

FIGURE 11.10
Pricing
Structures for
Healthcare
Contracts

Level	Structure	Example	Risk	Integration
1	Fee-for-service/ Charges	Cash payments, traditional and catastrophic health insurance	None beyond normal business risks	Traditional physician- hospital relationship
2	Negotiated fees and charges for individual items of service	PPO contracts, some traditional Blue Cross and Blue Shield contracts	Normal business risks plus constraints imposed by contract limits	Traditional physician- hospital relationship
3	Fees and charges for episodes of care negotiated separately between institution and physicians	DRGs, APC*, some traditional Blue Cross and Blue Shield contracts	Institution is at risk for the unit costs of services and quantities of services ordered by physicians within the episode Physician has no additional risk	Institution must gain physician cooperation to meet its risk
4	Fees and charges for episodes of care negotiated jointly between institution and physicians	Global fees: Single price contracts for discrete episodes of care such as cardiovascular surgery or chemotherapy	Both physician and institution at risk for the cost of the episode	Demands physician- institution collaboration on cost per episode
5	Fees and charges negotiated jointly and subject to a group incentive	HMO contracts with penalties or bonuses for meeting utilization targets	Physician and institution at limited risk for the cost and appropriateness of care	Demands physician- institution collaboration on cost per episode, utilization, and disease incidence
6	Capitation	HMO contracts independent of disease incidence or actual costs of treatment	Physician and institution at unlimited risk for the cost of the episode and appropriateness of care	Demands physician- institution collaboration on cost per episode, utilization, and disease incidence

* Ambulatory patient classifications