

Breakeven rate estimated for mid-size pediatric practice

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(HealthDay)—The capitated payment breakeven rate has been calculated for a mid-size pediatric practice, with a breakeven per-member per-month (PMPM) rate of \$24.10, according to research published online July 29 in *Pediatrics*.

Steven A. Farmer, M.D., Ph.D., from the Duke-Margolis Center for Health Policy in Washington, D.C., and colleagues supplemented a literature review and data from more than 200 practices with interviews of practice administrators, physicians, and payers to construct an income statement for a hypothetical pediatric fee-for-service practice. To calculate the breakeven capitated rate, the practice was transitioned to full capitation, holding all practice parameters constant. The impact of panel size, overhead, physician salary, and staffing ratios was assessed on the breakeven PMPM rate.

The researchers found that the calculated breakeven PMPM was \$24.10; 80 percent of practices broke even with a PMPM of \$35.00 when an economic simulation allowed core practice parameters to vary across a broad range. When the staffing ratio increased by 25 and 38 percent, the breakeven PMPM increased by 12 percent (\$3.00) and 23 percent (\$5.50), respectively. Even with the primary care medical home staffing ratios, the practice was viable when rates from a real-world payer were applied.

"Practices are more likely to succeed in capitated models if pediatricians understand how these models alter practice finances," the authors write.

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