Pay-For-Performance: Will It Work?

R. Adams Dudley, MD, MBA
Associate Professor of Medicine and Health Policy
Associate Director, Institute for Health Policy Studies
University of California, San Francisco

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Do You Believe in PFP?

- Dudley RA, Frolich A, et al. *Strategies to Support Quality-based Purchasing: A Review of the Evidence (Technical Review No. 10).* AHRQ Publication No. 04-0057, 2004
- Dudley RA. Pay-for-performance research: how to learn what clinicians and policy makers need to know. *JAMA*. 2005;294(14):1821-3
- Dudley RA, Rosenthal MB. *Pay for Performance: A Decision Guide for Purchasers.* AHRQ Publication No. 06-0047, 2006

PFP Works!

- In some circumstances, providers respond to financial incentives: Hickson et al. Pediatrics 1987;80(3):344
  - Paid residents their salary plus $2/visit scheduled vs. $20/month for attending clinic
  - FFS-incentivized residents did better complying with well-child care recommendations and continuity…for $2!

…Or It Doesn't!

- RCT in Philadelphia in which capitated medical groups were randomized to be eligible for bonuses (typical payout $600-$1,200) for increasing colon cancer screening or no incentive
- Result: incentive group no better than controls

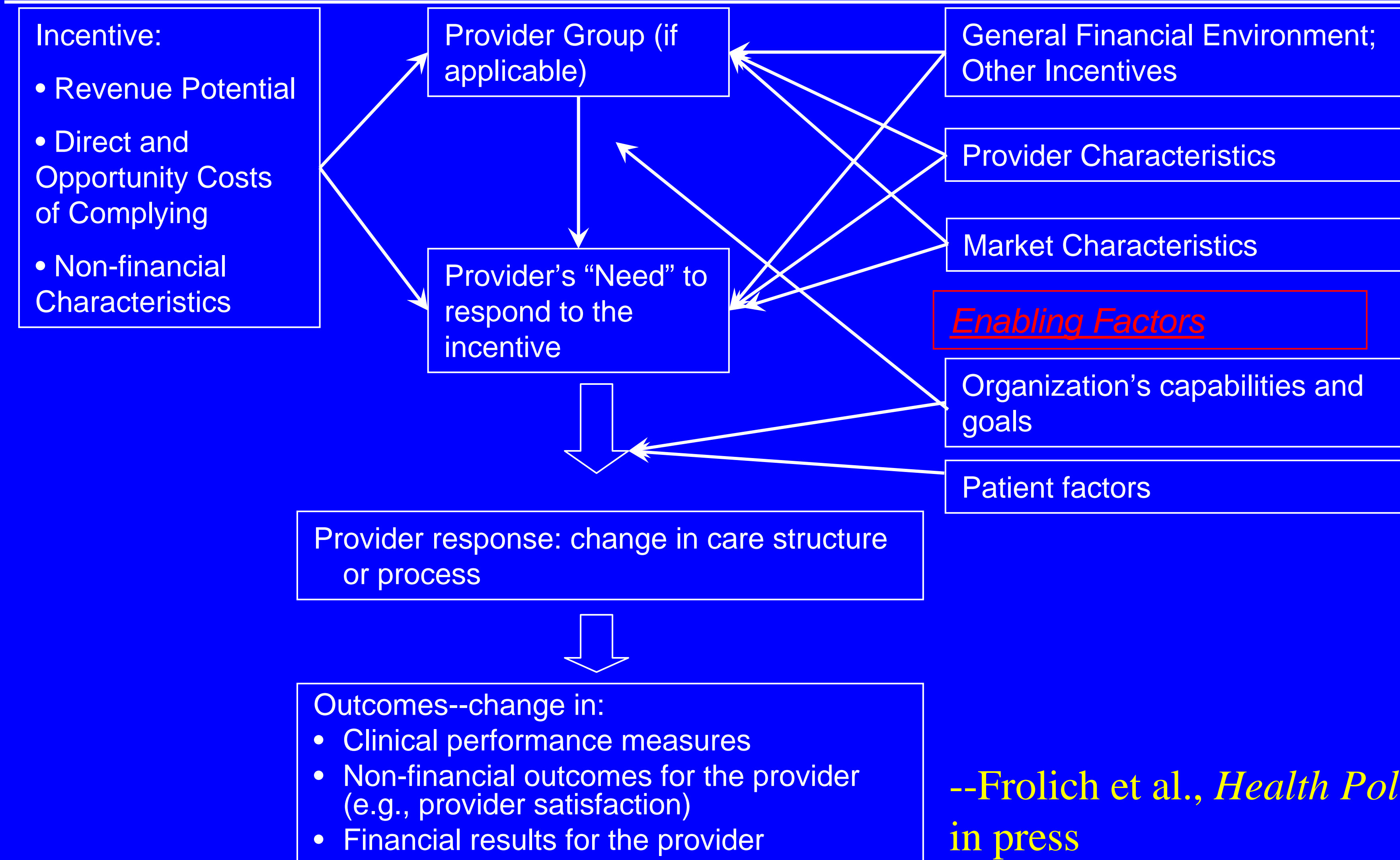
(similar failures for smoking cessation, other measures)

Determinants of Impact: Characteristics of the Incentive

- Magnitude of a financial incentive
- Reputational effects from public reporting
- Costs of complying

Determinants of Impact: Factors External to the Incentive

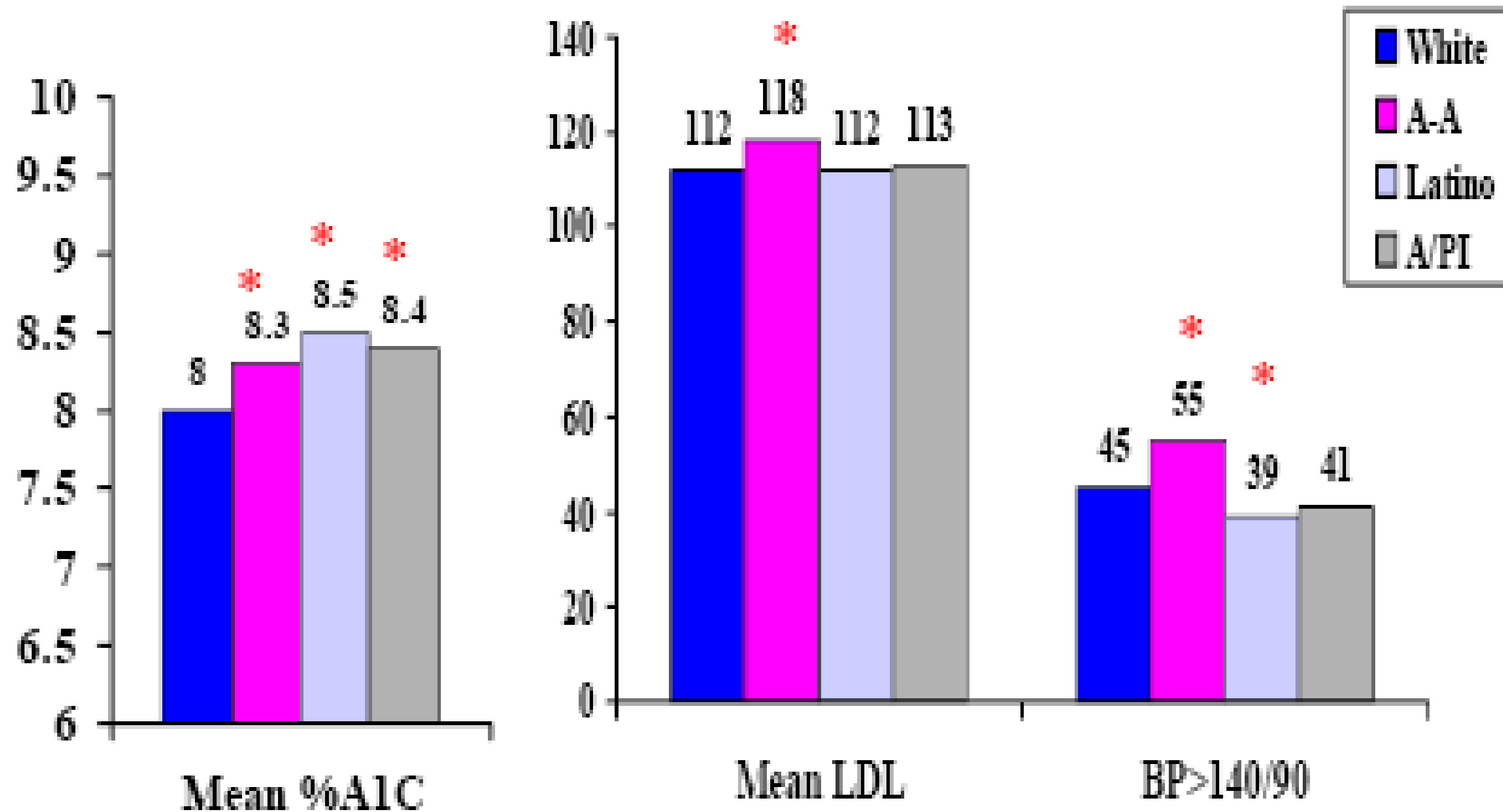
- Business environment (e.g., FFS vs. capitation, alternative incentive programs)
- Specific characteristics of the provider (e.g., years since training, work load before the incentive)
- Organizational characteristics of the provider's group (e.g., information technology available)
- Patient factors (e.g., education level, willingness to take on self-care)


Model of An Individual Provider's Response to Incentives
Intervention Component
Recipient of Incentive
Predisposing Factors
Incentive:
• Revenue Potential
• Direct and Opportunity Costs of Complying
• Non-financial Characteristics
Provider Group (if applicable)
Provider's "Need" to respond to the incentive
General Financial Environment; Other Incentives
Provider Characteristics
Market Characteristics
Enabling Factors
Organization's capabilities and goals
Patient factors
Provider response: change in care structure or process
Outcomes--change in:
• Clinical performance measures
• Non-financial outcomes for the provider (e.g., provider satisfaction)
• Financial results for the provider
--Frolich et al., Health Policy, in press

TRIAD: Impact of Patient Factors on Measured Performance

- TRIAD: A study of the quality of care received by 11,000 diabetics in 10 health plans in New Jersey, Indiana, Michigan, Texas, California, and Hawaii

Race/Ethnicity
Adjusted Intermediate Outcomes



*P<0.05

All models adjusted for clinical/sociodemographic characteristics and clustering by health plan

Patients Stop Using Meds Because of Cost…And Don't Necessarily Tell Anyone

	Used less med due to cost	Told MD cut meds	MD usually/always discuss cost
N	4464	567	4440
Race/Ethnicity			
• White	11%	46%	16%
• African-American	17%	39%	18%
• Latino	19%	55%	20%
• Asian/PI	9%	40%	10%
• Other	12%	46%	14%
Age			
• 18-44	21%	36%	9%
• 45-64	14%	43%	14%
• 65+	9%	58%	18%
Sex			
• Male	9%	46%	14%
• Female	15%	46%	17%

Patients Stop Using Meds Because of Cost…And Don't Necessarily Tell Anyone

	Used less med due to cost	Told MD cut meds	MD usually/always discuss cost
N	4464	567	4440
Education			
• < HS	14%	55%	23%
• HS Grad	15%	48%	17%
• Some College or higher	11%	43%	12%
Income			
• < $25K	19%	52%	24%
• $25 to <50K	14%	42%	16%
• $50K +	5%	30%	8%

Patient Factors Predictive of "Persistent Lapses in Quality"

- Younger age, less severe diabetes, fewer comorbidities, having a job, and lower income all predicted missing expected interventions for 3 consecutive years

- Younger and healthier? Those are exactly the people in whom diabetes interventions are MOST EFFECTIVE AND COST-EFFECTIVE!

Summary

- PFP can work, but you have to do it right
- That includes accounting for costs of improving quality, community resources, and patient factors