Benefits and considerations for Capitation and Fee for Service Payment Models

Carine Kilian – Senior Manager
PwC Healthcare Advisory

June 24 2018
My Dad
Fee for Service is a payment model where services are unbundled and paid for separately.
Capitation is the use of a fixed budget for the care of a population group, with providers working together to deliver services, which secure the outcome required.
Benefits of capitation

1. Providers receive a fixed payment regardless of whether services are rendered.

2. Payments are received before services are even rendered.
Pharmacies were issued with Capitation agreements

No control over which medication physicians would prescribe

For certain groups of patients, capitation programs have not been feasible (high cost patients)

Specific population groups would represent actuarial “outliers”.

If identified in advance, payers agreed to pay higher capitation rates or fee for service payments.

Global Reimbursement Models

Figure 1: Dominant funding models – selected countries

- Sweden
- New Zealand
- Netherlands
- Italy
- Singapore
- New Zealand
- Netherlands
- Italy
- Germany
- France
- England
- Denmark
- China
- Canada
- Australia
- Outcomes based funding
- Bundled payment
- Capitation funding
- Global budgets
- Fee for service
Global Reimbursement Models

Figure 1: Dominant funding models – selected countries

Source: adapted from the Commonwealth Fund ‘2015 International Profiles of Health Care Systems’
Why do we need to change?

We need outcome based healthcare transformation to secure the future sustainability of our healthcare system, in order to raise the quality levels and deliver the outcomes that matter to the patients.
Moving from the fee for services to outcome based

Fee for service model risks:
- Fragmented Healthcare
- Complicated Multifaced hospital episodes
- Pay for Service whether it has worked or not
- Pay for Service whether outcome is successful or not

Outcome based pharmaceutical contracts

- Herceptin for Breast cancer
- Herceptin for Gastric cancer
No one size fits all

It depends on the level of care

Depends on the health care system

Maturity on evaluation of outcome

Various factors that need to be considered
Conclusion

Figure 14: The future of risk management in one word

management, dynamic, effective, proactive, integrated, challenging, evolving, risk, value-adding, adaptive, strategic, collaborative, sustainable

Source: PwC, 2018 Risk In Review Study, Base: 1,258
Q. As you envision the future of your risk management function, please supply one adjective to describe that vision.
Thank you!

www.pwc.com/global-health

**Carine Kilian**  
PwC Healthcare and Life Sciences Advisory  
Senior Manager  
+27 82 418 8845  
carine.kilian@pwc.com