

# Innovations in the Use of Financial Incentives in Chronic Addiction Treatment

Connecting Payment To  
Performance In Publicly Funded  
Substance Abuse Treatment Programs

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# Rewarding Good Performance

- Bridge Construction



# State Addiction Treatment Administration and Management

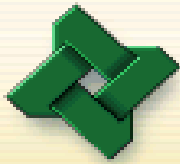
- Single State Agencies
- County/City Agencies
- Local Intermediaries

# Sources of SA Treatment Funds

- Federal:
  - Block Grant
  - Discretionary Grants
  - Medicaid
  - Other federal grants (e.g., criminal justice, housing, AIDS/HIV, etc.)
- State:
  - General revenue allocations
  - Criminal justice, highway safety
- County/City
- Foundations
- Other (e.g., United Way, insurance, private pay, etc.)

# Typical Mechanisms For Funding

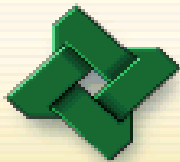
- Fee For Service
- Cost Reimbursement
- Payer of Last Resort
- Grants
- Managed Care



## *JOIN TOGETHER*

ADVANCING EFFECTIVE ALCOHOL AND DRUG POLICY,  
PREVENTION, AND TREATMENT.

- “The panel’s primary recommendation is that **purchasers of treatment services should reward results** – an idea that is very consistent with other leading edge efforts to improve the quality of health care for other diseases”
- “. . . shift to a system that recognizes and rewards the providers who consistently deliver better treatment outcomes. “



## *JOIN TOGETHER*

ADVANCING EFFECTIVE ALCOHOL AND DRUG POLICY,  
PREVENTION, AND TREATMENT.

- Endorsed the idea that “payers use financial incentives to recognize treatment providers with consistent superior performance and penalize poor performance.” (24)

# IOM Report

- **Recommendation 8-4.** State and local governments should reduce the emphasis on the grant-based systems of financing that currently dominate public M/SU treatment systems and should increase the use of funding mechanisms that link some funds to measures of quality. (317)

# IOM Report

- “. . . redesign grant-based systems incrementally so as to incorporate some simple and meaningful performance indicators.”
- “. . . initial efforts tie either new funds or a small percentage of existing budgets to performance indicators as means of reorienting the management of public M/SU treatment provision toward quality improvement.” (more)

# IOM Report

“Over time, as performance measures improved and providers altered their management practices, performance measures might be given greater weight in budget allocations.”



# Context For PBC

- Enhance, expand existing services
- Create new programs
- Quality improvement initiatives
- Increasing accountability
- Keeping spotlight on results
- Using data supported information to make decisions on an on-going basis

# Overarching Principles

- Financial rewards motivate performance
- Rewards are more effective when received shortly after successful achievement
- Use “real time” data to reward the results you want to achieve
- Create collaboration not competition among programs

# Some Delaware Examples



# Basic Principle & Goals

- Use contracts and \$\$ to reward performance and improve outcomes.
- Goals:
  - improve performance
  - continually attend to performance
  - improve outcomes.



# Evidence Based Practice and Practice Based Evidence

- Length of time in treatment is associated with successful outcomes.
- Amount of treatment makes a difference.
- Evidence based techniques and strategies produce better results.
- Continuity of care is essential.
- Detoxification and treatment programs have a responsibility to assist clients to successfully engage in the next level of care.

# What To Reward

- Outpatient - Engagement/Utilization, Active Participation, *Program Completion*
- Residential - Engagement/Utilization, Retention, *Completion*
- Detoxification – Placement in Treatment, Case Management/Placement for Repeat Clients



# What To Reward - Outpatient

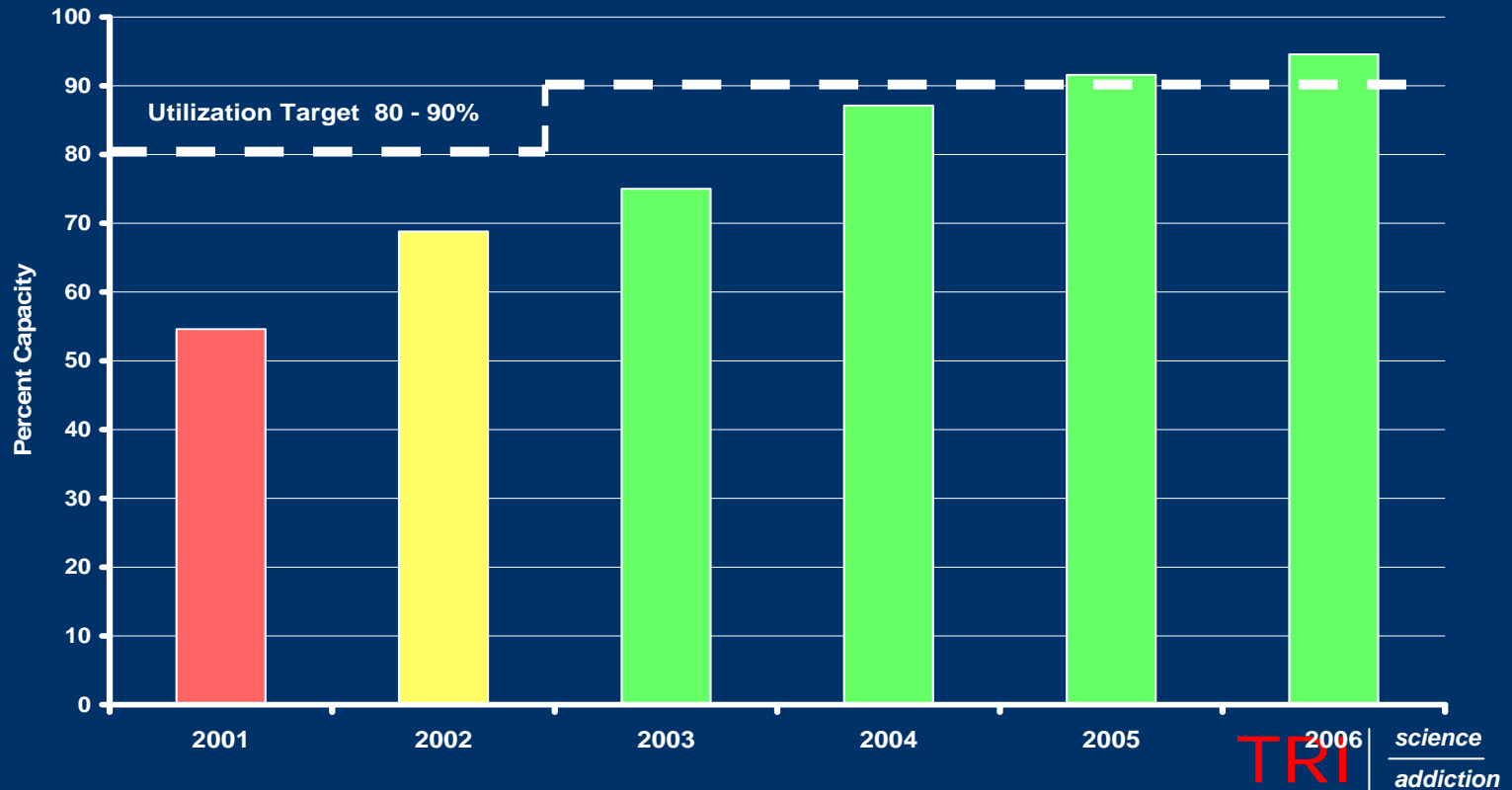
1. **Engagement/Utilization** – admissions and client engagement.
2. **Active Participation** – attendance at a specified number of treatment sessions; varies according to stage of treatment.
3. **Program Completion** – participation, abstinence and achievement of treatment plan goals.

# Rewards/Incentives - OP

- 1. Engagement/Utilization:** 90% utilization = 100% payment of base contract amount; lesser utilization % results in deductions from payment amount.
- 2. Active Participation:** additional payment for each target that is met (5% maximum).
- 3. Graduation:** incentive payment for each graduation (up to contract limit).

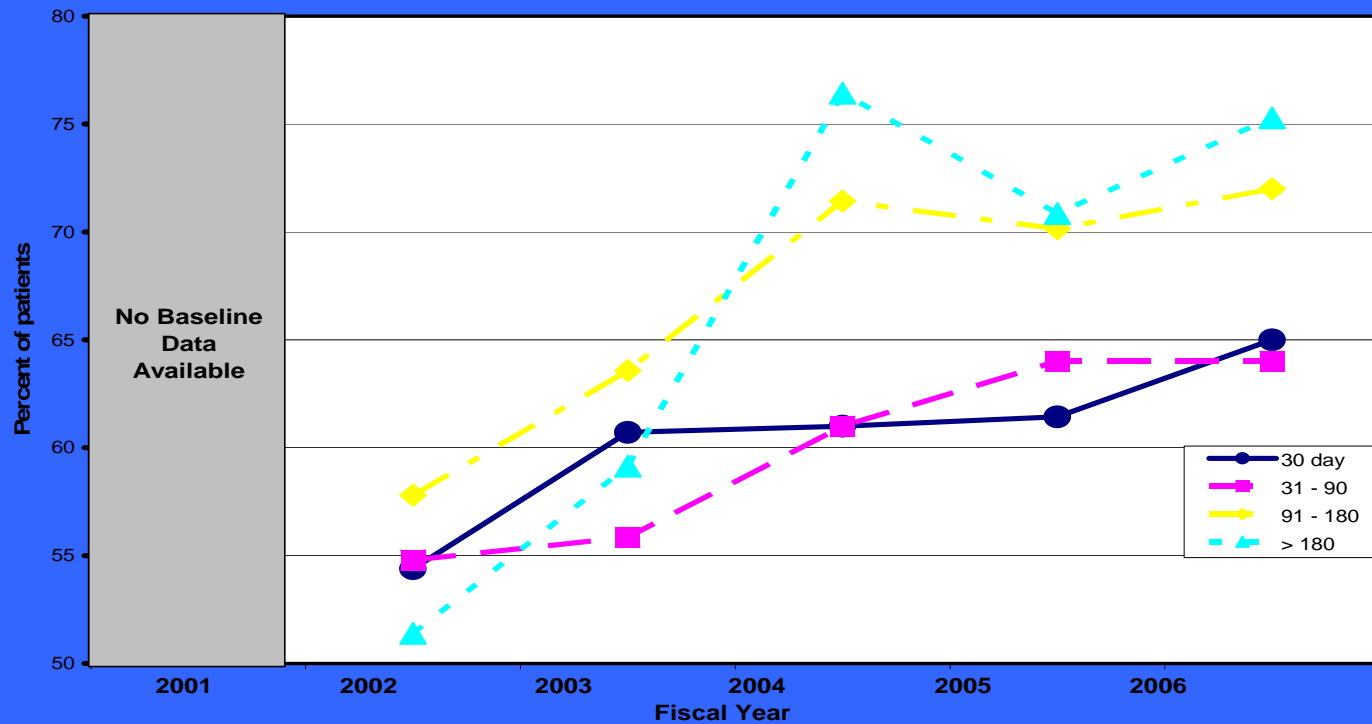
# Capacity Utilization

Figure 1  
Percent Capacity Utilization, By Fiscal Year

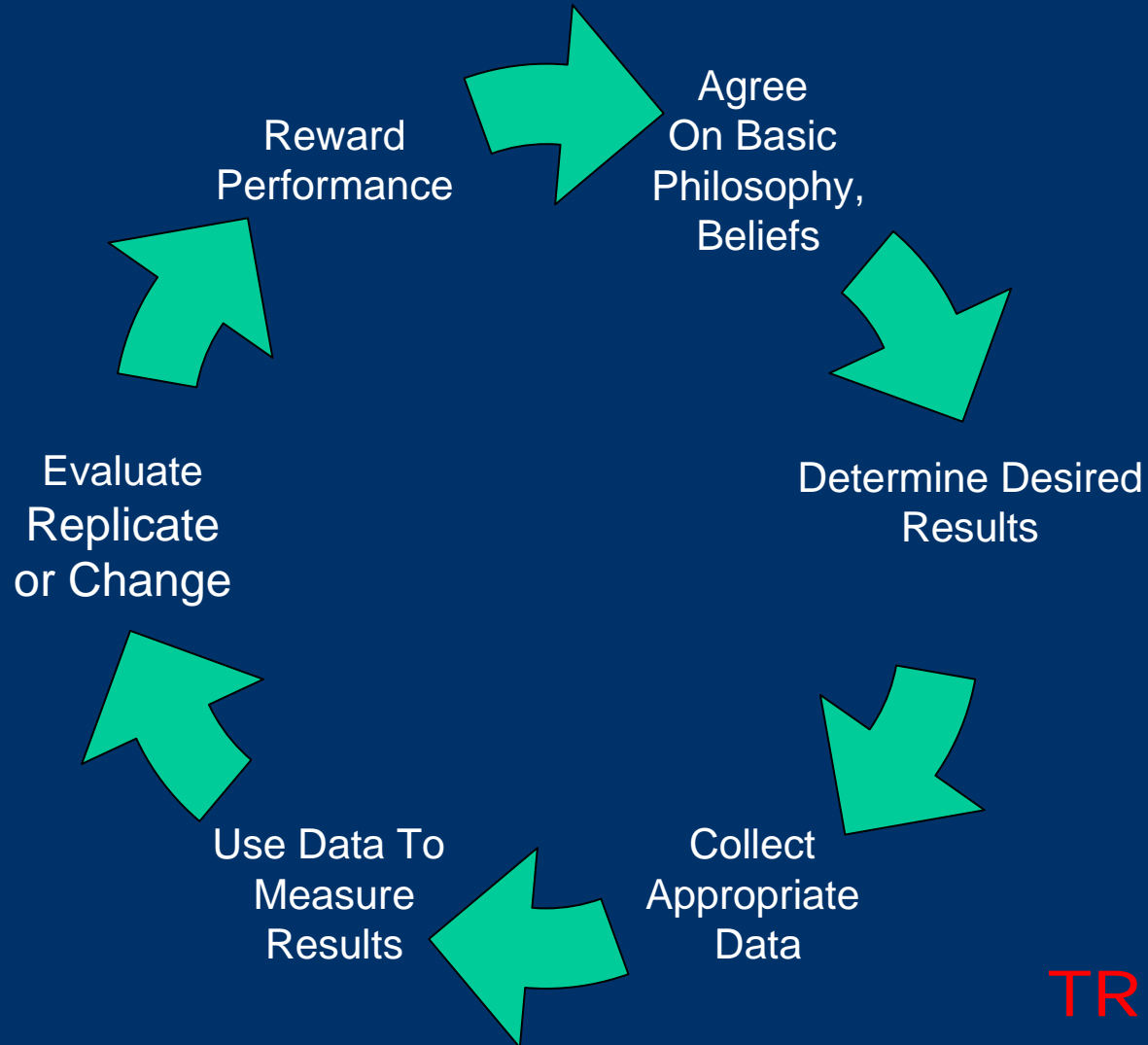


# Active Participation

Figure 2  
Percent of Patients Meeting Each Participation Criterion, By Year



# Summary



# Concluding Thoughts

- If the black box survives a plane crash, why isn't the whole airplane made out of the stuff?
- If you're going to try cross-country skiing, start with a small country.
- Health is merely the slowest possible rate at which one can die.

# Contact Information

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