Opportunities to Advance SDOH Efforts Through Pooled Funding

National Alliance to Impact the Social Determinants of Health

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EXECUTIVE SUMMARY

Although coordinated investments in SDOH have the potential to improve national wellbeing, we continue to observe underfunding of such efforts. Pooled funding is one mechanism that may be used to encourage collaboration and ensure that a broad array of sectors jointly fund and share in the benefits of SDOH investment. While interest in collaborative financing mechanisms grows, there are limitations on how public funding can be used in pooling arrangements. NASDOH is calling on the federal government to support collaborative SDOH investment and expand allowances for public fund pooling. We have made 5 recommendations that have the potential to improve community conditions and help Americans stay healthy, achieve wellbeing, and thrive economically in the long term.

About NASDOH

NASDOH is a non-partisan, multi-sector alliance of leading individuals and organizations working to build a common understanding of the importance of addressing SDOH as part of an overall approach to improving health outcomes. We recognize that addressing SDOH in a sustainable and successful way will take multisector partnerships that assess what individual communities need, find ways to deliver services, and seek sustainable financing. Please visit our website (http://www.nasdoh.org/) for more information.

INTRODUCTION

To achieve improvements in national wellbeing, we must address the social determinants of health, which include the social and economic factors that impact the conditions in which people live, learn, work, and play.[1,2] Investments in SDOH have the potential to help all people and communities become and stay healthy, achieve wellbeing, and thrive economically, thus alleviating pressure on the health system to treat preventable illness.

[1] Bradley EH, Elkins BR, Herrin J, Elbel B, "Health and social services expenditures: associations with health outcomes." BMJ Qual Saf 20(826-831), 2011.

[2] Taylor LA, Tan AX, Coyle CE, Ndumele C, Rogan E, Canavan M, et al., "Leveraging the Social Determinants of Health: What Works?" PLoS ONE 11(8), 2016.

Despite the potential benefits, there are structural considerations that lead to underinvestment in SDOH. A significant factor is the segmentation of funding streams in health and social services. Investment in addressing SDOH may yield large net benefits overall, but those benefits may not be fully realized by those currently asked to bear the up-front cost.[3,4] This disconnect between the source of investment and direction of benefit is described by Stuart Butler and others as a "wrong pockets" problem.[5] In health care, this problem is amplified by the fact that those who stand to realize financial returns on SDOH investments have constraints on financing such investments when they don't address a patient-specific, health-related need. By way of example, spending by a public health agency to improve community-level conditions may result in reductions in health care spending without returns to the public health agency to allow for other investments.

Overall, this not only leads to underinvestment, but inefficient approaches to solving broader social and economic problems as multiple agencies engage in isolated and sub-optimal solutions. For example, some health systems and insurers are already providing community-level investments that affect more than a single beneficiary. These discrete efforts are important; however, they are unlikely to be appropriately scaled to create the systemic changes needed to improve the community conditions that determine health.

Collaborative approaches, including multi-sectoral partnerships, have the potential to create shared incentives and drive coordinated SDOH investment. In these partnerships, the diverse sectors that impact or are impacted by SDOH collaborate and coordinate to influence the broad and interconnected array of factors that influence health. For example, the business/employer sector, which relies on a healthy and productive workforce, could be involved with the housing, transportation, education, health care, and other sectors in a multi-sectoral collaborative to address the social and economic conditions in a community. Achieving meaningful collaboration from these sectors can be challenging due to differing objectives, empowerment, and perspectives, and requires addressing both financing and governance issues. Since health care organizations not only stand to benefit from these investments, but also have important connections to individuals and families that are the focus of many SDOH interventions, they can play an important role both in building and funding partnerships. For example, many health systems and insurers provide case management or care management to their members. This work is typically led by registered nurses or licensed social workers who not only help patients navigate their health care, but also help connect them to critical social services, as described in more detail below.

Social Needs and Social Determinants

Driven in part by the shift towards value-based care, health care organizations increasingly recognize and seek to mitigate the impact of SDOH as part of a solution to improve health, boost wellbeing, and reduce overall health care cost. This has often meant addressing individuals' social needs; for example, health care

[3] Nichols LM, Taylor LA. "Social determinants as public goods: a new approach to financing key investments in healthy communities." Health Affairs 37(8), 2018.
[4] Butler S, Cabello M. "An antidote to the "wrong pockets" problem?" Urban Institute Blog. 2018. Available at: https://pfs.urban.org/pay-success/pfs-perspectives/antidote-wrong-pockets-problem.
[5] Butler S, Cabello M. "An antidote to the "wrong pockets" problem?" Urban Institute Blog. 2018. Available at: https://pfs.urban.org/pay-success/pfs-perspectives/antidote-wrong-pockets-problem.

providers and payers are addressing food insecurity, homelessness, and other social needs through bilateral partnerships with community-based organizations, or by offering services directly to the individuals they serve. These efforts are important and make a real difference for people and their families.[6] However, efforts by individual health providers or systems could better address the root cause of social needs (i.e., SDOH) through collaborative initiatives.

The further upstream the interventions come in – and therefore more fundamental they are to tackling SDOH – the less likely these interventions are to lie within the domain or capability of any single organization, which would realize the financial benefits of an investment or be solely responsible for achieving the broader health and social outcomes that result.

SOCIAL NEEDS: The immediate non-medical needs of an individual. Efforts to address social needs provide invaluable assistance to individuals – for example, providing food, housing, and transportation to a person or their family – but not the underlying economic or social conditions that lead to social needs.[7]

SOCIAL DETERMINANTS OF HEALTH: The conditions in the environments where people are born, grow, live, work, and age that affect health outcomes and risks; and the broader systems that shape those conditions, including social, political, and economic programs, and policies.[8] Efforts to address SDOH prioritize the underlying social and economic conditions in which people live, rather than the immediate needs of any one individual.[9]

FUND POOLING: AN OPPORTUNITY TO SUPPORT MULTI-SECTORAL COLLABORATION

Fund pooling is one solution to support multi-sectoral collaboration for SDOH and overcome the "wrong pockets" problem. "Pooling" is used generally to describe the aggregation of funding from disparate sources to reduce the financial barriers to spreading and scaling successful multi-sectoral models.[10] In the SDOH context, pooling acts as a mechanism to align incentives to collaborate across sectors – bringing together multiple pockets – and aggregate resources from different stakeholders and sectors over time. Unlike other forms of collaboration, where individual partners finance and execute their part of a coordinated strategy, pooling most often involves the transfer of resources to another entity.

[6] Castrucci, B., & Auerbach, J. (2019). Meeting individual social needs falls short of addressing social determinants of health. Health Affairs Blog, 10.

[7] Castrucci, B., & Auerbach, J. (2019). Meeting individual social needs falls short of addressing social determinants of health. Health Affairs Blog, 10.

[8] World Health Organization. (2008). Closing the gap in a generation: Health equity through action on the social determinants of health. World Health Organization.

[9] Castrucci, B., & Auerbach, J. (2019). Meeting individual social needs falls short of addressing social determinants of health. Health Affairs Blog, 10.

[10] Pool or Pooling can refer to blending or braiding approaches to aggregate funds from different sources, acknowledging that one approach may be more favorable than the other depending on the context. Braiding is used to describe aggregation of two funding streams, which maintains the constraints on those funds asserted by its original source, whereas blending aggregates sources into a single funding stream.

WHAT IS POOLED FUNDING?

POOLED FUNDING: A term used to describe the collection and combination of funding from multiple sources, which are "pooled" together in one organization for use in a common effort.

BLENDING: A type of fund pooling where resources are combined, allocated, and monitored together rather than by the funding source.

BRAIDING: A type of fund pooling where resources are coordinated, but are allocated and monitored exclusively by each funding source. Blending is, operationally, difficult to monitor and report on because it can be challenging to discretely identify the benefit of a single dollar in a larger project.[11,12]

Challenges to Pooling Funds

Fund pooling can be difficult to implement. Even when intentions and incentives are aligned and there is a willingness to jointly invest in SDOH, there are challenges to pooling funds from different sources, and particularly to combining public funds with those from any other sources (i.e., foundation and private funds). First, there are existing legislative or regulatory requirements on how and for what purpose public and foundation funds can be used. Restrictions may also exist on which entities are eligible to receive funding, which limits the ability to pool funding. For example, the Medicare program is authorized by statute to make financing available to pay for the health care needs of individual Medicare beneficiaries. Some have expressed concern that in a pooled funding arrangement, funding is only indirectly tied to an individual beneficiary, and therefore a statutory change would be required in order to allow Medicare funds to be pooled to address SDOH. Second, federal and state programs are organizationally compartmentalized and can suffer from their own "wrong pockets" problem, where strategic planning and budgeting are individual to each department. This structure makes it difficult to collaborate across the departments that impact SDOH (e.g., United States Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA), United States Department of Health and Human Services (HHS), and their state counterparts). Finally, public funding for significant upfront and sustained investment can be difficult for legislators to appropriate, but this it is often needed to establish pooled funding arrangements. Some of this need can be mitigated by private sector collaboration.[13]

[11] Urban Institute. (n.d.) Local Workforce Systems Guide: Blending and Braiding Funding. Available at: https://workforce.urban.org/strategy/blended-and-braided-funding#:~:text=Blended%20and%20braided%20funding%20both,on%20each%20source%20of%20funding

[12] Association of Government Accountants. (2014). Blended and Braided Funding: A Guide for Policy Makers and Practitioners. Available at: https://www.agacgfm.org/Intergov/More-Tools/Blended-and-Braided-Funding-A-Guide-for-Policy-Ma.aspx

[13] Butler S. "How private sector tools can enhance governmental cooperation" Real Clear Markets Blog. 2019. Available at: https://www.realclearmarkets.com/articles/2019/07/12/how_private_sector_tools_can_enhance_governmental_cooperation_103816.html.

There are also challenges related to managing and administering the funds once pooled. For funds to be used effectively, there must be an administrative infrastructure at the community level – sometimes called a "backbone organization" – that can bring diverse players together who may not have any experience collaborating, lead them to execute strategies that steer SDOH investments, and share in their benefits.[14] There is real momentum for developing and using collaborative approaches to address SDOH, and collaborative financing is also gaining traction (see inset for examples), but there is a dearth of organizations in communities that have the technical expertise to take on the responsibilities of a backbone organization. [15] More can be done to support the development of these organizations and to drive the changes that would allow them to pool funds.

APPROACHES TO POOL FUNDS TO SUPPORT MULTI-SECTORAL APPROACHES TO SDOH

Local Wellness Funds: "Wellness Funds" are locally controlled funds that facilitate the pooling of public and/or private funds, and are established to support efforts to improve community wellbeing and reduce health inequities. Wellness Funds support "Accountable Communities for Health" models.

Collaborative Approach to Public Good Investment (CAPGI) model: The CAPGI model was developed with the intent to overcome the disincentives to SDOH investment, and to demonstrate how properly governed, collaborative approaches to investing in SDOH interventions can drive sustainable solutions in communities.[16,17] The CAPGI model was tested for feasibility between June 2019 and May 2020 in 10 communities across the country that had demonstrated interest in investing in upstream efforts to address SDOH. The result from the one-year feasibility project indicated that CAPGI would be feasible enough for real communities to implement; the models originators note that while "CAPGI will not be a panacea for our upstream deficits… it can be a useful tool to simultaneously improve some aspects of community life and some stakeholders' bottom lines."[18]

OPPORTUNITIES TO ADVANCE SDOH EFFORTS THROUGH POOLED FUNDING

Moving from a system where funding is largely segmented in isolated streams toward more integrated solutions will need to be done in stages, and there is an opportunity for the federal government to take a significant leadership role in facilitating this shift. In federal health programs alone, the shift will be both conceptual and practical – existing program authorities largely require funding to relate to specific beneficiaries and diagnosed health conditions, with a relatively narrow band of organizations eligible to

[14] Kania, J., & Kramer, M. (2011). Collective Impact Stanford Social Innovation Review. Winter 2011. Palo Alto, CA.

[15] Nichols, L., Taylor, L., Hughes-Cromwick, P., Miller, G., Turner, A., Rhyan, C., & Hamrick, R. (2020, May 20). Collaborative Approach to Public Goods Investments (CAPGI) Feasibility Study: Final Report and Lessons Learned. Urban Institute. Available at: https://capgi.urban.org/index.php/lessons-learned/

[16] Nichols LM, Taylor LA. "Social determinants as public goods: a new approach to financing key investments in healthy communities." Health Affairs 37(8), 2018.

[17] The CAPGI model relies on the Vickrey-Clarke-Groves (VCG) auction, which works when two conditions exist: (1) operational local stakeholder coalitions, and (2) a "local 'trusted broker' that is financially neutral and that can convene," both of which are likely in communities seeking to improve SDOH and health outcomes. Key elements of VCG include a willingness from participating entities to pay a trusted broker only and if the intervention is economically feasible, the possibility that all participating entities would pay less than they are willing to pay and still collecting enough to pay for the intervention.

[18] Nichols, L., Taylor, L., Hughes-Cromwick, P., Miller, G., Turner, A., Rhyan, C., & Hamrick, R. (2020, August 13). Collaborative Approach To Public Goods Investments (CAPGI): Lessons Learned From A Feasibility Study. Health Affairs.

receive funding. In other federal programs, there is only limited authority to provide waivers and support demonstrations.

We propose a series of steps toward the goal of fully integrated, community-wide efforts where funding from multiple sources can be pooled and administered to address community-wide needs. We offer 6 recommendations to this effect and draw on NASDOH's collective expertise to inform appropriate guardrails so that public funds are used responsibly.

Recommendation 1: Accelerate efforts to enable existing federal health funding to be used in shared interventions addressing social needs and social determinants of health.

The US Department of Health and Human Services (HHS) is already a leader within the federal government in addressing the health-related social needs of people served by its programs; a full accounting of HHS SDOH activities is available on the NASDOH website (nasdoh.org).[19]

Recent HHS efforts include activity by the Centers for Medicaid and Medicaid (CMS) though the Center for Medicare and Medicaid Innovation (CMMI) in Medicare Advantage (MA) and Medicaid. For example, CMS uses its existing authority under CMMI to test a broad array of service delivery and payment approaches in Medicare and Medicaid programs that could increase choice, lower cost, and improve the quality of care for beneficiaries. This initiative includes testing models that allow for screening and referral for social need services. In the MA program, CMS has codified provisions allowing for special supplemental benefits for chronically ill beneficiaries to cover social need services. In the Medicaid program, states have been granted waivers to address key drivers of health outcomes, including housing, nutrition, transportation, and safety.

We believe that HHS can leverage its current authority and resources to support and advance multi-sectoral approaches to address SDOH at the community level. NASDOH recommends that HHS use its current authority and resources to support pooled funding for SDOH interventions, including by allowing such spending to be counted as medical spending under medical loss ratio (MLR) definitions, and by classifying organizations managing such multi-sectoral organizations as eligible entities. HHS can also evaluate whether legislative change could further this concept and help clarify the ways in which HHS-funded programs could be utilized. Allowing communities to pool funding from disparate sources would spread, scale, and sustain successful multi-sectoral approaches to address SDOH.

Recommendation 2: Allow the use of existing federal program funding to support the development of "backbone" organizations that can be trusted partners in pooling funding and administering initiatives.

Moving beyond federal health programs and toward more fully integrated, collaborative funding approaches will require an infrastructure at the community level that has the capacity, trust, and expertise to bring partners together and to execute shared investment strategies. These "backbone" organizations operate in the public interest and provide significant value by creating the infrastructure for health payers, foundations, and other stakeholders to work together and contribute to pooled funding approaches. Ideally, "backbone" organizations would:

[19] See HHS SDOH Activity here: http://www.nasdoh.org/hhs-sdoh-policy-activity/

- Be a state **or local collaborative of stakeholders**, which may include health system entities that bear financial risk for a selected population
- Be required to **include local public health entities** in governance
- Identify **attributable populations**
- Seek to **project the return on investment** for potential interventions
- **Pool public and private funds** to support community interventions and infrastructure
- Identify **potential community interventions and infrastructure needs** and manage payments to service providers
- Negotiate and **manage the distribution or further investment of shared savings**
- **Provide or oversee community interventions** that address the specific SDOH elements which impact individual medical conditions and needs

There is currently no predictable financing for the development of such organizations; however, federal funding could promote their development. To reach this goal, federal programs could identify or create new flexibility in existing funding streams (including health programs such as Medicaid and Medicare Advantage, along with public health, community development, and housing programs) to develop or support the organizations. Similarly, providing additional guidance to hospitals on the use of community benefit dollars could help focus resources on the development of these organizations. Federal programs will be primary beneficiaries of successful organizations, and therefore have an incentive to invest in their development.

Recommendation 3: Coordinate efforts across federal departments to collectively address SDOH, including through pooled funding arrangements, waivers, and additional program flexibilities.

There are opportunities to use flexibility and innovation across federal departments and agencies – notably those other than HHS – to address SDOH effectively. These include building in flexibility to allow funds from different federal funding streams to be used together to address the social and economic conditions that can improve health and wellbeing. One opportunity would be to develop a federal initiative that would allow program funds from federal departments with SDOH equities (e.g., HUD, USDA, and HHS) to be pooled together to address SDOH.

While this paper is focused primarily on avenues to use pooled funding to support multi-sectoral efforts, there are other governmental coordination opportunities that can complement and amplify the impact of multi-sectoral collaboration and pooled funding. As an example, more can be done at the federal level to promote greater standardization of eligibility for social services and income support programs. While many of the programs are administered at the state level, federal efforts can support states in smoothing eligibility processes, income

Performance Partnership Pilots (P3) was an effort led by the U.S. Department of Labor to allow state, local, and tribal entities to provide services to disconnected youth efficiently using various federal funding streams. Congress authorized the Performance Partnership Pilots for Disconnected Youth (P3) under the Consolidated Appropriations Act of 2014. The act sought to allow grantee organizations and their partners to pool funds from different federal discretionary funding streams. This initiative did not provide additional funding, but rather gave flexibility to pilot projects that would provide education, training and employment, or other social services, including interventions to improve health or social and emotional wellbeing.[20]

criteria, and methodology; over time, these efforts could support effective administration and evaluation of these distributed programs.

Recommendation 4: Encourage participation by Foundations, states, the private sector, and others in collective initiatives, pooling funding with federal programs to accelerate health, social, and economic gains.

Greater integration of publicly funded programs and the emergence of effective community organizations to manage shared initiatives can provide a mechanism for greater public-private collaboration on tackling SDOH. This could include organizations operating in the public interest seeking improved health or social outcomes (e.g., state governments, public charities, and philanthropies); private entities (e.g., large employers) that would invest in programs in exchange for a predictable value proposition related to their investment; or coalitions of business interests, which would capture economic dividends from business development that might come from expanded community investment.

HHS can encourage participation from health sector organizations by offering an expanded view of the medical loss ratio definitions and other regulatory or program guidance.

Recommendation 5: Safeguards and "guardrails" should be clearly established to ensure that public funds used in pooled arrangements meet the needs of those they are intended to serve and provide effective stewardship of public funds.

While pooled funding has the potential to advance community-level efforts to address SDOH, the effectiveness of these approaches will depend on how well they are managed and administered, and the extent to which they improve the benefits to the individuals and communities they are intended to serve. To ensure financial accountability and adherence to program goals, federal participants in pooled funding arrangements would need to develop clear guidelines ensuring:

- Financial accountability by the backbone organization receiving funding from federal programs
- Maintenance of benefits to individuals served by federal programs
- Plausible evidence that pooled investments will improve outcomes beyond what individual initiatives would have taken and require regular evaluation of efforts
- Backbone organizations are required to report how funds are used and submit to routine audits

Recommendation 6: Evaluate progress and expand evidence available to guide additional pooled funding initiatives.

For entities to be willing to make sustained pooled investments in SDOH interventions, the evidence base for effectiveness, along with a refined basis for allocating the costs and returns of such investments, will need to evolve. Implementation of the recommendations above should be done in a way that expands the evidence base by systematically documenting and evaluating impact. At the same time, more sophisticated methods for estimating these costs and returns can be supported by federal health and research agencies including AHRQ, CMS, and CDC.

[20] Hanno, E. S., Gionfriddo, B., & Rosenberg, L. (2020). Performance Partnership Pilots for Disconnected Youth (P3): Four Years After Initial Authorization.

CONCLUSION

Addressing SDOH is critically important and requires complex and thoughtful engagement across sectors and with communities. Communities across the nation are taking steps to deploy community-level interventions to address SDOH, and there are concentrated examples where communities are developing and testing approaches to coordinate disparate funding streams to their efforts over time. However, their efforts need support from all major funders of health-related programs, thus requiring governments to participate. NASDOH calls on federal stakeholders to support these efforts by creating efficiencies across their own programs and facilitating the use of public financing in tandem with private funds for broader impact. This cannot replace broader government efforts to address SDOH upstream, but it has the potential to complement and amplify the effects.

ABOUT NASDOH

The National Alliance to impact the Social Determinants of Health (NASDOH) is a group of stakeholders working to systematically and pragmatically build a common understanding of the importance of addressing social needs as part of an overall approach to health improvement and economic vitality of families and communities. The Alliance brings together health care, public health and social services expertise, local community experience, community-convening competence, business and financial insight, technology innovation, data and analytics competencies, and policy and advocacy acumen to assess and address current regulatory frameworks, funding environments and opportunities, and practical challenges to implementing and sustaining social determinants of health efforts.

We seek to make a material improvement in the health of individuals and communities and, through multi-sector partnerships within the national system of health, to advance holistic, value-based, person-centered health care that can successfully impact the social determinants of health. To learn more, visit us at NASDOH.org.

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