Payment Model

A **payment model** is a structured method by which healthcare providers are reimbursed for delivering medical services. It determines **how, when, and how much** doctors, hospitals, or clinics are paid.

Common Types of Payment Models

Model	Description
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Fee-for-Service (FFS)	Providers are paid for **each individual service** (e.g., test, surgery, consult).
Capitation	Providers receive a **fixed amount per patient**, regardless of service volume.
Bundled Payment	A **single payment** for all services tied to an episode of care (e.g., surgery + rehab).
DRG (Diagnosis-Related Group)	Hospitals receive a **fixed payment per case**, based on diagnosis and expected resource use.
Value-Based Care	Payment is linked to **patient outcomes and quality metrics**, not just volume.

In Context

> “China adopted a DRG-based payment model to control inpatient surgical costs.”

This means hospitals are paid a **predefined amount** based on diagnosis (e.g., spinal tumor) rather than on each procedure, test, or implant used.

⚠ Why It Matters

The chosen payment model directly impacts:

- Clinical decision-making
- Length of stay
- Access to complex procedures
- Financial sustainability of high-risk specialties (like neurosurgery)

A poorly designed payment model can lead to:

- **Overtreatment** (in FFS)
- **Undertreatment** or **early discharge** (in DRG)
- **Avoidance of complex patients** (in capitation)