

## **Global payments**

Global payments, another payment reform option, compensate providers for all the care needed by a patient over a period of time, such as a year, including hospital, physician, ancillary and prescription treatments. Provider rates do not change if a patient is admitted to the hospital. Global payments are based on estimates of prior cost experience and future risk for each patient's conditions. Patient socioeconomic information can also be included in setting global payment rates. Global payment systems give providers financial incentives to keep patients healthy and provide the most efficient care possible. Providers also have an incentive to coordinate care to reduce duplications and improve quality. It is estimated that 20% of commercial health care payments in Massachusetts are currently made in a global payment system.<sup>i</sup>

Concerns have been raised that global payments are a return to older forms of capitation that have largely been abandoned because they gave providers a financial incentive to inappropriately limit care. Architects of these new plans emphasize that with appropriate protections, many of which were not available ten or fifteen years ago, those problems can be avoided. The protections focus on risk adjustment and quality incentives. Risk adjustment methodologies modify rates to reflect patients' medical conditions and the likelihood of illness and future health costs. Unpredictable illness or health costs, such as an automobile accident, are not included in the global payment and are covered by an insurer. Risk adjustment removes incentives for providers to "cherry pick", to preferentially enroll healthy patients and avoid those with higher health care needs. Proponents of global payments have included significant subsidies for quality, such as pay for performance, in the system's design.

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<sup>i</sup> Recommendations of the Special Commission on the Health Care Payment System, State of Massachusetts, July 16, 2009.