Getting global fees right

There is some controversy about alternative reimbursement models in the commercial healthcare industry. Global fees contracts - where a single payment is made to a healthcare team to cover all costs including hospitals, either monthly, or for a defined episode of care such as hip surgery - have attracted most of the attention.

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Global fees address various problems with the current fee-for-service model by shifting medical care emphasis towards preventative, outcomes-based care, rather just for the type and number of services rendered. They also promote teamwork, which enable clinicians to better follow complex clinical protocols that deliver good outcomes.

However, the current formulations put forward by schemes are not popular with professional medical bodies because they violate some basic principles. The Health Professionals Council of South Africa has urged practitioners not to enter into any alternative fee arrangements while this is being resolved.

The critique of the current models is that they can compromise patient care by encouraging ‘cutting corners’ to save money because they contain no balancing rewards for good outcomes.

They also undermine clinician autonomy; “These models require clinicians to enter into contracts with corporates, including hospital groups. Clinicians do not have the financial capital to take on the risk associated with all the services in a global fee. A lone clinician enters such an agreement effectively as a subordinate, not as an equal partner,” says Dr Brian Ruff, a

health systems expert and co-founder of PPO Serve, an integrated healthcare management company.

“We need to move away from the ‘fee for service’ model – it incentivises over-servicing and has no accountability to patients. As it is billable only by single clinicians and not organised teams, it fragments the delivery of care. These problems are contributing to the affordability crisis and escalating scheme premiums," he says.

Value fee contract

Ruff’s solution is the creation of a new fee structure – the ‘value fee contract’, which serves the interests of patients, clinicians and funders, and is based on clear principles. There are two components; a professional team fee and a value-add fee; “Clinicians bill collectively for their services from their independently owned multidisciplinary teams. These professional team fees cannot contain financial risk because clinicians don’t have financial reserves. The value component is based on measures that include both patient satisfaction and clinical outcomes.”

The base professional fee reflects the enrolled patient risk profile (the severity of their conditions), the multidisciplinary professional input required and management costs. The value-linked ‘add-on’ is like a hotel star rating system. Consistently high performing teams in terms of patient satisfaction, outcomes and cost management can bill higher fees.

Value based fees can be monthly for populations or for a defined episode of care such as a hip joint replacement or maternity care.

To assist clinicians to form these commercial clinical teams and enter value-based contracts with schemes, Ruff and Riedwaan Jabaar founded PPO Serve in 2015. “The PPO Serve model produces accountability within an autonomous framework. It uses a reimbursement structure that takes patient severity, quality outcomes and cost in to account,” he says.

Alternatives to the current set-up are necessary and over-due; ”it’s important to get new structures right,” says Ruff. ”Innovative solutions are leading the way and aligning the interests of service providers and funders.”