

Healthcare Alert

RECENT & FUTURE TOPICS

1.2

ADMINISTRATION OF MEDICARE DENIALS

Changes in Medicare payment processing procedures could affect your bottom line.

1.3

EQUIPMENT FINANCING ALTERNATIVES

Issues faced when procuring equipment for your practice.

1.5

PROFESSIONAL COURTESIES AND DISCOUNTS

Extending professional courtesies or discounts to patients can be a costly gesture if not properly documented. Learn the pitfalls.

1.6

Physician Compensation Models

Establishing and implementing a successful plan.

written by Mark A. Manzi, CPA

CAPITATION ARRANGEMENTS: SHARING THE RISKS

SOME CARRIERS ARE WILLING TO **SHARE** THE RISKS OF CAPITATED REIMBURSEMENT PLANS, YET FEW PRACTITIONERS TAKE ADVANTAGE OF THIS FINANCIAL BENEFIT.

Our geographic service area has seen the implementation of capitated contract arrangements on a somewhat limited basis to this point. However, there are several carriers looking to expand the use of these arrangements to specific specialties to attempt further cost containment. Before you are approached by a carrier, it is important to understand these arrangements, assess and identify the risks prior to commitment and have the ability to evaluate your outcome to make revisions.

Under capitation, a provider (physicians or hospitals) agrees to accept a specified amount paid systematically in advance, referred to as the per member per month rate ("pmpm"), in exchange for a group of specified health services for a group of patients regardless of the frequency or complexity of services provided. In addition, these arrangements are for a specified period of time, such as a year.

The pmpm may be fixed for all covered lives or the arrangement may identify different pmpm rates depending on the gender or age of the member. These rates are based on the actuarial projected medical utilization of the paneled members.

Under these circumstances the provider of service may be at financial risk if the costs of providing the specified health services exceed the capitated payments received on a

monthly basis. This is commonly known as risk shifting.

We believe, given the status of our health care system, that risk sharing is more appropriate. This is accomplished by including a "stop loss" provision in the capitated contract. A stop loss provision is a means to limiting the providers' financial risk by establishing a pre-determined limit. It should be designed so that the pre-determined limit is defined by use of an objective reimbursement level that is easily identified. In addition, it may be appropriate to consider "carving out" certain services from the specified health services, which would then be reimbursed on a discounted contract rate.

Having the ability to assess your utilization and evaluate its financial results is critical in maintaining and managing these arrangements. Our firm has specific expertise in this area. Please contact us to discuss our services.



Manzi, Pino and Company, PC
Certified Public Accountants

1895 Walt Whitman Road
Melville, NY 11747
(631) 420-5620