GETTING PAY FOR PERFORMANCE RIGHT: WHAT WILL IT TAKE?
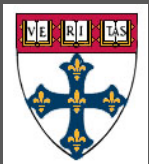
Ashish K. Jha, MD, MPH
Harvard School of Public Health
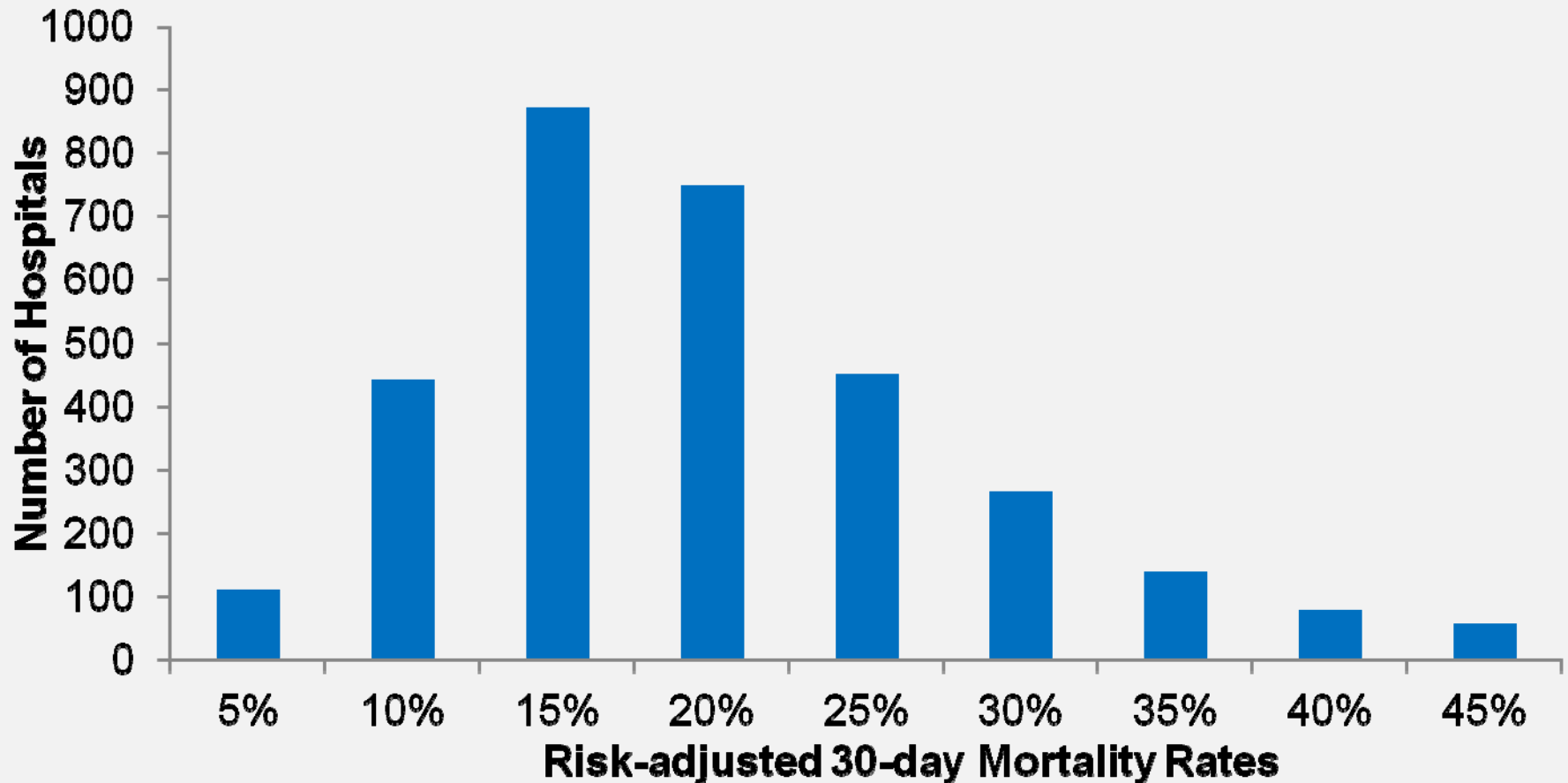
Blog: Ounce of Evidence
Twitter: @ashishkjha

Agenda

- Pay-for-performance
  - Why do we need it?
  - It ought to work
  - Yet the data have been disappointing
- Experience to date
- The question has changed
  - Old question "Does it work?"
  - New question: "What do we do to make it work?"
- Experimentation

Why do we need pay for performance?

Variations in AMI Mortality

Why is Pay for Performance attractive?

- Has tremendous face validity
- Works in other industries
- Aligns incentives for better care:
  - Allows providers to do well when doing good

So what's the experience?

- News headlines in 2012:
  - "Health Affairs article finds Medicare's pay-for-performance did not spur quality improvement"
  - "New NEJM Report: Medicare Pay-for-performance demo a bust"
  - "Paying doctors for quality doesn't work"
  - "Medicare's policy did not reduce infection rates"

So what's the evidence?

- Houle et al. Systematic Review:
  - "The effect of P4P targeting individual practioners on quality of care and outcomes remains largely uncertain"
- Evidence is variable, underwhelming

So why hasn't P4P worked?

Is the whole concept flawed?

An alternative way to think about P4P

- We've always had "P4P"
  - We pay for volume
  - And we get lots of volume
- The new efforts put 1-2% of money at risk
- So in the new model:
  - 98% based on volume
  - 2% based on quality
- Little surprise that the effects are small

Why else has it not worked well?

- Approach under P4P often complex
  - **Achievement**: set a threshold
    - Reward those already doing well
  - **Improvement** to help low baseline performers
    - Often doesn't end up helping
  - **Consistency**
  - **Non-payment**
  - Some or all of the above

Other challenges to current approach

- Most of the times, we focus on process
  - In some instances, P4P improves processes
  - Rarely improves outcomes
- Improving outcomes is what matters
  - Most processes not good enough to move outcomes
    - Rare examples: Aspirin after heart attack
    - More common: measuring hemoglobin A1c or eye exams

Pay-for-performance

- Old question: "Does pay-for-performance work?"

- New question: "How do we get pay-for-performance to work?"

P4P 2.0: What will it take?

Incentive size
Incentive structure
Incentive targets

Making P4P work: Incentive Size

- We don't know the right incentive size
- Varies between people, institutions
  - Internal motivation versus external motivation
- Varies based on alignment with other goals
- Harder the change, the bigger the incentive

Incentive Size: Bottom Line

- Small incentives can work:
  - They catalyze what would have been done anyway
- Big incentives needed when:
  - Change is hard, substantial

Making P4P work: Incentive structure

- Incentives structure simple, transparent
- Basic principle of improvement:
  - Have to be able to measure it
  - Have to be able to track it
- Complexity makes tracking difficult
- Lack of tracking makes improvement difficult

Making P4P work: Incentive structure

- Lots of good options for better structure:
  - Pay for what you want
  - Penalize for what you don't want
- Consider targets that are aspirational
  - Target goal: 90th percentile performance
    - Pay based on how close you get

Making P4P work: Incentive target

- Outcomes are the bottom line
  - What we care about
- Processes should be used rarely
  - Close tie to outcomes (PCI within 60 minutes for AMI)
- Bottom line:
  - Focus on outcomes whenever possible

Final thoughts: improving P4P

- Pay-for-performance not a panacea
  - It is, however, a really important tool
  - Part of a broader tool set
  - Has to be wielded much more effectively
- Has to be a source for delivery innovation
  - Delivery systems stuck in 1960s model
  - No single "best practice" will work
  - Large incentives, targeted effectively powerful
    - Lets providers find their own way to get to the goal

Final thoughts: improving P4P

- P4P too must to be subject to experiments
  - Try different incentive sizes for different contexts
  - Test different approaches (gains versus losses)
- P4P an important tool for saving lives, money
  - Must make bold efforts
  - Be ready for failure
  - Learn along the way