

COMPENSATION MONITOR

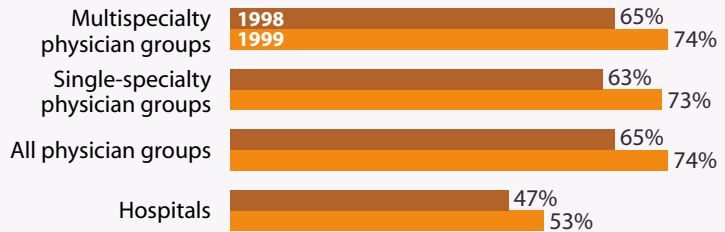
Capitation: How well is your back covered?

Make no mistake: Capitation — despite the beating its reputation has taken of late — isn't out of fashion. In fact, its prevalence is increasing, with 14 percent more physician groups having some involvement in capitation last year than in 1998. But to succeed under capitation, physicians and other providers need a strategy for protecting themselves in the face of catastrophic loss. A new survey by Evergreen Re, a Florida-based health care reinsurance broker, suggests that an understanding of this is dangerously lacking among many providers.

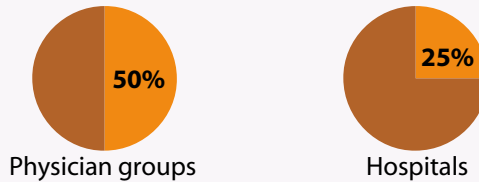
When asked how they protect themselves from excessive claims, 24 percent of the managed care contract administrators surveyed said they didn't know. Of those who had some kind of stop-loss coverage, 30 percent were unsure of what type or level of coverage they had. At the same time, these people report increasing dissatisfaction with HMOs' data reporting, which practice administrators rely on to manage risk. The authors warn that providers who don't have solid a understanding of capitation risks and contract liabilities are playing a dangerous game that could lead to insolvency.

Involvement with, revenue from capitation

Share of providers with at least one capitated contract

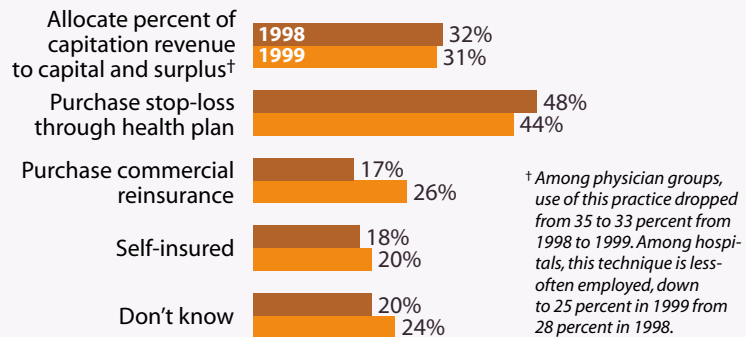


Practice revenue from capitation, 1999



Methods of protection from outliers

All providers

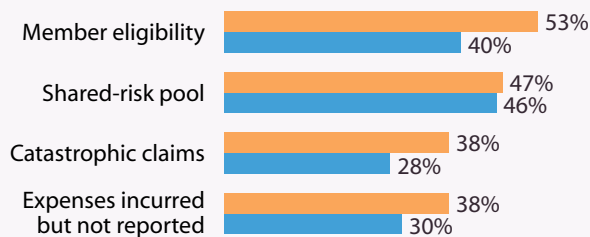


Many providers use a combination of strategies, so figures do not add to 100 percent.

Satisfaction with HMO reporting

All providers

Very or somewhat satisfied | Somewhat dissatisfied or not satisfied



Figures do not equal 100 percent because the "don't know" response is not shown.

SOURCE: THIRD ANNUAL EVERGREEN RE MANAGED CARE INDICATOR, EVERGREEN RE, STUART, FLA., 2000