

Accepted Manuscript

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PII: S0167-6296(17)30432-0

DOI: <https://doi.org/10.1016/j.jhealeco.2018.03.002>

Reference: JHE 2110

To appear in: *Journal of Health Economics*

Received date: 9-5-2017

Revised date: 8-12-2017

Accepted date: 19-3-2018



Please cite this article as: Zhang, Xue, Sweetman, Arthur, Blended capitation and incentives: Fee codes inside and outside the capitated basket. *Journal of Health Economics* <https://doi.org/10.1016/j.jhealeco.2018.03.002>

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Blended capitation and incentives: Fee codes inside and outside the capitated basket

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Highlights

- Primary care physicians' within-practice billings adjust with blended capitation
- Fee-for-service (FFS) to blended capitation-FFS payment model shift incentivizes FFS
- Patients experience 9-14% reduction in capitated services from rostering physicians
- Patients experience 10-22% increases in FFS services from rostering physicians
- Non-rostering physicians are affected, consistent with improved continuity of care

Abstract. Blended capitation physician payment models incorporating fee-for-service (FFS), pay-for-performance and/or other payment elements seek to avoid the extremes of both FFS and capitation. However, evidence is limited regarding physicians' responses to blended models, and potential shifts in service provision across payment categories within the practice. We examine the switch from FFS to a blended capitation-FFS model for primary care physicians in group practice. From their rostering physician the empirical analysis shows patients experiencing 9-14% reductions in capitated services and simultaneous increases of 10-22% in FFS services. Unusually, our data permit changes among non-rostering physicians to be observed. Other physicians within the rostering group reduce the provision of capitated fee codes, with no net change in FFS services. All other physicians in the jurisdiction reduce both capitated and FFS services, which is consistent with patients concentrating their primary care with one provider as a result of capitation.

Key Words: fee-for-service, capitation, primary care, physician payment model

JEL Classification: I11, I18

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