

## Annexe E2

Type of basis of payment	Advantages	Disadvantages
<b>Block</b>	<ul style="list-style-type: none"> <li>• Gives providers the flexibility to spend the time necessary to meet each patient's individual needs.</li> <li>• Gives greater flexibility to Providers (for example in allocating resources between different parts of the service and covering overheads).</li> <li>• Offers certainty and stability to Providers to cover the costs of the service.</li> </ul>	<ul style="list-style-type: none"> <li>• Harder to measure the effective delivery of the service.</li> <li>• Difficulty for the Commissioners to recover payments in the event that the service fails to deliver appropriate numbers of treatments unless a collar is in place.</li> <li>• There is a perverse incentive for the Provider to stop offering treatment (or make patients wait) when demand exceeds available funds.</li> <li>• There is a perverse incentive for the Provider to restrict access to the service, in particular with regard to expensive elements.</li> <li>• Limited incentive for Providers to cover staff shortages and other factors affecting the delivery of the service.</li> </ul>
<b>Activity<sup>1</sup></b>	<ul style="list-style-type: none"> <li>• The Provider is paid for the services that they deliver.</li> <li>• Strong incentive for the Provider to remedy any problems affecting service delivery so that they continue to receive payment.</li> <li>• Works particularly well with GA, sedation and domiciliary activity.</li> <li>• Incentive for the Provider to promote the service (and so increase demand).</li> </ul>	<ul style="list-style-type: none"> <li>• As tariffs are typically a flat rate, there is limited flexibility to adjust payment to match the time necessary to meet the individual patient needs without making the system unduly complex.</li> <li>• Can provide perverse incentives with regard to the treatments offered (for example 'cherry picking' less complex patients or unnecessary appointments in order to collect extra payment).</li> <li>• Trusts have varying levels of overheads which are not always accurately paid for through a tariff (flat rate) system.</li> <li>• Lack of incentive to undertake preventive activity.</li> <li>• Encourages unnecessary retention of patients within the service rather than discharge back to high street dentists.</li> </ul>

<sup>1</sup> Activity can be measured by Units of Dental Activity, courses of treatment, contacts etc.

<b>Capitation</b>	<ul style="list-style-type: none"> <li>• Gives providers the flexibility to spend the time necessary to meet each patient's individual needs.</li> <li>• Population-based activities (such as Epidemiology and Oral Health Promotion) benefit from a capitation approach to funding.</li> <li>• More closely reflects population needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to accurately identify the numbers of patients requiring the CDS.</li> <li>• Finding appropriate outcome measures to ensure effective delivery of the service.</li> <li>• Difficulty for the Commissioners to recover payments in the event that the service fails to deliver appropriate numbers of treatments.</li> <li>• Lack of incentive for the Provider to promote the service (and so increase demand).</li> </ul>
<b>Mixed model</b>  <b>(includes elements of some or all of the above three types)</b>	<ul style="list-style-type: none"> <li>• Flexibility to use the appropriate type of payment most suited to each element of the service.</li> <li>• In instances where the level of activity is variable or unknown (for example drop-in clinics for vulnerable people) a mixed model can provide better value for money by ensuring the provider can run a clinic regardless of numbers attending yet payments at least partially reflect the activity delivered .</li> <li>• More incentive to devise flexible approaches (such as a block element with minimum and maximum levels of activity)</li> <li>• Offers flexibility to provide appropriate payment for the most complex patients.</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively more complex to administer and monitor than the other types.</li> </ul>