Figure 6, 8 & 11: Retrospective Reconciliation vs Prospective Payment

Steps	Retrospective Reconciliation		Prospective Payment	
	Role	Process	Role	Process
1 Conduct Episode	Health Plans/Payers	Distributes Payment (based on fee schedule)	Health Plans/ Payers	Single Upfront Payment (for entire episode)
2 Pay Provider	Providers	& & &	Providers	Payment Distributed (across health system)
3 Reconcile Payments	Providers	Total Cost of Services Reconciled (across population of episodes)	Providers	Total Cost of Services Reconciled (across health system)
4 Manage Savings/Overages	Health Plans/ Payers & Providers	Distribute Savings/Cost (based on negotiated agreement)	Providers	Manage Savings/Cost (upside/downside risk)

Episode payments are typically dispersed in one of two ways.

**Retrospective Reconciliation**: Providers are paid on a FFS basis and a reconciliation is then performed between the target episode price and the actual average episode price after a period of time across all the episodes attributed to a provider.

**Prospective Payment:** Payment is provided for the whole episode, including all services and providers, and paid to the accountable entity to subsequently pay each provider in turn.

