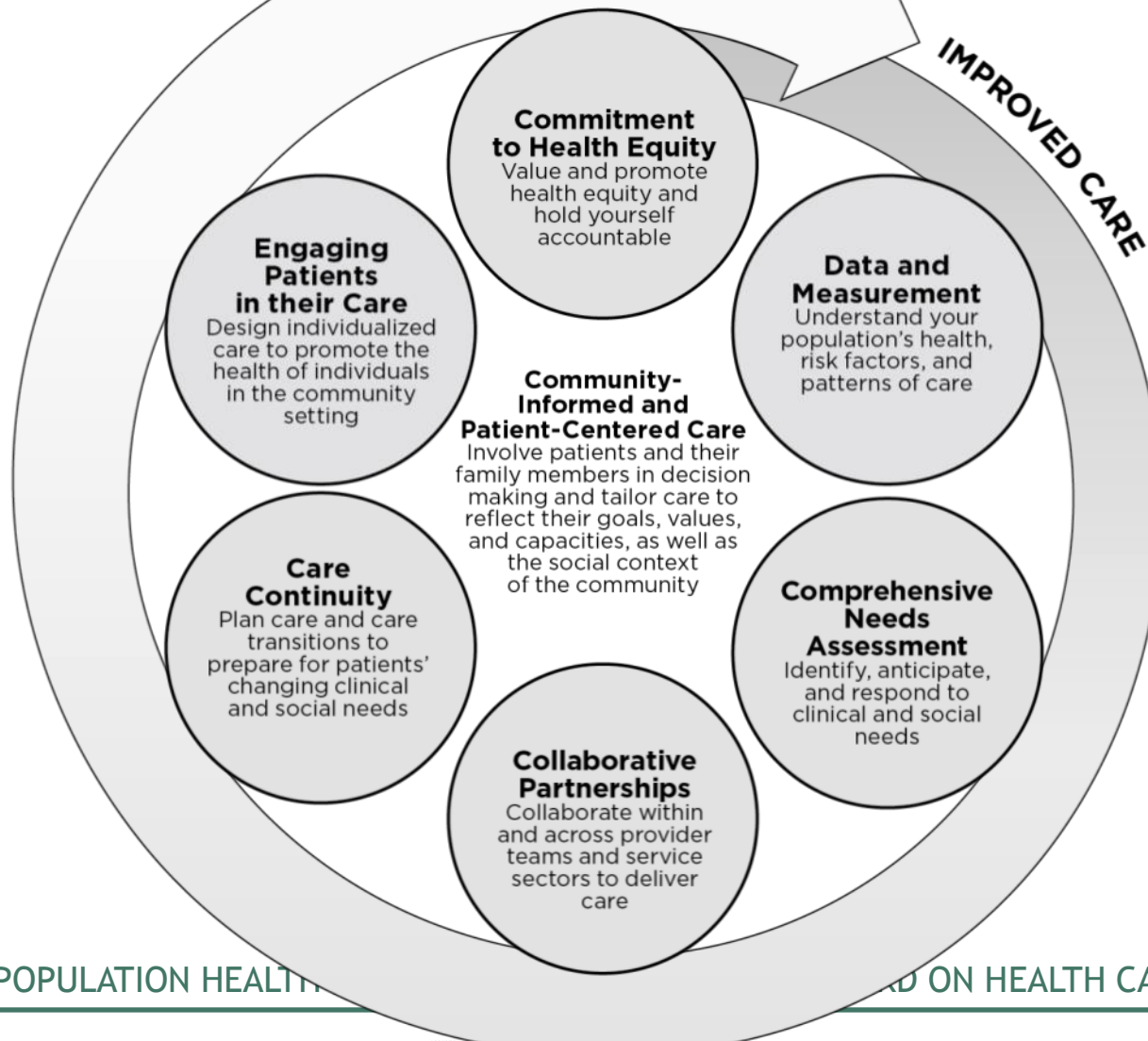
# Systems Practices for the Care of Socially At-Risk Populations

In their second report, the committee identified six community-informed and patient-centered systems practices show promise for improving care for socially at-risk populations.



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# Systems Practices



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# Statement of Task

The third report will:

- **Specify criteria** (along with their strengths and weaknesses) that could potentially be used to determine whether an SES factor or other social factor should be accounted for in Medicare quality, resource use, or other measures used in Medicare payment programs.
- **Identify SES factors** or other social factors that could be incorporated into quality, resource use, or other measures used in Medicare payment programs.
- **Identify methods** that could be used in the application of SES factors and other social factors to quality, resource use, or other measures used in Medicare payment programs.

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# The committee's 4 goals in accounting for social risk factors in Medicare payment programs are:

1. Reducing disparities in access, quality, and outcomes;
2. Quality improvement and efficient care delivery for all patients;
3. Fair and accurate public reporting; and
4. Compensating providers fairly.



# Criteria for Selecting Social Risk Factors

Aim to guide selection of social risk factors that could be accounted for in VBP:

- To reward providers or health plans for delivering high quality and value, independent of whether they serve patients with high or low social risk factors
- To promote accuracy in reporting by minimizing the effect of factors outside the provider's control when assessing a provider's performance

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# Criteria for Selecting Social Risk Factors

**Conclusion 1:** Three overarching considerations encompassing five criteria could be used to determine whether a social risk factor should be accounted for in performance indicators used in Medicare value-based payment programs. They are:

- A. The social risk factor is related to the outcome.
  - 1. The social risk factor has a conceptual relationship with the outcome of interest.
  - 2. The social risk factor has an empirical association with the outcome of interest.

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# Criteria for Selecting Social Risk Factors

## Conclusion 1 (continued)

- B. The social risk factor precedes care delivery and is not a consequence of the quality of care.
  - 3. The social risk factor is present at the start of care.
  - 4. The social risk factor is not modifiable through provider actions.
- C. The social risk factor is not something the provider can manipulate.
  - 5. The social risk factor is resistant to manipulation or gaming.

# Applying Criteria to Social Risk Factors & Health Literacy

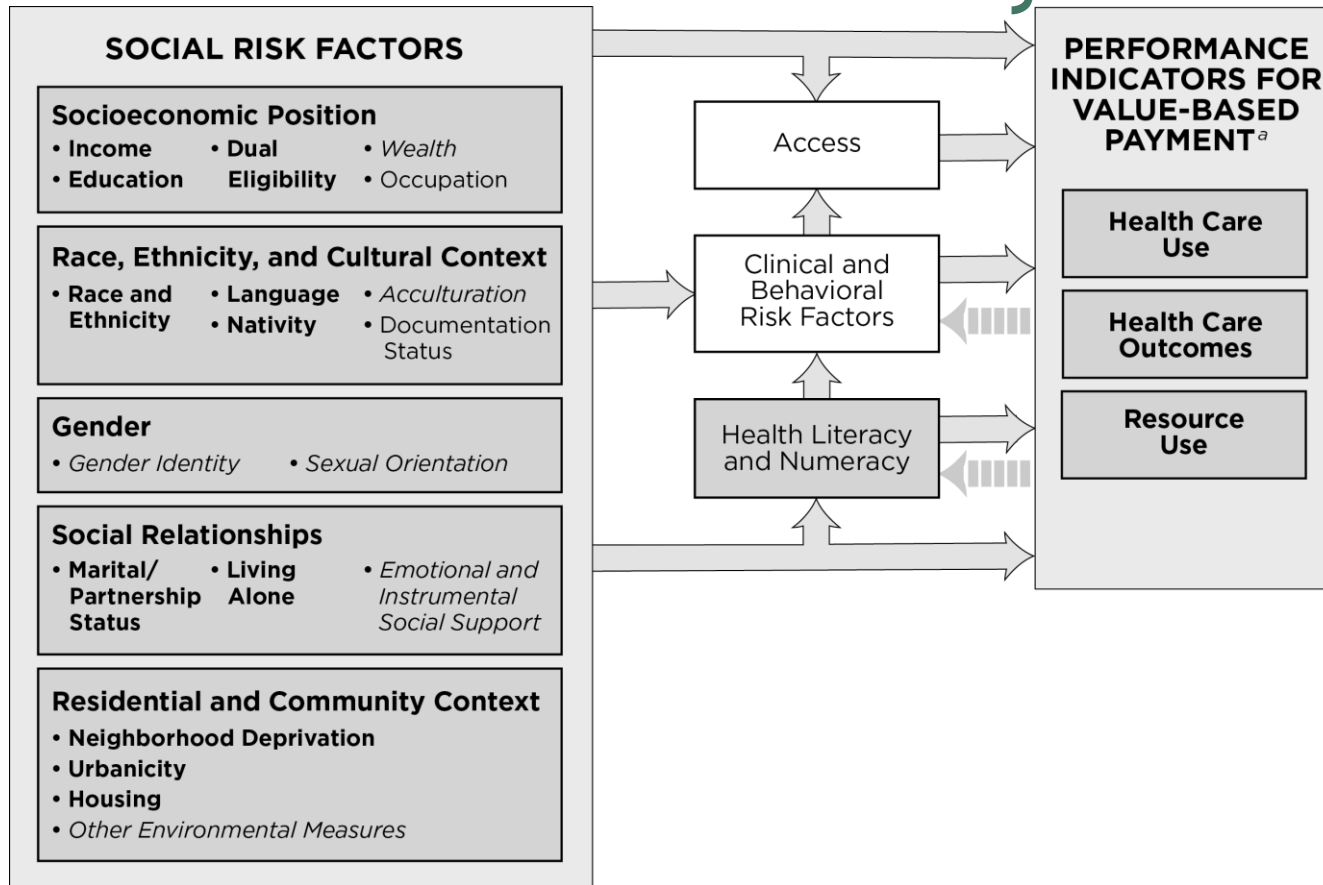


FIGURE: Conceptual framework of social risk factors and performance indicators for value-based payment.

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# Applying Criteria to Social Risk Factors & Health Literacy

**Conclusion 2:** There are measurable social risk factors that could be accounted for in Medicare value-based payment programs in the short term.

Indicators include:

- Income, education, and dual eligibility;
- Race, ethnicity, language, and nativity;
- Marital/partnership status and living alone; and
- Neighborhood deprivation, urbanicity, and housing.

# Applying Criteria to Social Risk Factors & Health Literacy

**Conclusion 3:** There are some indicators of social risk factors that capture the basic underlying constructs and currently present practical challenges, but they are worth attention for potential inclusion in accounting methods in Medicare value-based payment programs in the longer term.

These include:

- Wealth,
- Acculturation,
- Gender identity and sexual orientation,
- Emotional and instrumental social support, and
- Environmental measures of residential and community context.

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# Potential Harms of the Status Quo

- Incentives for providers and insurers to avoid serving patients with social risk factors
- Underpayment to providers who disproportionately serve socially at-risk populations
- Underinvestment in quality of care
- A single summary score limits the ability of socially at-risk patients to identify providers who might deliver the best care for patients like them

# Potential Harms of Accounting for Social Risk Factors

- Reduces incentives to improve care for patients with social risk factors
- Could be unfair in terms of compensating providers who provide high quality care if method obscures differences due to poor quality
- Any method that holds providers to different standards for socially at-risk populations may create the perception that patients with social risk factors are entitled to a lower quality of care

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# Potential Harms of the Status Quo vs. Accounting for Social Risk Factors

**Conclusion 4:** It is possible to improve on the status quo with regard to the effect of value-based payment on patients with social risk factors. However, it is also important to minimize potential harms to these patients and to monitor the effect of any specific approach to accounting for social risk factors to ensure the absence of any unanticipated adverse effects on health disparities.

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# Methods to Account for Social Risk Factors in VBP

- The committee identified methods that could apply to any VBP program, not just the existing ones.
- The incentive design will interact with the method used to account for social risk factor(s) and produce certain potential benefits and risks.
- Selecting the appropriate method (or, methods) to account for social risk factors will depend on the balance of these potential positive and negative consequences.

# Methods to Account for Social Risk Factors

**Conclusion 5:** Characteristics of a public reporting and payment system that could accomplish the [committee's 4] goals ... include:

1. Transparency and accountability for overall performance and performance with respect to socially at-risk members of the population;
2. Accurate performance measurement—with high reliability and without bias (systematic error) related to differences in populations served;
3. Incentives for improvement overall and for socially at-risk groups, both within reporting units (i.e., the provider setting that is being evaluated—hospitals, health plans, etc.) and between reporting units.

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# Methods to Account for Social Risk Factors in VBP

**Finding:** The committee identified methods to account for social risk factors in four categories—(A) public reporting; (B) adjustment of performance measure scores; (C) direct adjustment of payments; and (D) restructuring payment incentive design—that may be required to address [the committee’s four] policy goals ....

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# Public Reporting Methods

1. Stratification by patient characteristics within reporting units
2. Stratification by reporting unit characteristics (e.g., comparing safety-net hospitals to peers)

# Adjusting Performance Measure Scores

1. Risk adjustment for mean within-provider differences
2. Risk adjustment for within- and between-provider differences
3. Adding quality measures for performance for at-risk groups in addition to the overall measure

# Direct Adjustments of Payment

1. Risk adjustment in payment formula without adjusting measured performance
2. Stratification of benchmarks used for payment

# Restructuring Payment Incentive Designs

1. Paying for improvement relative to a reporting unit's own benchmark (to a greater extent or exclusively), including “growth models”
2. Downweighting social risk factor-sensitive measures in payment
3. Adding a bonus for low disparities



# Applying Methods to Account for Social Risk Factors

**Conclusion 6:** To achieve the [committee's 4] goals ... a combination of reporting and accounting in both measures and payment are needed.

# Applying Methods to Account for Social Risk Factors

**Conclusion 7:** Strategies to account for social risk factors for measures of cost and efficiency may differ from strategies for quality measurement, because observed lower resource use may reflect unmet need rather than the absence of waste, and thus lower cost is not always better, while higher quality is always better.

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# Monitoring

**Conclusion 8:** Any specific approach to accounting for social risk factors in Medicare quality and payment programs requires continuous monitoring with respect to the [committee's 4] goals .....

# Concluding Remarks

The committee notes that it is not within its statement of task to recommend whether social risk factors should be accounted for in VBP or how; that decision sits elsewhere. The committee hopes that the conclusions in this report help CMS and the Secretary of HHS make that important decision.

# Statement of Task

The fourth report will:

- For each of the SES factors or other social factors described above, recommend existing or new sources of data on these factors and/or strategies for data collection, while also identifying challenges to obtaining appropriate data and strategies for overcoming these challenges. (October 2016)

In the fifth report:

- The committee will synthesize and interpret the 4 brief reports issued as described above into one report that will include comprehensive project findings, conclusion, and recommendations based on the 4 previous reports. (January 2017)

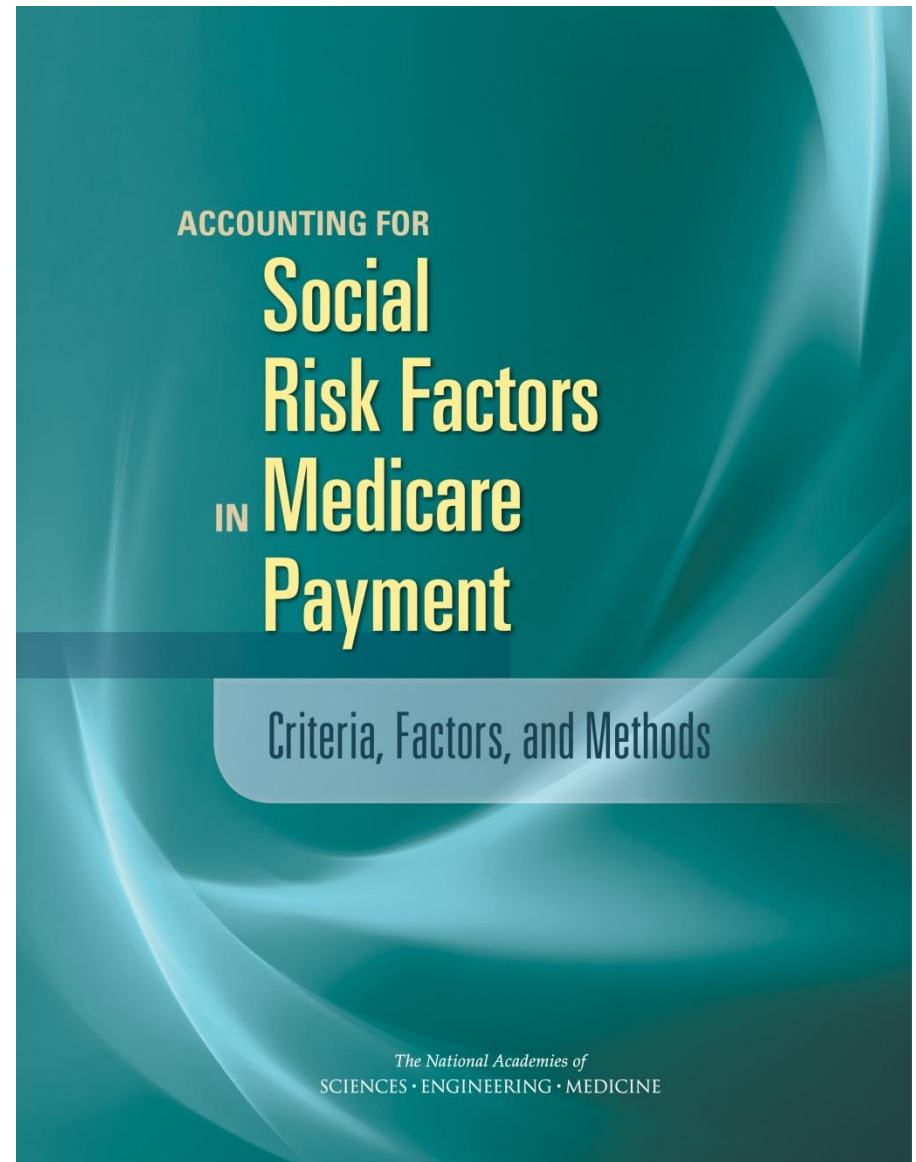
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Thank you!



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