# Healthcare Foundations

## Capitation, Commissions

Learning Services

# Agenda

- Capitation
- Commissions

# Capitation

# Capitation

Capitation is a payment arrangement for Healthcare service providers such as physicians, physician assistants or nurse practitioners.

It pays a physician or group of physicians a set amount for each enrolled person assigned to them, per period of time, whether or not that person seeks care.

Most commonly, a capitated provider is paid on a **per member per month (PMPM)** basis.

# Capitation - Types

| | |
|---|---|
| **Primary Capitation** | • a relationship between a Managed Care Organization(MCO) and Primary Care Physician(PCP), in which the PCP is paid directly by the MCO for those enrolled members who have selected the physician as their provider. |
| **Secondary Capitation** | • a relationship arranged by the MCO between a PCP and a secondary or specialist provider such as an X-ray facility or ancillary facility such as a durable medical equipment supplier is also paid capitation based on that PCP's enrolled membership |
| **Global Capitation** | • a relationship based on a provider who provides services and is reimbursed per-member per month (PMPM) for the entire network population |

# Capitation Care

Providers who work under such plans focus on preventive health care, as there is a greater financial reward in the prevention of illness than in the treatment of ill.

Such plans divert providers from the use of expensive treatment options.

Most capitation payment plans for primary care service includes

- Preventive, diagnostic and treatment services
- Injections, immunizations, medications
- Outpatient lab tests
- Health Education and Counseling services
- Routine Vision and Hearing screening

# Capitation - Risk Sharing

Under Fee For Service, a provider assumes no risk. If insureds need more services that expected, the provider delivers them and is paid for them. Under capitation, providers do bear risk.

If members need few or no services, a provider will have to do little for the capitation payment. But if the member need a lot of care, provider will have to deliver many services and will not be paid any more.

This risk-sharing gives capitated providers a strong **incentive** to avoid **unnecessary services** and control costs.

Promotes healthcare quality as well, because physicians also have a strong incentive to promote prevention and wellness

# Commission

# Commissions

Health insurance brokers are paid commissions from health insurance companies.

Why ?

- The Brokers guide the employer through the process of selecting the health insurance options for the employees.
- They provide quotes, information about various plans and enrollment assistance at no direct costs. The cost for the brokers are paid by the Insurance companies as commission.
- The commissions are paid come out of the monthly premium the member/employer pay for the health insurance

# Commissions – Contd..

The Affordable  Care Act requires that the insurance companies spend at least 80 percent of the money from the health insurance premiums on health care costs.

The remaining 20 percent can be spent on administrative costs, marketing and other expenses, like broker commissions.

Most insurers pay brokers a set percentage of premium paid, however some pay a flat fee per policy holder.

Ex: A Insurance company might pay a broker $10 per new enrollment and $6 for each renewal.

# Thank you