

Optometry Coding & Billing Alert

Capitation May Be on the Horizon: Get Ready

Find out whether capitation will help -- or harm -- your practice

If you thought you wouldn't have to worry about capitation, you might want to think again.

Capitation was a commonly heard word in the billing world in the 1990s, but it fell out of use several years ago. With Blue Cross and Blue Shield of Massachusetts- new plan to stop paying doctors and hospitals for each patient visit or treatment and instead pay doctors and hospitals a flat sum per patient each year, capitation is in the billing forefront again.

Now's the time to make sure you know the ins and outs. Take a look at this capitation FAQ to learn the capitation basics.

Question 1: What is capitation?

Capitation is a payment method in which the payer reimburses the provider a fixed amount per month for every member of the health plan panel to whom they provide some type of service, says **Peter Lucash, MBA, MPH**, a medical practice consultant and trainer in Charleston, S.C., who writes the "Medical Practice Business Blog" at <http://www.allbusiness.com/11417> and is the author of Medical Practice Business Plan Workbook -- 2nd Edition.

The payer reimburses the provider at set intervals throughout the year, as set up in the capitation contract -- usually monthly, quarterly, semiannually or annually. Under capitation, the contracted payer reimburses you based on the number of patients covered in the contract (by head) rather than by the number of services your physician provides.

Example: You accept Health Plan A, which has 100 members who are assigned to you for optometry services. Based on your contract with Health Plan A, your office gets a check for \$5 per member each month, or \$500 per month. This is known as "per member per month" (PMPM), Lucash says. Some months you see 10 patients from this panel, and sometimes you'll see 60 per month. "You will get the same check, regardless of the services rendered to this group, more or less," Lucash says.

Question 2: How do I bill claims under capitation?

Under capitation, you have to track services for the panel and will probably have to submit claims, even though the payer won't pay you on a per-claim basis, Lucash says.

"That said, there may be services that are not covered by the contract and for which you will be paid in addition to the capitation fee," Lucash adds.

Tip: Check to see how your billing software deals with capitation claims. "Some software, if set up correctly, will adjust off all of the charges at the time of posting and leave the patient's copay," says **Melinda S. Brown, CMBS**, insurance biller for a primary-care provider in Kennewick, Wash. "However, I had to set up a separate insurance carrier (plan) -Ins X Capitated- and -Ins X.- I can control my posting by carrier, so I set up Ins X Capitated to adjust off."

Best practice: Be sure to review your explanations of benefits (EOBs) even though you're not getting reimbursement on a claim-by-claim basis. The payer could still inaccurately process your payments.

Question 3: Can I still bill the secondary if the primary is capitated?

Yes. Submit claims to secondary insurance even if you have a capitation contract with the primary insurance.

Best bet: Include a statement with the claim you send to the secondary payer explaining that the physician receives payment under a capitation contract from the primary insurance company. Make sure the secondary payer understands that just because the EOB from the primary payer shows no payment, that doesn't mean the claim is invalid.

Caution: To get paid at secondary, you'll still need the EOB from the primary payer. If the primary payer, which you're capitated with, doesn't automatically provide the EOB, you need to work something out with the payer, or the secondary payer may not pay you.