Health Care Funding NEWS

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From the Editor

In previous newsletters we have written about various funding policies used to incentivize hospitals to provide high quality hospital care and indicators used to measure hospital quality. In this issue we take a closer look at a funding method called pay-for-performance (P4P). "A Look at Pay-for-Performance" shares the results of our literature review of P4P programs. "Paying for Improved Patient Reported Outcomes" further explores the possibilities of using patient-reported outcomes as the outcomes of interest in P4P.

Please feel free to contact us (**editor@healhcare-funding.ca**) with any comments or suggestions.

COMMENTARY

A Look at Pay-for-Performance

Pay-for-performance (P4P) combines provider remuneration with achievement or improvement on pre-specified performance indicators (1). The most common objective of P4P is to improve the quality of healthcare provision and patient outcomes. Ideally, P4P would result in reduced healthcare costs in the long run due to more effective and higher quality care (2).

P4P programs typically incentivize a combination of process and intermediate outcome quality indicators (3). More recently, some healthcare purchasers have included patient reported outcomes in their P4P schemes. In 2012, scores on patient experience measures were incorporated in Medicare's Hospital Value Based Purchasing Program.

P4P has been broadly implemented in primary, acute and long-term care in countries such as the UK, USA, and Australia. In 2004 the UK implemented a P4P for GPs called the Quality and Outcomes Framework (QOF) with the goal of reducing variations in the quality of care.

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COMMENTARY

Paying for Improved Patient Reported Outcomes

Healthcare policymakers in a number of countries are experimenting with various funding models in order to achieve different goals. Pay-for-performance (P4P) is one model frequently used to motivate healthcare providers to improve the quality of care they deliver. P4P models generally provide financial incentives to providers who meet pre-set quality thresholds or targets.

When focused on hospital-based care, P4P models often target delivery structures, processes and outcomes (1). Hospital outcomes can be defined either clinically (e.g. in-hospital mortality rates) or by patient report (e.g. experience with the healthcare provider or quality-of-life measures). While some work has been done evaluating the effectiveness of P4P models to improve process and clinical outcomes, little is known about the relationship between P4P and patient-reported outcomes (PROs)—that is, on patients' perceived health status or well-being (2).

We recently conducted and presented a rigorous literature review that examined the relationship between P4P models and PROs. The results were a little disheartening. Out of 280 articles relating to P4P and hospital care, none were found to address patient-reported outcomes. Even when the scope of PROs was expanded to include patient satisfaction or patient experience, only four healthcare systems were reported to have used such measures as part of their respective P4P models, and no detailed information could be found.

This dearth of evidence could be explained by a number of reasons. First, hospital-based care is generally not conducive to collecting PROs. Baseline data is often needed in order to measure improvements in health status, which can be difficult to collect given the event-based treatment modalities delivered within a hospital. Second, collecting PROs can be expensive and tax already strained hospital budgets and staff; collecting these data

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Physician practices can earn up to 1000 points a year, with points worth approximately US $212 each (2).

P4P is emerging as an acceptable method for funding healthcare in Canada. An example from BC is the Emergency Department P4P program implemented in 2007. The objective of the program was to reduce ED wait times and improve access to emergency care in the Vancouver area. Hospitals were rewarded based on the number of patients seen within a target time. The evaluation of the early years of this program is complete and findings will be published soon (4).

Despite the broad adoption of P4P, there is little conclusive evidence that P4P improves quality (5). According to the literature, the QOF demonstrated improvements in quality of care. In contrast, several reviews of the Hospital Quality Incentive Demonstration in the US showed little evidence of quality improvement (3, 6). There are often severe limitations on robust P4P evaluations (2). Areas of P4P design that require further research include determining appropriate quality measures, the size and timing of incentives and how to mitigate possible unintended consequences.

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4. Cheng, A., & Sutherland, J. M. (forthcoming). British Columbia's Pay-for-Performance Experiment: Part of the Solution to Reduce Emergency Department Overcrowding?

5. Werner, R.M., Konetzka, R.T., & Polsky, D. (2013). The effect of pay-for-performance in nursing homes: evidence from state Medicaid programs. Health Services Research, 48(4), 1393–414.

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usually involves trained surveyors who can be expensive to keep on payroll. Finally, PROs can be subject to a number of statistical challenges, such as small sample sizes and reliability issues.

Despite the lack of evidence, however, some healthcare systems are considering how they might use PROs in their funding models. In the United States, for example, the Centers for Medicare and Medicaid have already started to reimburse hospitals based on a quality composite measure that includes patient experience. This is known as the value-based purchasing program.

Patients' perception of their health and the care they receive is undoubtedly an important consideration for healthcare providers. But to monetize improvements in these perceptions, without fully understanding the consequences, seems premature.

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2. Mehrotra A, Damberg CL, Sorbero MES, et al. Pay for performance in the hospital setting: what is the state of the evidence? American Journal of Medical Quality. 2009; 24(1):19-28.

Upcoming Events

Activity Based Funding Conference
IIR Healthcare Conference Series
Toronto, ON | January 29-30, 2013

National Health Policy Conference
Academy Health
Washington, DC | February 3-4, 2014

Performance Anxiety: Can Performance Measurement and Reporting Help to Improve Canadian Healthcare?
UBC Centre for Health Services and Policy Research
Vancouver, BC | February 25, 2014

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