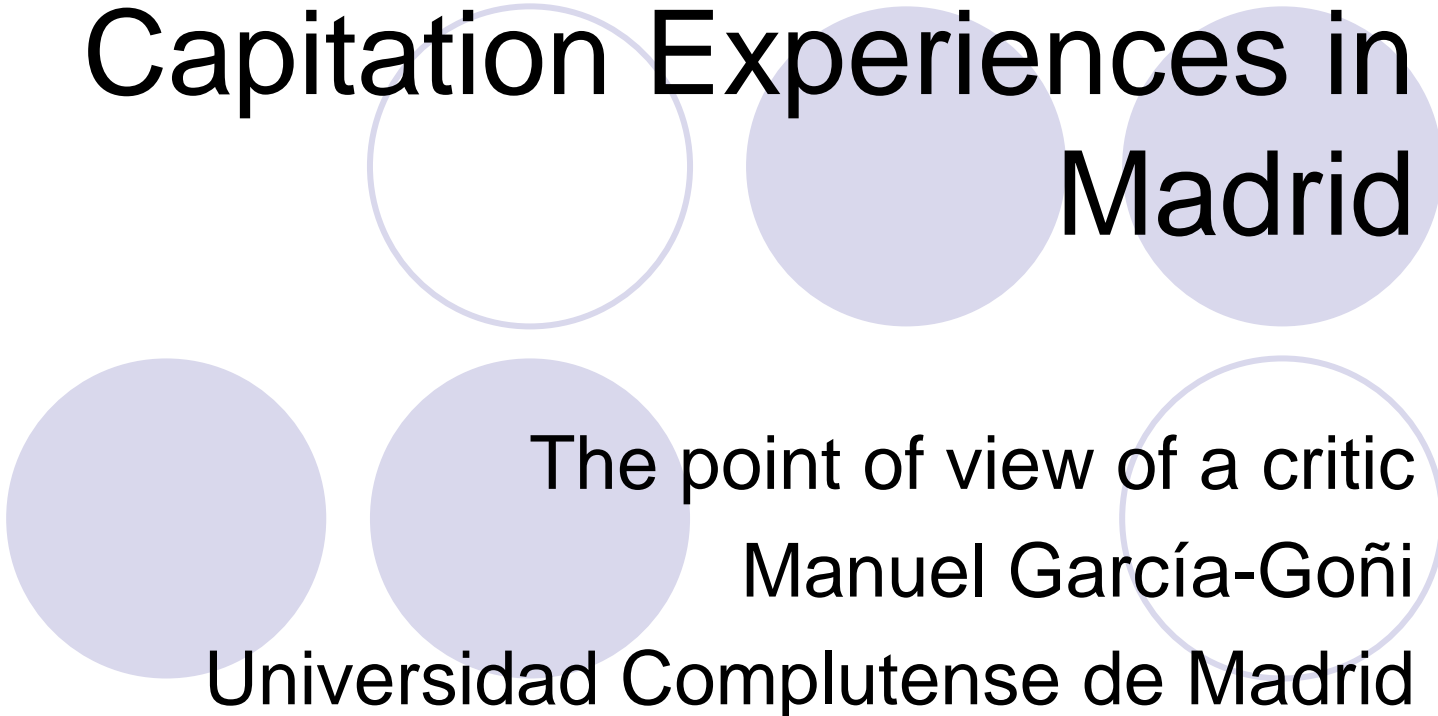


# Capitation Experiences in Madrid

The slide features several decorative circles in a light purple color. There are three circles in the top row: one is an outline, and two are solid. In the bottom row, there are three circles: two are solid and one is an outline. The text is overlaid on these circles.

The point of view of a critic

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# Capitation experiences in Madrid

## Experiences under a National Health System

- Capitation in outsourcing activities
- Capitation in hospitals and different types of contracts

# Capitation experiences in Madrid

## Capitation in outsourcing:

The example of the laboratory for clinical tests (Elena):

- New hospitals in the public system are not equipped with the laboratory, but these services are hired to a private company
- The region of Madrid is paying a fixed amount per capita for population under coverage (at Elena's Laboratory this amount is of 15,90€ per person and year) (population of reference for the new hospitals)

Other examples: Digital Imaging diagnostic center

- Which kind of incentives can we observe?
  - Always, with capitation: incentives for efficiency as the provider can benefit from all savings
    - Great investment and fixed costs... might derive in losses at the first periods
    - With economies of scale... marginal cost are decreasing
    - Thus, contract needs to be for multiple years.
  - Do we have risk selection??? Actually NOT!
    - Risk selection would mean the choice of the analysis to be done, or the choice of the population to be covered. But that does not happen as they do all kind of tests.
    - The laboratory does not choose the number or type of clinical tests they need to develop, but they receive the request from different hospitals

# Capitation experiences in Madrid

## Capitation in outsourcing:

- Efficiency gains:
  - The company can clearly benefit from economies of scale (covering more persons)
  - Capacity limit... possibility of growth
  - The company can actually do more clinical test to other companies or private hospitals in a FFS basis.
- Quality? Waiting time, disutility per patient in the tests
- Risks:
  - The NHS has transferred all the risk to the company...
  - But the company has transferred risk to other technology providers!!
  - Solution of **risk sharing**!! Same than contracts between pharmaceutical industry and NHS, there are different formulae between private companies
- Problems:
  - There is an efficiency gain... but where?
    - In the private company and the service provided for sure... (lower cost per person)
    - But what about the public system?
      - Analysis are way cheaper... if they save the money that should not be spent in analysis. However, there is no evidence of such a saving as the budget of old hospitals is not being reduced
      - Then, it might be the case that average cost is even higher!!
  - Outsourcing of is capable of controlling cost for the NHS

# Capitation experiences in Madrid

## Capitation in hospitals and different types of contracts:

### Evolution of contracts:

- 1) Traditional hospitals (H. Clínico de Madrid, H. Doce de Octubre,...), basically under FFS in fact
- 2) New hospitals...
  - Private construction of the hospital and public provision of health services... the region of Madrid is “paying” a rent for the use of the installation constructed by a private firm.
  - Public Company (H. Fuenlabrada), private provision of public services under FFS
  - ...
- 3) Capitation (H. de Valdemoro, H. de Torrejón, and H. de Móstoles): managed care of a public service including the building of the hospital

The contracts are evolving in time, especially in the last five years, when most of new hospitals are being built and designed.

It is still too early to know where this evolution will take us

### Risk selection??

- Not in theory... but some head of management at traditional hospitals complain about the different level of severity of patients they get at the Emergency Department.
- Very difficult to check and show evidence!!!

# Capitation experiences in Madrid

## Capitation in hospitals and different types of contracts:

- No risk in budget... perfect information
- Big differences in the capitation of the two hospitals (Valdemoro and Torrejón)
  - In one, there is only a capitation for everything
  - In the other, two capitation payments: building and provision
  - The annual update of capitation payments is different. At some point, rates for both hospitals will be equal.
- Also, differences in the infrastructure
  - Valdemoro (lower capitation rate) can benefit from the specialists and infrastructure of other hospital (Fundación Jiménez Díaz) that is managed by the same company, Capiro... that might explain at some extent, the expected losses
    - Specialists from FJD visit Valdemoro so that there is no need to hire more personnel for the new hospital, as some specialists do not work full time at FJD.
  - Torrejón's management company, in principle, does not have more infrastructure than the laboratory, although might have in the future as more hospitals appear in the market.

# Capitation experiences in Madrid

## Capitation in hospitals and different types of contracts:

- Characteristics:

- This type of capitation, where usually the lower bid will win the managed care of the public provision has the problem of quality:
  - Access should not be an issue. There is no risk selection of patients
  - With capitation, there are incentives for efficiency... but if capitation is too low: is it enough or there are losses?
  - How to measure? Indicators of quality: access, health measures (adjusted by morbidity, demographics,...), waiting time, satisfaction of patients.
  - Saving money is ok... when quality is not a concern
  - Still too early to know the result
  - Elasticity of substitution between the different services:
    - PRIMARY CARE + SPECIALIST AND AMBULATORY CARE + INPATIENT SERVICE
    - When Managed Care is only referred to inpatient services, there are benefits of the capitation that cannot be implemented.

# Capitation experiences in Madrid

## Conclusion

- Health care managers or providers can be either public or private.
- Capitation provides right incentives for efficiency
- However, in Madrid there are almost as many ways of organizing and managing hospitals... as new hospitals have been built
  - Difficult to compare and check for efficiency
- There is no risk selection in terms of access of patient... although there are complains from some types of organizations towards others (difficult to check)
- Economies of scale and scope... when several hospitals may share resources.
- Quality is an issue, especially when capitation is too low
  - Indicators are being developed and need to be implemented so that there is no doubt on the quality of the services
- Capitation is appropriate specially when there is integrated care, so that different providers can share risk and all of them look for the total efficiency. A risk adjusted payment would equalize expected need and expenses to the reimbursement.
  - If there is no integrated care, and budgets are not set appropriately within health institutions, then a free rider might appear.