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## 42 C.F.R. § 422.208

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### Physician incentive plans: requirements and limitations.

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(a) *Definitions.* In this subpart, the following definitions apply:

*Bonus* means a payment made to a physician or physician group beyond any salary, fee-for-service payments, capitation, or returned withhold.

*Capitation* means a set dollar payment per patient per unit of time (usually per month) paid to a physician or physician group to cover a specified set of services and administrative costs without regard to the actual number of services provided. The services covered may include the physician's own services, referral services, or all medical services.

*Combined Stop-Loss Insurance Deductible Table (Table PIP-1)* means the table described and developed using the methodology in paragraph (f)(2)(iv) of this section.

*Global capitation* means a specific type of “capitation” that includes both professional and institutional services. Services covered by global capitation may also include prescription drug benefits and supplemental benefits as well as basic benefits (as those terms are defined in § 422.100(c)). For purposes of Tables PIP-1 and PIP-2 global capitation includes all Parts A and B services except hospice.

*Net benefit premium* means the total amount of stop-loss claims (90 percent of claims above the deductible) for that panel size divided by the panel size. It is determined for each panel size and shown in Table PIP-1, described in paragraph (f)(2)(iv) of this section. It is then used in Table PIP-2, described in paragraph (f)(2)(vi) of this section, to identify all separate institutional and separate professional deductible combinations that meet the stop-loss requirements for multi-specialty physician groups participating in PIPs.

*Non-Risk Patient Equivalents (NPE)* means the estimate of annual claims for physician rendered services for non-risk patients served by the physician or physician group divided by what the PMPY capitation for physician rendered services would be if the beneficiary were part of the risk arrangement. Both Medicare and non-Medicare patients are included in this calculation.

*Physician group* means a partnership, association, corporation, individual practice association, or other group of physicians that distributes income from the practice among members. An individual practice association is defined as a physician group for this section only if it is composed of individual physicians and has no subcontracts with physician groups.

*Physician incentive plan* means any compensation arrangement to pay a physician or physician group that may directly or indirectly have the effect of reducing or limiting the services provided to any plan enrollee.

*Potential payments* means the maximum payments possible to physicians or physician groups including payments for services they furnish directly, and additional payments based on use and costs of referral services, such as withholds, bonuses, capitation, or any other compensation to the physician or physician group. Bonuses

and other compensation that are not based on use of referrals, such as quality of care furnished, patient satisfaction or committee participation, are not considered payments in the determination of substantial financial risk.

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