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Beyond Measurement: Considerations for P4P

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Outline

- AHRQ interest in efficiency
- Considerations beyond measurement
- External influences
 - Hospital industry example
- Discussion



AHRQ Interest

- Efficiency important part of President's and Secretary's Transparency Agenda
 - “Value-Driven Health Care”

- Improving efficiency 1 of 4 AHRQ goals

- Efficiency 1 of 6 aims for improvement in IOM report (2001)
 - Recommendations for AHRQ



AHRQ Efficiency Initiatives

- RAND Healthcare Efficiency Measurement Report. Follow-up may include:
 - Stakeholder meeting to help prioritize
 - Developing measures

- AQA Alliance, AQA-HQA Steering Committee
 - Continuing support

- Some On-going Projects
 - Cost of Waste – includes tools to identify & reduce “waste”
 - Denver Health – system redesign for efficient & patient-centered healthcare
 - Targeted Injury Detection System – systems collaborate to reduce injuries & costs

- Research



Beyond Measurement: Practical Considerations

- Growing number of P4P programs
 - Rosenthal et al. (2004) documents 31 programs, mostly for hospitals
 - Up to 100 P4P initiatives in different stages (Dudley et al. 2006, Christianson et al. 2006)

- Few studies addressing impact
 - No significant impact: Hillman et al. (1998, 1999) and Fairbrother et al. (1999)
 - Positive impact: Kouides et al. (1998)

- Do we know enough to forge ahead with P4P in the efficiency dimension?



Practical Considerations

- What is the cost of implementation?
 - Infrastructure, monitoring, rewards
 - Do benefits outweigh costs of program?

- How are measures chosen?
 - Easiest measures may not have the greatest opportunity for improvement

- Are there idiosyncratic factors?
 - Implementation climate
 - Innovation values
 - Multiple initiatives



Practical Considerations (cont'd)

- Are incentives sufficient to motivate behavioral change? Is change enough to meet program goals?
- Will providers believe that goals are compatible with their own quality improvement / efficiency goals?
- Are there outside factors that may influence chosen measures?



Example from Hospital Industry

- Application of Stochastic Frontier Analysis (SFA)
 - Econometric technique
- Produces provider-level estimates of “inefficiency”
- Measured as departures from the best-practice frontier
 - % by which observed costs exceed minimum costs predicted for a given level of outputs and input prices
 - Quality may be explicitly considered



Example from Hospital Industry (cont'd)

- Technique can explain the impact of hospital-specific, system-related, and environmental factors on inefficiency
 - What socioeconomic / organizational factors are associated with inefficiency?
- Average “inefficiency” measures for community hospitals about 12% - 18%
- Some evidence (Rosko and Mutter ongoing research)



Example from Hospital Industry (cont'd)

- Hospital Competition: Less efficient
- HMO Penetration: More efficient
- Share of Medicare: More efficient
- Share of Medicaid: More efficient
- System: More efficient



Discussion

- Scientific measurement gaps exist, but so do knowledge about implementation

- Possible research agenda?
 - What are the costs of P4P programs and do the benefits outweigh costs?
 - How much financial incentive is needed to promote behavioral change? How much is needed to make P4P viable?
 - Are outside factors influencing the measures and counter-acting incentives?
 - Others?



Discussion (cont'd)

- Anecdotal evidence? What works, what doesn't? Important factors to consider? Lessons learned?

- How would one prioritize?
 - Measures?
 - Research?
 - Both?