BHA-FPX4009 Assessment 1: Reimbursement Models

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Program Name or Degree Name (e.g., Bachelor of Science in Psychology), University

COURSE XXX: Title of Course

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MEMO

To:

From:

Date:

Subject: Reimbursement Models in Healthcare (BHA-FPX4009 -Assessment 1)

Traditional Payment Methods

1. Capitation

This model of payment is an arrangement between healthcare providers and health insurance firms to make fixed and pre-arranged payments periodically, usually monthly. In this arrangement, physicians or hospitals receive these fixed payments per patient with a health plan (Hun et al., 2017). The payments are calculated one year in advance and paid in 12 equal monthly installments. Also, the monthly payments are fixed and do not change, no matter how often a service is offered to a patient.

The disadvantage of capitation is that it focuses on enrolling as many patients as they can so that they get money. In simple terms, the more patients a doctor has under this scheme, the more money they get from insurance firms (Tang, & Guite, 2017). The disadvantage is that doctors spend very little time on patients because the more patients they attend, the more money they get. Like the fee-for-service system, the capitation system does not emphasize quality of care because physicians and hospitals care most about making money.

2. Pay-for-Performance

This is a system of payment in the healthcare sector where care providers are compensated based on the quality of their performance. In this arrangement, employees are given

a set of metrics and pre-specified performance targets that they must meet (Haarsager et al., 2018). Employers pay employees based on how they score against these metrics. The higher the score, the higher the incentives for an employee. Pay-for-performance is value-based care because payment is based on achieving the set quality metrics.

3. Resource-Based Relative Value Scale or Case-Based

Resource-Based Relative Value Scale-RBRV is a model of payment in health care that determines how much money doctors should be paid based on the measure of their work. The measure of work is expressed in terms of RVUs-relative value units. Thus, the higher the amount of RVUs, the bigger the payment a caregiver gets (Laugesen et al., 2018). Under these systems, payment to caregivers is determined by three primary components: the amount of work, the physician's experience, and a physician's professional liability insurance (Shin et al., 2017). The payment calculation is done by multiplying the total cost of a service and the conversion factor and then adjusting the costs based on the geographical location.

Current Trends in Health Care Payment

1. Value-based reimbursement model

Value-based reimbursement- VBR is a healthcare payment model that advocates for delivering high-quality care at the lowest cost. In this system, physicians are rewarded for the quality of service they provide patients/customers (Garrison & Towse, 2017). In some cases, physicians get disciplinary actions against them for not meeting set expectations.

Comparison of Models

There are two types of VBR in practice. The one-sided VBR model is a model that rewards healthcare givers for achieving targets and meeting expectations. The two-sided model of VBR awards physicians and other caregivers for meeting expectations while punishing them if

they fail to meet targets (Doss, 2018). The VBR approach runs on the analogy of low costs and high-quality services. This means that patients pay the lowest costs possible and get the highest quality services. Some common payment models under VBP include pay-for-performance and alternative payment methods that promote the analogy of costs/high-quality care.

References

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