AMERICA'S PHYSICIAN GROUPS
Taking Responsibility for America's Health

Capitation Terminology/Glossary

Terminology	Definition
Acute Setting	Hospital Admission, Long Term Acute Care facilities
Admits per 1000 (admits/K)	Number of admissions to the acute setting for every 1000 members
Adverse Selection	Costlier patients pick or are assigned to an organization due to a variety of factors (e.g., a desirable network of providers or hospitals, or a particular benefit structure)
Carve Out	Itemized services or products for which an organization does not want to be capitated, and thus responsible for paying
Churning	Overutilization of visits, procedures, products, services, etc.
Copayment or Copay	Amounts paid to providers when care is received. Amounts are defined in the benefit plan and specific to the services provided.
Days per 1000 (days/K)	Number of days in the acute setting for every 1000 members
De-cap	Reducing a capitation payment by fee-for-service claims paid to non-capitated providers. For example, if a provider is at-risk for emergency room claims paid by the health plan, the provider's capitation rate in a given month may be reduced by ER claims paid in the previous month.
Deductible	Members' out of pocket cost before health plans pay the rest
Division of Financial Responsibility (DOFR)	A grid of services designating which party is responsible for paying each type of service. The DOFR is usually an attachment to the capitation contract.
Dual Risk	Provider organization has the professional risk and the hospital system has the facility risk. A risk shared agreement between them outlines payment rates, surpluses, stop loss, etc.
Facility Cost	Cost generated by a facility (hospital, LTAC, SNF, ASC)
Formulary	List of drugs covered by the health plans
Full or Global Risk	One organization has both the professional and instutitional risk – inclusive and exclusive service items are negotiable
Incurred But Not Reported (IBNR)	The cost of services rendered but the organization hasn't paid out yet.
Long Term Acute Care (LTAC)	Facility specializes in providing ongoing medical care for patients who do not require the intense level at an acute hospital setting and the services could not be rendered at a SNF
Member month	Number of members each month, accumulative

Terminology	Definition
Pharmacy cost • Pharmacy benefits • Medical benefits	Drug Cost • Pharmacy benefits: drugs prescribed by a physician and usually picked-up at a pharmacy or through mail-order programs • Medical benefits: drugs usually given by a physician or nurse in the office, surgery centers, infusion centers, hospital setting
Place of Service (POS) codes/ settings • Acute • Post-Acute • Subacute • Home • Office	Codes designating where the service was rendered. It is common practice to use POS distinctions in the DOFR. • Care is rendered at a hospital • Care is rendered at a LTAC • Care is rendered at a SNF • Care is rendered at home • Care is rendered at the provider's office
per member per month (PMPM)	Monthly payment received for each member assigned to the organization or provider each month
Professional cost	Cost generated by providers (Physicians, NP, PA)
PTMPY	Per thousand members per year
Shared Risk	Provider organization shares the facility risk with the health plan while taking the responsibility for professional risk
Skilled Nursing Facility (SNF)	Facility that provides skilled therapeutic services that could not be managed in the home setting
Stop Loss Insurance	Additional insurance to protect the organization from unforeseen cost.
Usual and customary	Reimbursement amount commonly paid for a particular service - Varies with each region - Requires payment data