Overview of Global Payment

Presentation to the Massachusetts Special Commission on the Health Care Payment System

March 13, 2009

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What Are Global Payments?

- Payment bundled at the patient level
- Payment per patient for all contracted services over the contract period
- Payment does not vary with the amount of services provided
Global Payments Put Providers At Risk

- For the occurrence of service need
- For the amount of services provided
- For the cost of services provided

...although health plans have developed a number of ways to limit the risk they transfer to providers.
Intended Provider Incentives

- Contain costs by reducing use of unnecessary services
- Encourage efficient integration and coordination of health care services
- Potentially improve quality via coordination of care because
  - Providers believe quality improvement is cost-effective, or
  - In response to additional incentives (e.g., P4P)
Other Provider Incentives

- Avoid predictably high-cost patients
- Consolidate into larger organizations, in order to
  - Reduce the per-patient cost of care coordination, especially when contract covers services in multiple settings
  - Manage provider risk by reducing the financial impact of unusually high-cost patients
Evidence of Impacts

- Research on short-term effects is inconclusive
  - Coincides with the growth of managed care in the ‘80s and ‘90s
  - Different research questions, data, and methods

- Long-term effects are unknown

- Anecdotal evidence that provider organizations could not integrate services across settings to control cost
NAIC Concerns About “Downstream Risk”

- Providers engaged in the business of insurance
- State oversight of insurance practices, reserves, and solvency
  - What is the financial condition of medical groups under the contract?
  - Should states require financial disclosure by contracting providers?
  - Public financial disclosure? What impacts on providers’ ability to negotiate with payers?
Payer Methods to Reduce Provider Risk

- Risk adjustment – payment rate varied for patient characteristics
- Blended capitation – allows for local variation in cost and provider practices
- Stop loss – limits providers' potential loss per patient
- Reinsurance – reduces provider loss, but providers retain a percentage of cost
- Partial capitation – global payment only for more predictable service need and use (e.g., primary care)
- Risk corridors – limits providers' upside and downside risk
Complexities of Administration

- Methods of limiting provider risk are complex to develop and update.

- Incentives to maintain and improve quality and efficiency are complex to develop and administer.
  - Blended capitation rates embed cost and practice targets.
  - Overall payments may incorporate additional payments for performance.