Benefits and considerations for Capitation and Fee for Service Payment Models

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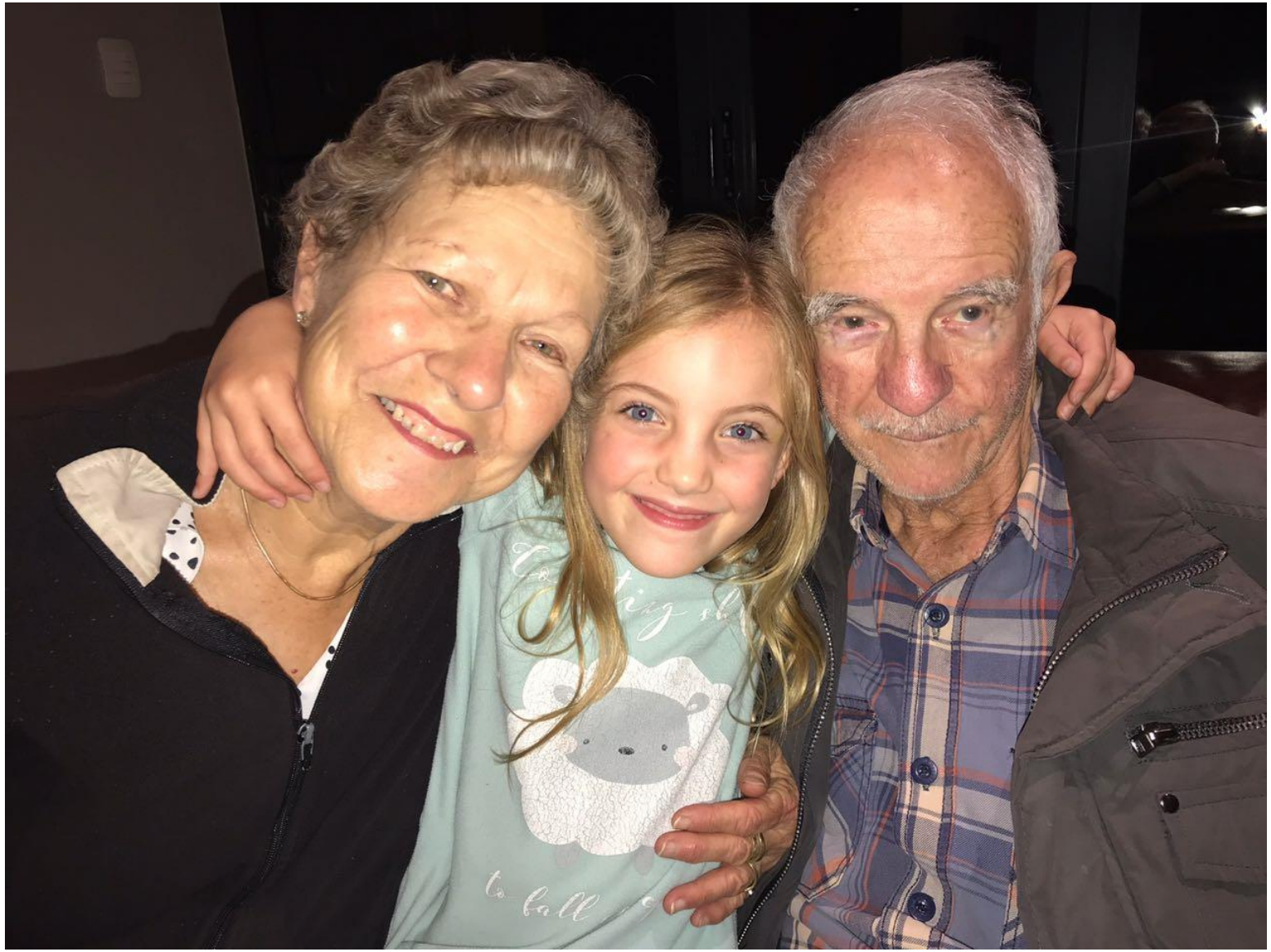
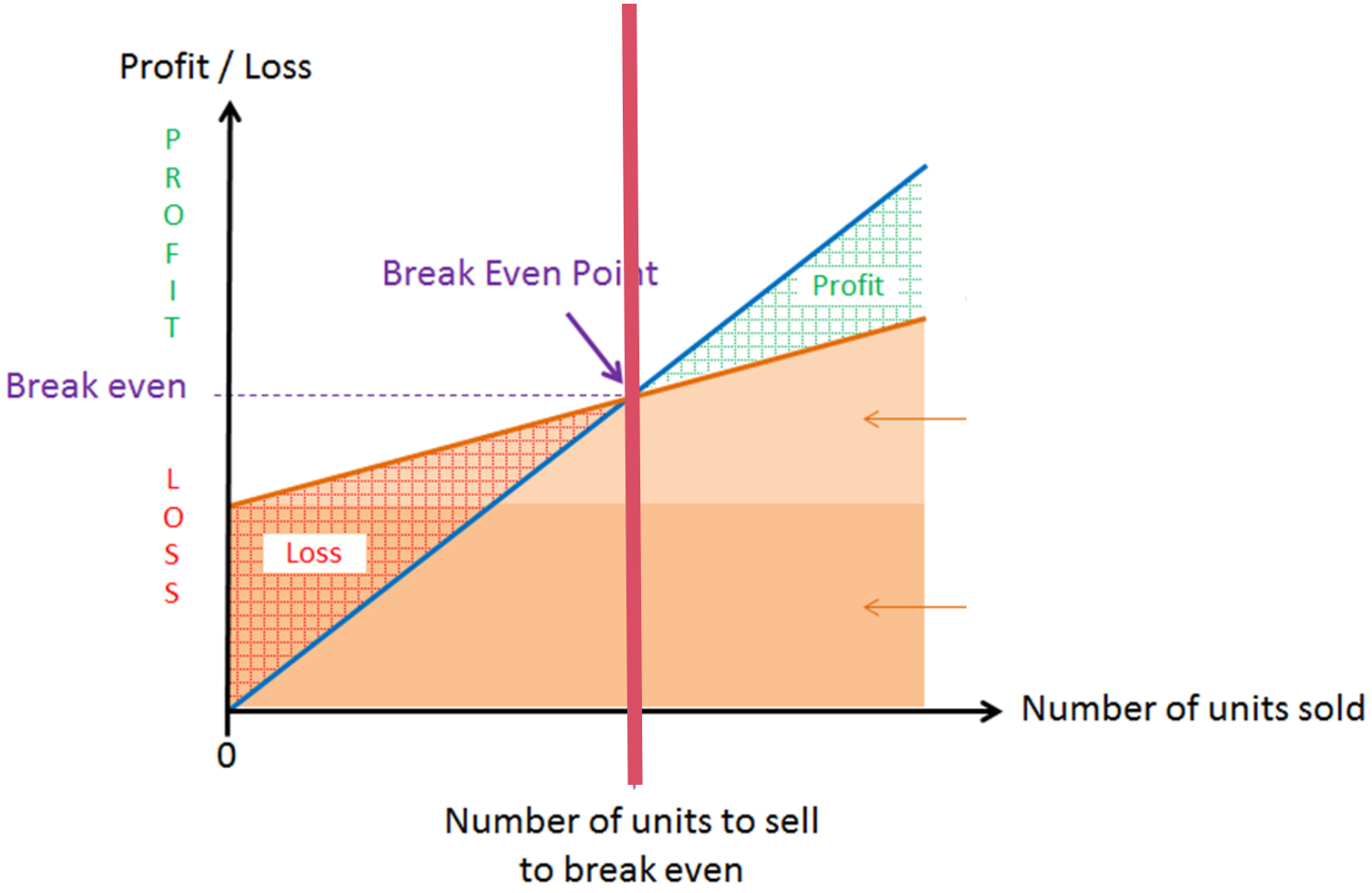
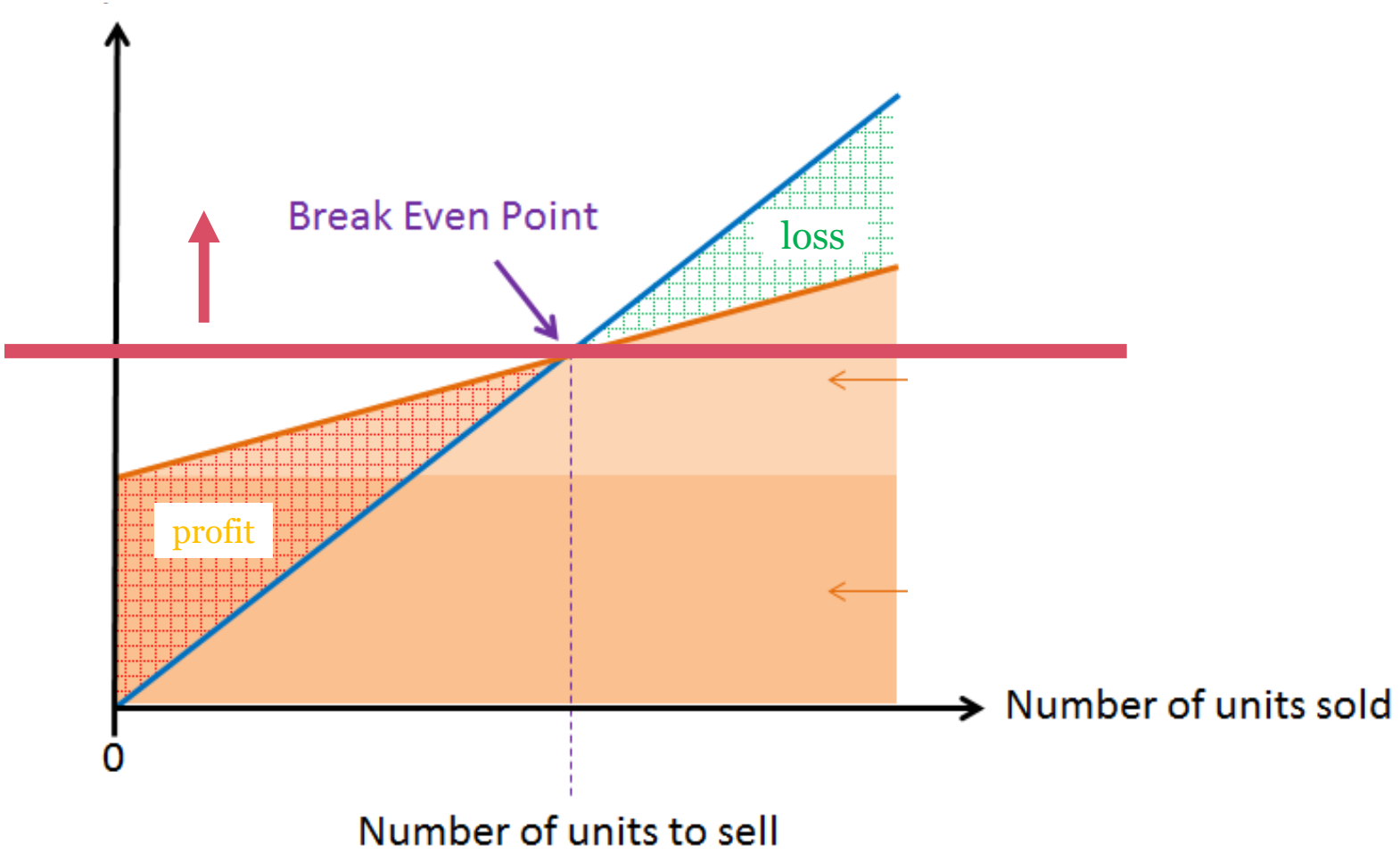
My Dad



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

Tennessee 1996: Capitation in Pharmacies implemented

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)

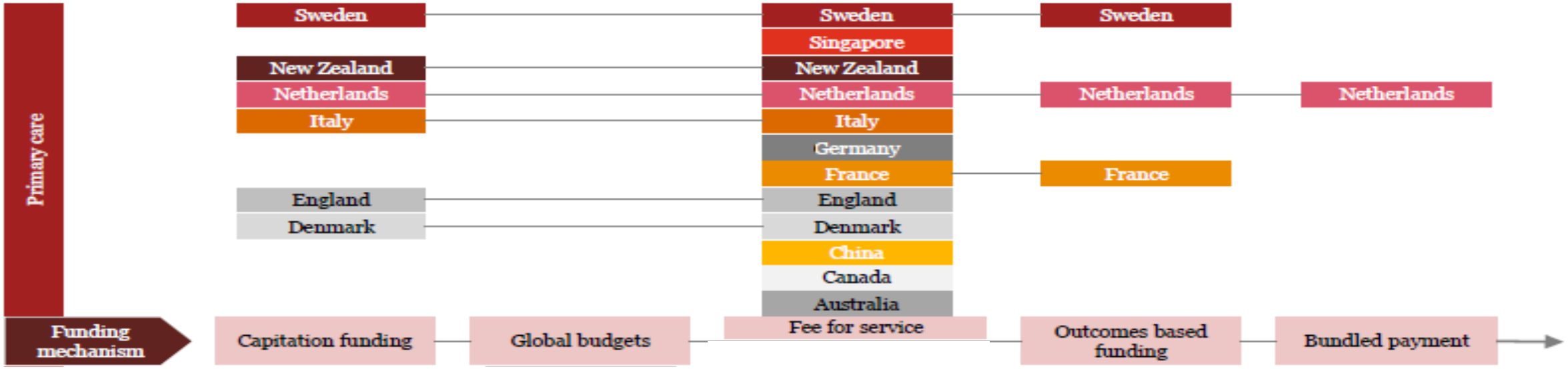
Specific population groups would represent actuarial “outliers”.

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

Source: Dan Malone 1996. Carve outs and Pharmacy: Fashion or Fad? *Journal of Managed care Pharmacy vol 2 no 4.*

Global Reimbursement Models

Figure 1: Dominant funding models – selected countries



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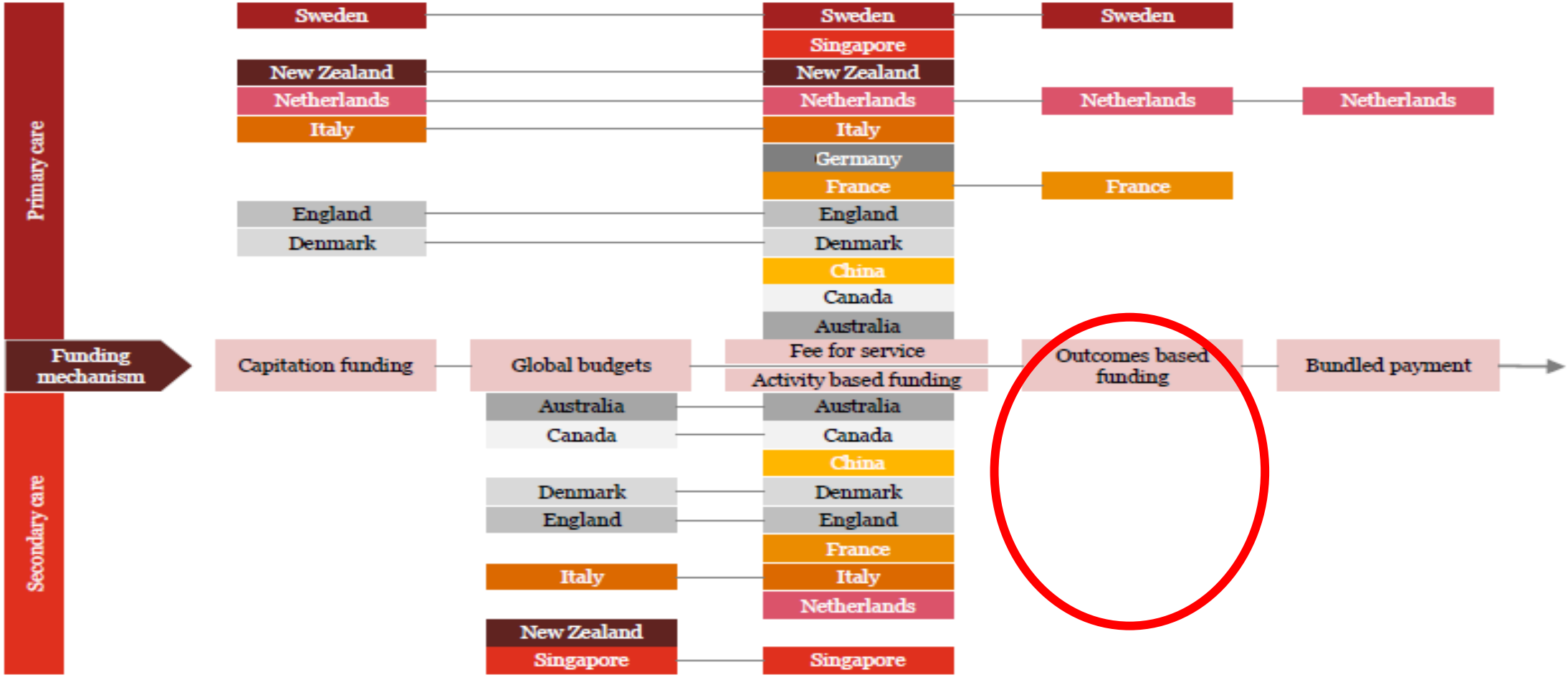


Source: adapted from the Commonwealth Fund '2015 International Profiles of Health Care Systems'
http://www.commonwealthfund.org/~/media/files/publications/fund-report/2016/jan/1857_mossialos_intl_profiles_2015_v7.pdf

Health care Trends

Customer behaviour	*Changing workforce*	*Focus more on wellness and prevention*	*Increased cost of treatment*	*Shifts in healthcare delivery*
The changing role of the consumer **Consumer is becoming the primary decision maker in their healthcare**	**Integrated healthcare teams lead by primary doctors** Robots, Artificial intelligence and technology incorporated into the healthcare	**Focus on wellness and prevention.** **Gene editing to eliminate diseases**	**Genomic profiling to target diseases** **Biologicals and biosimilars.**	**Measurements based on patient outcomes.**

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

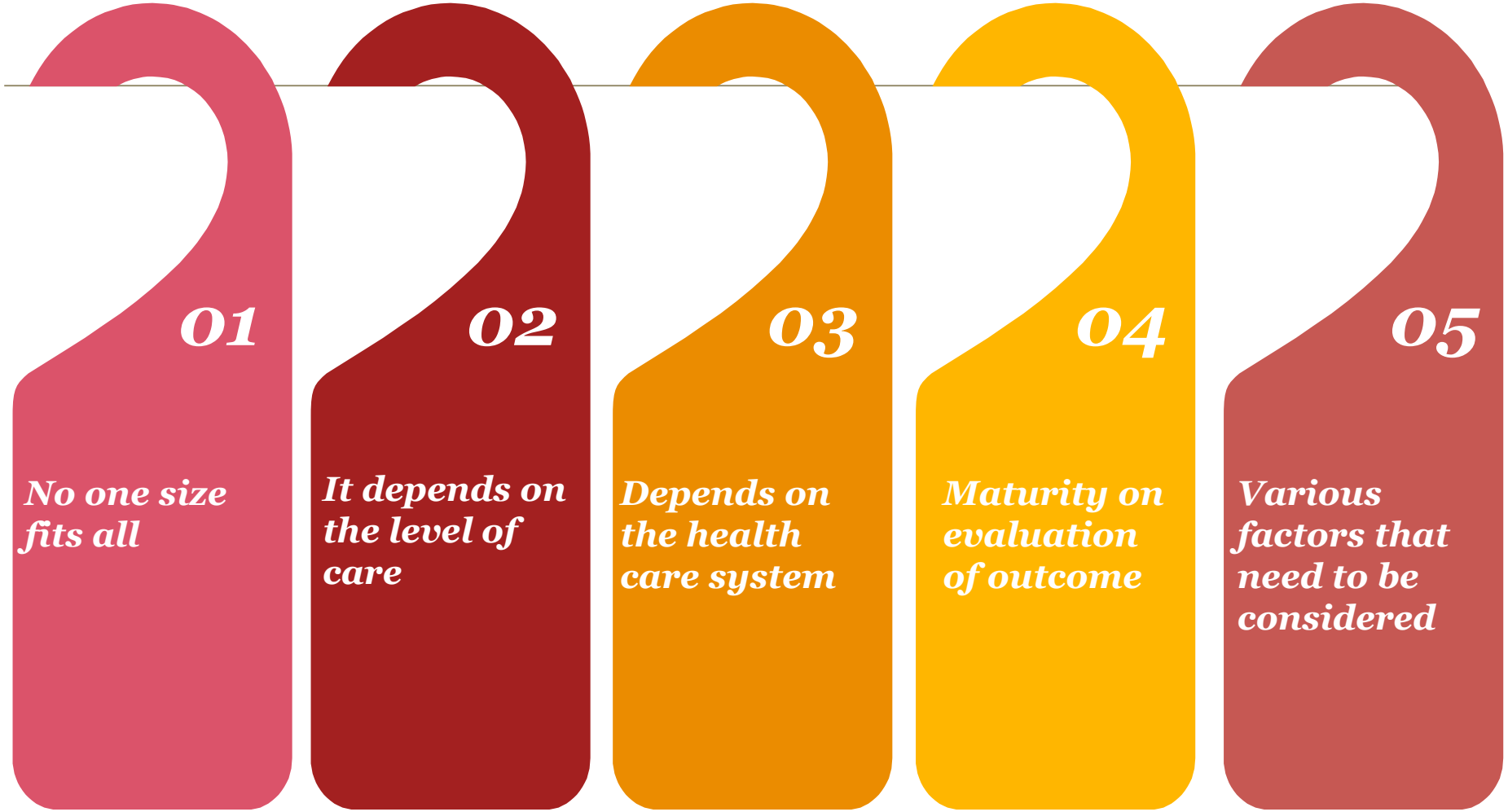
Fee for service model risks:

- **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

So What?


01
No one size fits all
02
It depends on the level of care
03
Depends on the health care system
04
Maturity on evaluation of outcome
05
Various factors that need to be considered

Conclusion

Figure 14: The future of risk management in one word

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!

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