STRATEGIC CHOICES IN PAY-FOR-PERFORMANCE PROGRAMS

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OVERVIEW

- Goals of pay-for-performance programs
- Choices among metrics
- Choices among structures
- Matching choices to goals
- Making choices based on goals

STRATEGIC DESIGN IN PAY FOR PERFORMANCE

- Pay-for-Panacea?
- Three goals for pay-for-performance
- Design choices: metrics
- Design choices: structure

Pay-for Panacea: Measure Everything?

- "Performance" is multi-dimensional:
  - Lab tests, lab values, preventive screening, tobacco counseling, body mass index measurement, post-surgical complications, severity-adjusted mortality, use of electronic health record, e-prescribing, generics as percent of prescriptions, post-AMI follow-up
  - Sensitive caring holistic evidence-based culturally-appropriate cost-effective well baby visits

Pay-for-Panacea: Promise Everything?

- P4P programs have ambitious goals:
  - Reward quality, improve quality, encourage IT diffusion, reduce costs, reduce administrative hassle, adjust metrics for risk, reduce disparities, minimize gaming, foster innovation
  - Promote mutual understanding, life, liberty, world peace, and better coffee

Clarity is a Virtue

- The effectiveness of P4P programs will be enhanced to the extent:
  - We are clear on goals
  - We are clear on choice of metrics
  - We are clear on choice of structure
  - We are clear on how choices among metrics and structure reflect priorities among goals

Three Goals for P4P Programs

Reward Higher Quality	Fund Quality Investments	P4P Program Efficiency
Physicians who provide better care processes, and/or whose patients achieve better outcomes, will earn more than other physicians	P4P bonus payments will help motivate and finance investments in quality improvement, including evidence-based guidelines and information technology	The administration of P4P programs will be financed by savings generated by the program, and the burden of data collection and analysis will be modest

Four Design Alternatives: Metrics

Number of metrics	Measure Of Quality	Information Technology	Costs of Care
Number of metrics to be used for payment bonus: Many or few?	What type of quality measure is to be emphasized? Outcomes or processes?	Should IT capabilities and use be included in P4P bonus? Yes or no?	Should measures of economic efficiency be included in P4P? Yes or no?

Four Design Alternatives: Structure

Relative Size Of Bonus	Sources of Data	Unit of Observation	Performance or Improvement
Should the P4P bonus be a large or small percent of total physician compensation?	Should data be obtained from one or multiple insurers (and then combined)?	Should the medical group or individual physician be rewarded?	Should P4P reward high performance or improvement in performance?
Large or small?	One or multiple?	Group or individual?	Performance or improvement?

METRICS: Many or Few Measures?

- Use of many different performance metrics encourages progress on all fronts, reduces gaming (work-to-metric), and has face validity (quality is multi-dimensional)
- But use of many metrics reduces reward for any one metric (and hence for all?), diffuses focus, and increases data burden

METRICS: Process or Outcome Measures?

- Outcome measures have face validity, avoid "cookbook medicine", but impose severe measurement challenges
  - Must be severity adjusted
  - Event may be rare or change only slowly
  - Depend on patient education, compliance, baseline health status, and other factors beyond MD control
- Process measures directly reward what physicians do, benchmarked to evidence-based guidelines

METRICS: Include Information Technology?

- Should IT capabilities be included explicitly in metrics used as the basis for P4P bonus?
- Yes: Jump-starting IT adoption lays the foundation for all P4P initiatives, creates business case for IT investment, and reduces cost of P4P program itself
- No: IT is not quality, and is rewarded indirectly through rewards for quality

METRICS: Efficient Use of Resources?

- Should P4P programs reward efficiency (low costs) as one dimension of performance?
- If cost control is not rewarded in P4P, it will be imposed in less pleasant manners:
  - Consumer copays; provider utilization management
- Efficiency improvements might fund P4P program
- But cost is not quality; inclusion may undermine legitimacy of P4P programs in eyes of consumers

STRUCTURE: Large or Small Bonus?

- If performance bonus is to be large, base compensation must be small
  - Large bonus relative to base increases incentive for physicians to do what we want them to do
  - But also for risk avoidance, work-to-metric
- Small bonus creates signal of concern for quality without imposing great risk on MD

STRUCTURE: Data from One or Many Insurers?

- Combining claims data from multiple insurers increases precision (sample size), standardizes metrics, reduces invalid "dueling scorecards" for same providers
- But combining claims may slow P4P development (lowest common denominator) and inhibit experimentation
- Anti-trust concerns about insurers?

STRUCTURE: Medical Group or Individual MD?

- Measuring performance of MD groups improves precision (sample size for each disease), highlights role of systems (IT, clinical guidelines, peer review) in quality
- But group measurement/reward diffuses incentives for individual physicians
- Most physicians are not in large groups

STRUCTURE: Performance or Improvement?

- Rewarding performance moves money to providers with best performance, regardless of how achieved
  - Some groups achieve quality via effort
  - Others fund quality from monopoly pricing
  - Better outcomes due to more educated patients?
- Moving money from low to high performers could increase disparities within system

Performance or Improvement? (Continued)

- Rewarding improvement encourages and finances lagging groups/MDs to improve
- But this may reward low quality providers and undermine legitimacy of P4P program
  - More potential for improvement among initially low-quality than initially high-quality providers
- Reward for performance indirectly rewards improvements in performance

Aligning Choice of Metrics with Pay-for-Performance Goals

	Reward Quality	Fund Quality Investments	Administrative Efficiency
Number of metrics: Many or few?	Many	Few	Few
Process or outcome measures of quality?	Outcome	Process	Process
Reward information technology?	No	Yes	Yes
Reward efficient use of resources (cost)	No	Yes	Yes

Aligning Structural Choices with Pay-for-Performance Goals

	Reward Quality	Fund Quality Investments	Administrative Efficiency
Bonus as % of total pay: large or small?	Small % of Total	Large % of Total	Small % of Total
Data source: single or multiple insurers?	Multiple insurers	Multiple insurers	Multiple insurers
Unit of observation: group or individual?	MD Group and Individuals	MD Group	MD Group
Reward performance or improvement?	Level of Performance	Improvement In performance	Level of Performance

Placing Relative Weights on P4P Goals

Reward Higher Quality	Fund Quality Investments	P4P Program Efficiency
Weight = 3 P4P is P4P Face legitimacy, best long term incentives	Weight = 2 Quality improvement (including IT) can be funded from multiple sources. Rewarding low-quality providers (who improve) over high quality providers lacks legitimacy	Weight = 1 Low administrative and financial burden of P4P is a virtue, but does not dominate achievement of quality goals

Evaluating Choice of Metrics in Light of (weighted) P4P Goals

Choice of Metric	Weighted Relative Score	Conclusion for Design
Metrics: many/few?	3/3	With reasonable choice of goals and priorities (weights) among them, no clear answers emerge for choice of metrics. Conclusion: multiple approaches, fostering experimentation, are best at this time.
Outcomes/processes?	3/3	
IT adoption: yes/no?	3/3	
Efficiency: yes/no?	3/3	

Evaluating Choice of Structure in Light of (weighted) P4P Goals

Choice of Structure	Weighted Relative Score	Conclusion for Design
Bonus as % of total: Small/large?	4/2	With reasonable choice of goals and priorities (weights) among them, structural choices ideally should favor small bonus, multiple insurer data, group metrics/reward, and reward for performance over improvement.
Insurer data sources: Multiple/single?	6/0	
Unit of MD analysis: Group/individual?	5/1	
Reward: performance/ improvement?	4/2	

Conclusion: Metrics

- Diversity and experimentation is to be encouraged in choice of metrics, as there are no decisive advantages at this time
  - Number of metrics: many or few
  - Measure of quality: process or outcome
  - Information technology: include or exclude
  - Economic efficiency: include or exclude

Conclusion: Structure

- With choice of structure, however, clear advantages emerge:
  - Bonus as % of total compensation: small
  - Insurers as data source: multiple insurers
  - MD group or individual: MD group
  - Performance or improvement: performance
- But regional and organizational diversity will ensure continued structural diversity

Conclusion: Pay-for-Clarity

- Diversity and experimentation in P4P programs are to be encouraged
- But P4P cannot be all things to all people
- Difficult choices of metrics and structure
- Clarity of goals will help with choices
- Implementation depends on feasibility, varying across organizations and regions