

How family physicians are paid is linked to their rate of referral to specialists

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Researchers at Western University, University of Ottawa and the Institute for Clinical Evaluative Sciences (ICES) show that family physicians who switched from a blended fee-for-service payment scheme to a blended capitation model (a fixed rate per patient per year) increased their referrals to specialists by more than five per cent.

"Our study's findings are contrary to some of the previous evidence," said Sisira Sarma, Ph.D., associate professor at Western's Schulich School of Medicine & Dentistry and the first author on a study published today in the journal *Health Economics*. "Evidence from the early period after the capitation system was introduced, showed a reduction in referrals to specialists, but over time that's not what we see."

The blended capitation model, which was introduced in Ontario in 2006 as part of primary care reform, provides a fixed base fee for each patient on a physician's roster—adjusted for age and sex. The physicians also receive incentives and payments for selected health care services, including diabetes management, smoking cessation and cancer screening.

The study looked at health administrative data from 2005 to 2013, and honed in specifically on family physicians who switched from a fee-for-service model to the blended capitation model during that time period. They found that the rates of referrals to specialists increased by five to eight per cent per annum for those who switched to blended capitation relative to those remained in the blended fee-for-service.

The study's authors point out that policy makers designing capitation payment schemes in an effort to reduce health care costs and improve access to physician services, need to weigh the benefits of such payment schemes against the unintended consequences of higher referral costs to specialists. Their analysis shows that the overall cost of increased referrals is about seven to nine per cent higher in the blended capitation [model](#) relative to the blended fee for service.

What Sarma and his team hope to determine now is why the referral rates went up and whether the referrals to specialists were necessary or not. "This is an important public policy question because if these are necessary referrals, then this is a good thing from a health system point-of-view; if someone needs to be referred to an Oncologist, she or he should be referred. At the same time, if it is an unnecessary referral, this could be costing the system money without improving patients' [health](#)."

More information: Sisira Sarma et al, Family physician remuneration schemes and specialist referrals: Quasi-experimental evidence from Ontario, Canada, *Health Economics* (2018). [DOI: 10.1002/hec.3783](https://doi.org/10.1002/hec.3783)

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