On financing models: incentives or disincentives for integrated care

15th International Conference for Integrated Care, Edinburgh 2015
Dr Jorid Kalseth, Senior Researcher, SINTEF Technology and Society, Norway

and Frida Kasteng¹, Liesbeth Borgermans², Yannick Marchal²
¹SINTEF Technology and Society, Norway
²Vrije Universiteit Brussels, Belgium
Presentation outline

Objective: overview of main financial models conducive to integrated care identified in the literature.

- Financial models
  - Provider payment mechanisms
    - Service bundling (from activity to population based payment): *Overcome provider reimbursement systems that fragments care provision and creates inflexibilities in resource reallocation*
    - Financial incentives (performance based and direct payment): *Incentivise provider cooperation and align incentives to common goals for outcomes, quality and costs*
  - Resource integration mechanisms
    - *Overcome budget silos (e.g. across health and social care sectors)*

- A continuum of options for financial integration: Refine vs reform system
## Provider payment mechanisms

### Bundling
(grouping services together into a single-price bundle)

<table>
<thead>
<tr>
<th>Fee-For-Service</th>
<th>Per Case payment</th>
<th>Per Episode payment</th>
<th>Per Condition payment</th>
<th>Per Patient payment</th>
<th>Population based payment*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment</td>
<td>+ Maintenance</td>
<td>+ Prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Unbundled

- Payment linked to
  - Utilization
  - Care-coordination & allocative efficiency
  - Cost control

### Bundled

- Population
  - Underuse
  - Flexible

- Provider
  - Fixed payment
  - Cost control

*Capitation or Global budgets
**Financial incentives** (Direct payment, bonuses and penalties related to quality and costs)

- **Fee-For-Service**
- **Per Case payment**
- **Per Episode payment**
- **Per Condition payment**
- **Per Patient payment**
- **Population based payment**

**Unbundled**
- Activity
- Overuse
- Inflexible
- Variable payment
- Financial risk: Payer

**Bundled**
- Population
- Underuse
- Flexible
- Fixed payment
- Financial risk: Provider

**Direct payment**
- e.g. Pay for coordination (P4C), Cross-charging

**financial rewards or sanctions directed towards improving quality of care**: Health outcomes, processes, structures, patient experiences, efficiency
**Financial incentives** (Direct payment, bonuses and penalties related to quality and costs)

- Fee-For-Service
- Per Case payment
- Per Episode payment
- Per Condition payment
- Per Patient payment
- Population based payment*  

* Capitation or Global budgets

**Provider payment mechanisms**

- Pay for performance (P4P)**

- Unbundled Activity
- Overuse
- Inflexible Variable payment
- Financial risk: Payer

- Bundled Population
- Underuse
- Flexible
- Fixed payment
- Financial risk: Provider

** financial rewards or sanctions directed towards improving quality of care measured by: structures, processes, patient experiences, health outcomes, efficiency
Provider payment mechanisms

Financial incentives (Direct payment, bonuses and penalties related to quality and costs)

Fee-For-Service
Per Case payment
Per Episode payment
Per Condition payment
Per Patient payment
Population based payment*

Treatment + Maintenance + Prevention

Unbundled
Activity
Overuse
Inflexible
Variable payment
Financial risk: Payer

Bundled
Population
Underuse
Flexible
Fixed payment
Financial risk: Provider

Gain/risk sharing (shared savings)

* Capitation or Global budgets

Fee - For - Service
Per Case payment
Per Episode payment
Per Condition payment
Per Patient payment
Population based payment

* Capitation or Global budgets

Gain/risk sharing (shared savings)
Provider payment mechanisms

Financial incentives (Direct payment, bonuses and penalties related to quality and costs)

<table>
<thead>
<tr>
<th>Fee-For-Service</th>
<th>Per Case payment</th>
<th>Per Episode payment</th>
<th>Per Condition payment</th>
<th>Per Patient payment</th>
<th>Population based payment*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unbundled</td>
<td>Activity</td>
<td>Overuse</td>
<td>Inflexible</td>
<td>Variable payment</td>
<td>Financial risk: Payer</td>
</tr>
<tr>
<td>Direct payment</td>
<td>Pay for performance (P4P)**</td>
<td>Pay for performance (P4P)**</td>
<td>Gain/risk sharing (shared savings)</td>
<td>Value based payment</td>
<td></td>
</tr>
<tr>
<td>e.g. Pay for coordination (P4C), Cross-charging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Capitation or Global budgets

<table>
<thead>
<tr>
<th>Treatment</th>
<th>+ Maintenance</th>
<th>+ Prevention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundled</td>
<td>Population</td>
<td>Underuse</td>
</tr>
<tr>
<td>Flexible</td>
<td>Fixed payment</td>
<td>Treatment</td>
</tr>
<tr>
<td>Financial risk: Provider</td>
<td></td>
<td>Maintenance</td>
</tr>
<tr>
<td>Prevention</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Resource integration mechanisms

- Common vision & objectives
- Co-ordinate commissioning* based on common strategy
- Pool funds
- Integrate management
- One organisation

* The process of securing services; planning, agreeing/purchasing and monitoring services.
A continuum of options for financial integration:

Refine vs reform system

- Align incentives
  - Common vision & objectives
- Increase (joint) provider accountability
  - Coordinate services delivery
- Integrated comprehensive care
  - Assuming responsibility for the health of defined populations

Payment bundling / resource integration:
- Low
- High

Provider Integration / Capability to assume accountability for outcomes and total costs:
- Low
- High
One size does not fit all!

Thank you!

jorid.kalseth@sintef.no