

A Causal View of the Role and Potential Limitations of Capitation in Promoting Whole Health System Performance

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	Payment rate determined...		Payment made...		Payment based on...	
	Retrospectively	Prospectively	Retrospectively	Prospectively	Inputs	Outcomes
Fee for Service (FFS)	✓		✓		✓	
Line-Item Budget		✓		✓	✓	
Case-Based		✓	✓			✓
Capitation		✓		✓		✓

Table 1: A summary of selected reimbursement mechanisms

Adapted from [1],[2]

Cost inflation without improvements in health outcomes could partially be explained by misaligned reimbursement mechanisms (RM) in the traditional fee-for-service (FFS) model in most health systems. In Singapore, capitation, an RM under which payments are based on population served (e.g., per enrolled member per month) and paid out prospectively without regard to volume of services delivered, has emerged as an alternative to Singapore's current RM model,

References

- [1] Langenbrunner, J., C. Cashin, and S. O'Dougherty (Eds.), *Designing and implementing health care provider payment systems: how-to manuals*. 2009, Washington, D.C.: World Bank. xxii, 321 p.
- [2] Barber, S.L., L. Lorenzoni, and P. Ong, *Price setting and price regulation in health care: lessons for advancing Universal Health Coverage*. 2019: World Health Organization.

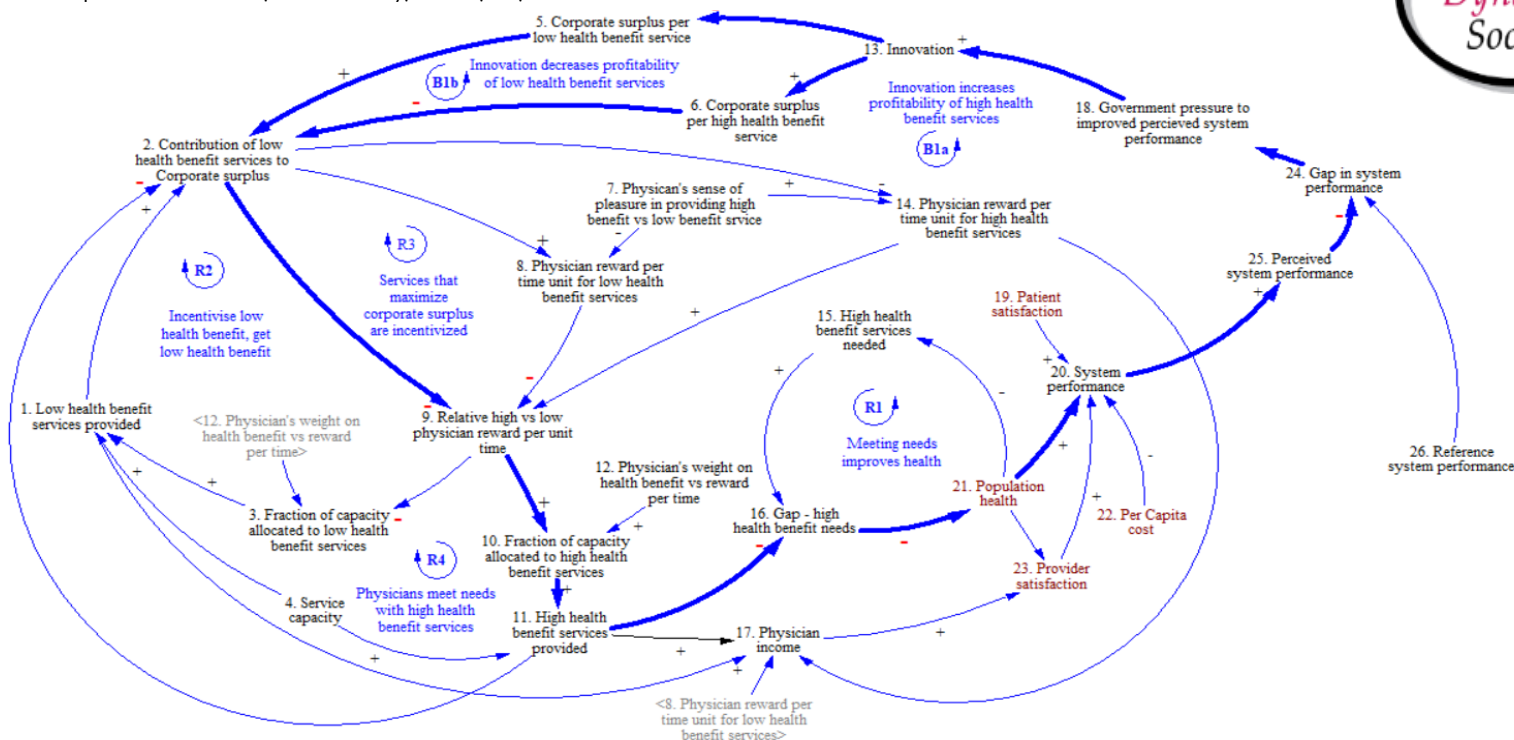


Figure 1: The intended effect of capitation

with the potential to improve the performance of the health system according to the “quadruple aim”.

In collaboration with stakeholders of the public healthcare system in Singapore, we developed a causal loop diagram (CLD) to highlight features of RM innovation in the form of capitation and its intended effects on health systems from the perspective of the government, healthcare institutions and providers.

The CLD developed shows that an FFS model incentivizes high margin services irrespective of their aggregate health benefits. Though capitation is expected to provide redress for this undesirable effect, there is a need to continue work with local stakeholders to further contextualize the CLD, in accordance with the identified phases of stages of capitation implementation, so as to assess secondary effects and to design mechanisms that can guide implementation, and strengthen health system governance of common pool resources under a future capitation regime.