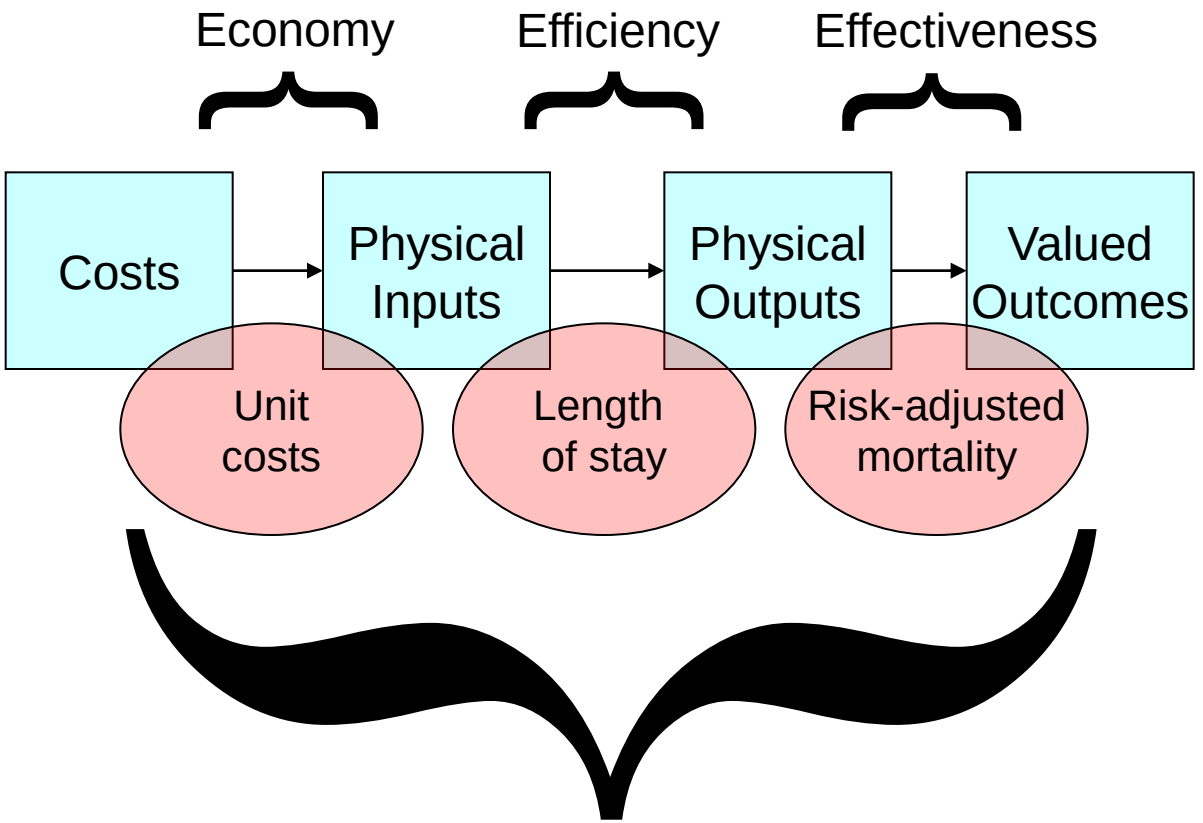
Paying providers to increase Value for Money:

Is Pay for Performance the Answer? Review of OECD experience

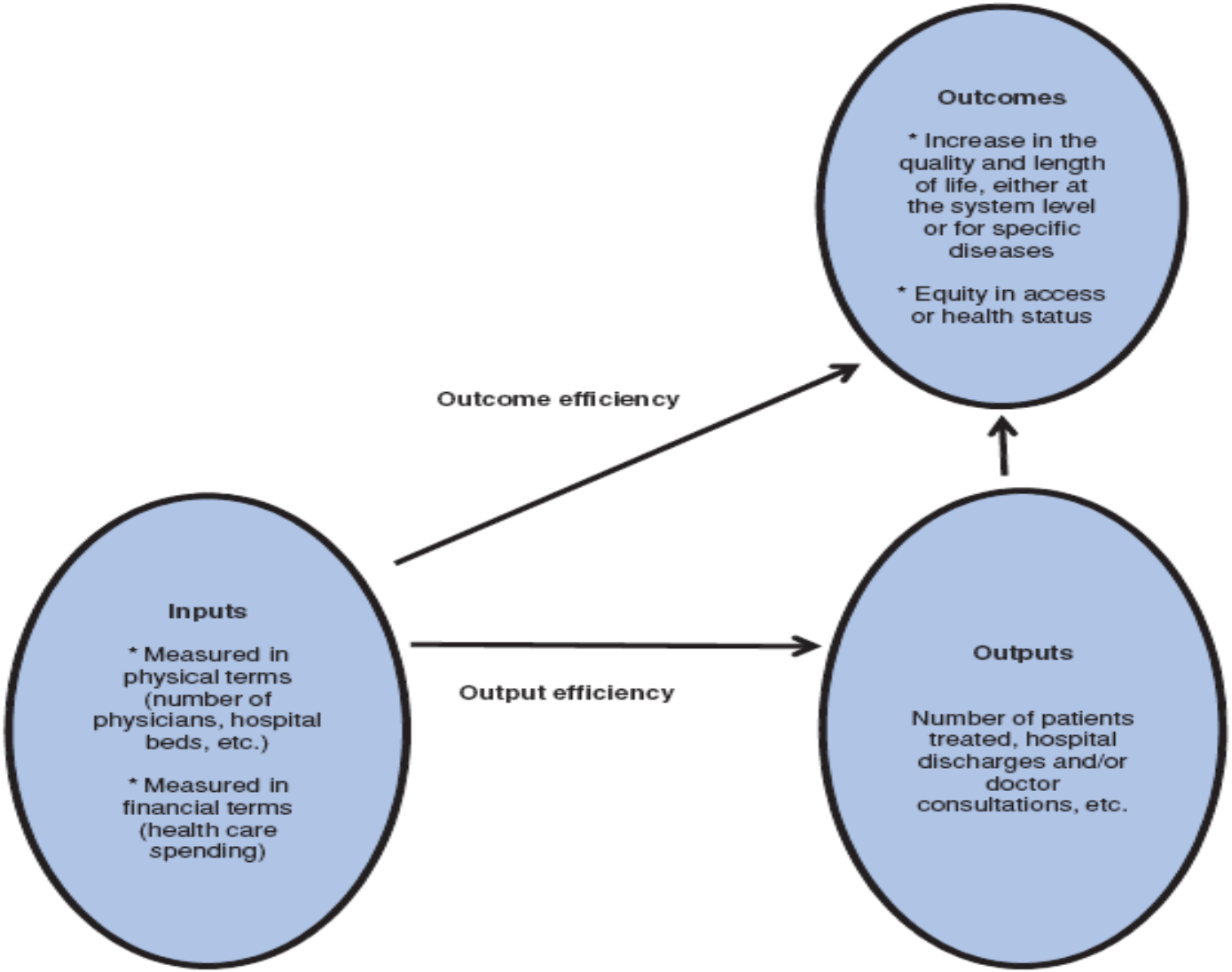
Michael Borowitz
OECD Health Division
SBO Network on Health Expenditures

Productivity Challenge: inputs-outputs-outcomes



Input-Outputs-Outcomes

Figure 2.1. **From health care inputs to outputs and outcomes**



Source: OECD.

Definitions of Quality

Author	Definition
Donabedian (1980)	Quality of care is is expected to maximize an inclusive measure of patient welfare **-Structure: number of physicians** **-Process: vaccination rates; HBA1C** **=Outcomes: infant mortality, life expectancy**
IOM (1990)	Quality of care is the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge
WHO (2000)	Quality of care is the level of attainment of health systems' intrinsic goals for health improvement and responsiveness to legitimate expectations of the population

Quality and Efficiency

- Quality is includes health outcomes (clinical effectiveness) as well as other dimensions like patient experience (e.g. waiting times). Improving quality is one of the principal goals of health systems
- Efficiency involves comparing *outcomes* with *costs;* the underlying concept is value for money

$$\textbf{EFFICIENCY} = \text{Value for Money} = \frac{\textbf{QUALITY}\ \text{(outcomes, Pt Experience)}}{\textbf{COST}\ \text{(spending)}}$$

Primary Care Payment

Who bears the financial risk?
What are the incentives of the payment method?

- Salary
- Fee for service- fee schedule
  - Budget cap
- Capitation
  - Fundholding for other services
- Mixed payment models

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Hospital payment

Who bears the financial risk?
What are the incentives of the payment method?

- Line-item or global budget (based on previous spending)
- Fee for service
- Per day
- Per admission, Per case (DRGs)
- Global budget (with prospectively set targets)
- Capitation

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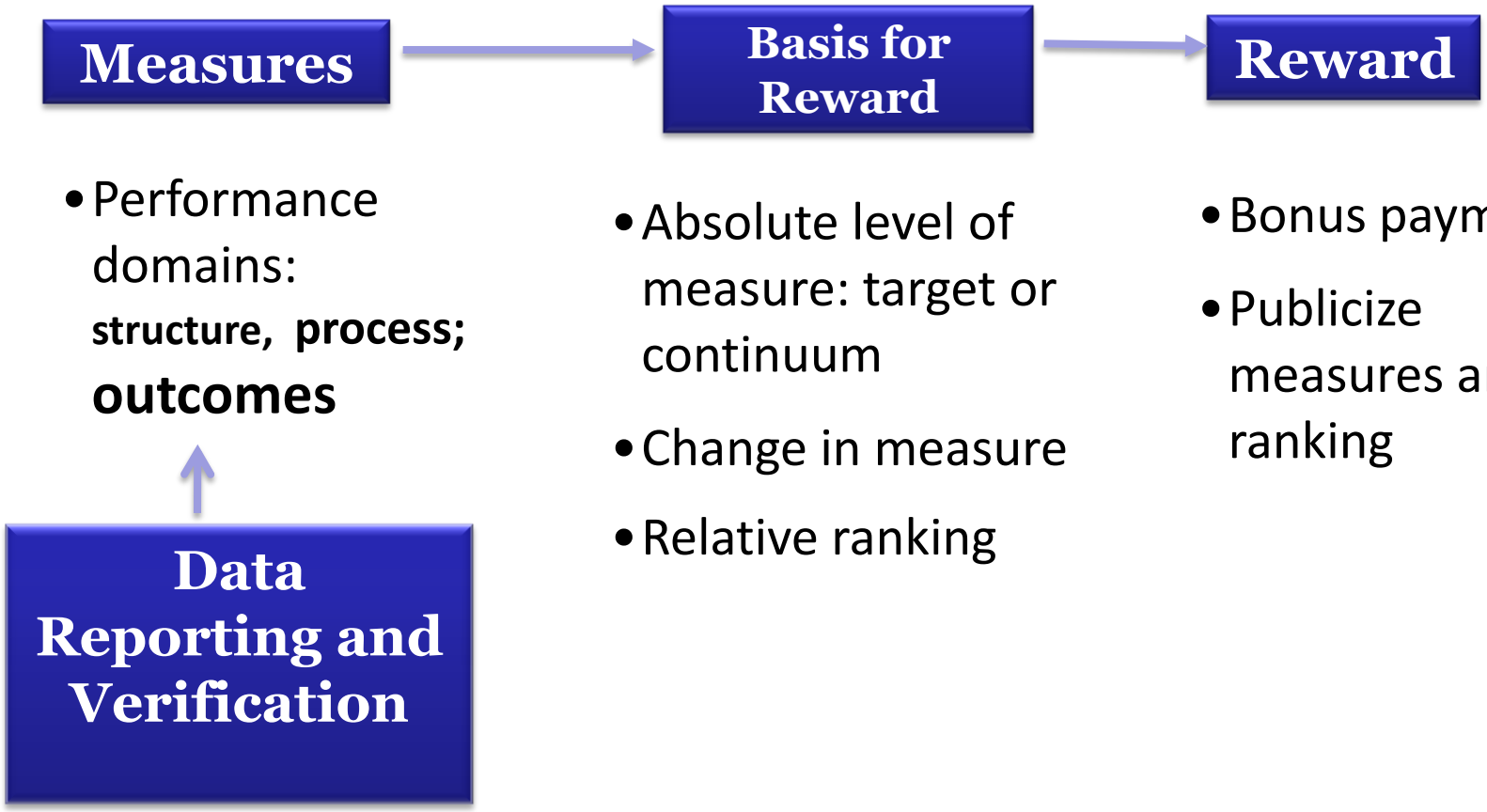
What is Pay for Performance?



Source: Adopted from Scheffler RM: *Is There a Doctor in the House? Market Signals and Tomorrow's Supply of Doctors*, Stanford University Press, 2008.

Increasing use of P4P across OECD countries

- This table illustrates the diversity of pay for performance schemes on the supply side in all areas of care, based on a survey carried out in 2008/2009.

- The US, the UK and Australia in the late 1990s and early 2000s have broken new grounds for other OECD countries

Country	Bonus for primary care physicians	If so, targets related to:		Bonus for specialists	If so, targets related to:		Bonus for hospitals	If so, targets related to:		
		Preventive care	Chronic disease		Preventive care	Chronic disease		Clinical outcome	Process	Patient satisfaction
Australia	X	X	X							
Austria										
Belgium	X		X	X		X	X			
Canada										
Czech Republic	X	X		X						
Denmark										
Finland										
France	X	X	X							
Germany										
Greece										
Hungary	X									
Iceland										
Ireland										
Italy	X	X	X							
Japan	X	X	X	X	X	X	X	X		
Korea							X	X	X	
Luxembourg							X			
Mexico										
Netherlands										
New Zealand	X	X	X							
Norway										
Poland	X	X	X	X	X	X				
Portugal	X	X	X							
Slovak Republic				X			X	X	X	X
Spain	X	X	X	X						
Sweden	n.a.			n.a.			n.a.			
Switzerland										
Turkey	X	X		X	X		X		X	
United Kingdom	X	X	X	X	X	X	X	X	X	X
United states	X	X	X	X	X	X	X	X	X	X

Wide Differences in Design: complex to simple

Australia "Practice Incentives Program (PIP)"	**13 incentive areas** in 3 domains--quality of care, capacity, rural support
Brazil "Programa de Incentivo para a Melhoria do Desempenho na Saude da Familia (PIMESF)"	**6 indicators** of health service coverage addressing specific health gaps in the municipality
France "Contracts to Improve Individual Practice (CAPI)"	**16 indicators** in 3 domains—prevention, chronic disease management, cost-effective prescribing
New Zealand "PHO Performance Programme"	**10 indicators** in 4 domains-- service coverage, quality, efficiency, capacity to improve performance
U.K. "Quality and Outcomes Framework (QOF)"	**129 indicators** in 4 domains—clinical care, organizational, patient experience, additional services
U.S. "Premier Hospital Quality Improvement Demonstration (HQID)"	**34 indicators** for 5 acute clinical conditions: acute myocardial infarction, coronary artery bypass graft, heart failure, community-acquired pneumonia, and hip/knee replacement.

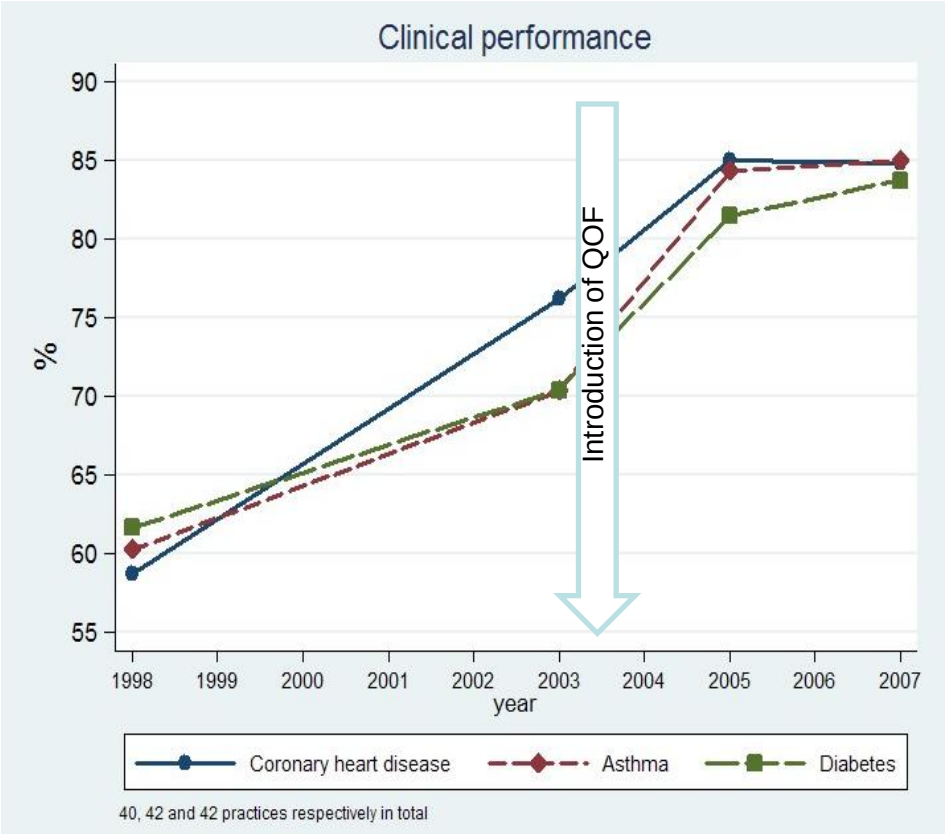
P4P widely used to increase health prevention

	Countries providing incentive	Effect?
Cancer screening (breast, cervical)	Australia Brazil New Zealand U.K.	**Significant** increase in screening rates (BR) **Modest** increase in screening rates (NZ) **Targets met** (UK) **No** improvement (AU; FR)
Asthma	Australia U.K.	**Modest** increase in completion of treatment cycles (AU) **Targets met** (UK)
Diabetes	Australia France New Zealand U.K.	**Modest** increase in screening and preventive testing and management (AU; FR; NZ) **Targets met** (UK)
Hypertension	France New Zealand U.K.	**Modest** improvement (NZ) **Targets met** (UK) **No** improvement (FR)
Vaccination	Brazil France New Zealand U.K.	**Significant** increase (NZ—children) **No** improvement (FR; NZ--adults) **Targets met** (BR; UK)

P4P has widespread appeal, but does it work?

- Paying for quality is next wave of payment systems
- Very few schemes well evaluated.
- Performance measures tied to incentives tend to improve quality, but often marginally.
- Positive effects on IT uptake; monitoring; and accountability
- Useful in incentivising prevention
- Limited evidence on implementation and whether P4P is a cost-effective way to achieve quality

Clinical performance as measured before/after implementation of UK P4P scheme (QOF)



Source: Campbell SM et al; National Primary Care Research and Development Centre

Provider Payment: Key to increasing value for money

- No optimal system
- Some payment systems (e.g. Fee for Service) will increase activity/output, but will it increase outcomes?
- Paying for quality makes sense, but the devil is in the detail
- SBO often sets rules of game for payment systems (e.g. DRGs)
- Demand side incentives are also important

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