

Faculti Summary

<https://faculti.net/incentives-in-healthcare-payment-systems/>

This video discusses the intricacies of payment incentives in the U.S. healthcare system, particularly focusing on the roles of three primary parties: consumers (patients), providers (medical personnel), and payers (insurance companies, government, or employers). The healthcare sector accounts for a significant portion of the U.S. GDP, making the study of payment mechanisms vital.

Initially, the text highlights the traditional fee-for-service model, where providers are reimbursed for actual costs incurred, creating a potential incentive for overutilization of services, which can contribute to rising healthcare costs. In contrast, the prospective payment system sets fixed prices for specific episodes of care, irrespective of the resources used. This video model encourages providers to be more efficient by internalizing costs.

The discussion delves into the internalization principle, which suggests that for a provider to align their actions with payer goals, they must be incentivized to internalize both costs and benefits of their service delivery. This video principle is illustrated through examples, such as incentivizing students through exams to ensure consistent studying over the semester.

This video also addresses potential issues with the prospective payment model, namely "dumping," where providers might avoid high-cost patients, and "cream skimming," where they attract low-cost patients, undermining the effectiveness of the payment system. Additionally, the conversation extends to nuances such as blending fee-for-service with prospective payment mechanisms to manage provider behavior effectively.

Lastly, the text notes that by developing more sophisticated payment models that account for organizational behavior—like paying for a group of providers instead of individual practitioners—the healthcare system can improve the quality of care while managing costs. It concludes by emphasizing the ongoing evolution and complexity of healthcare payment literature and its impact on provider behaviors and healthcare outcomes.