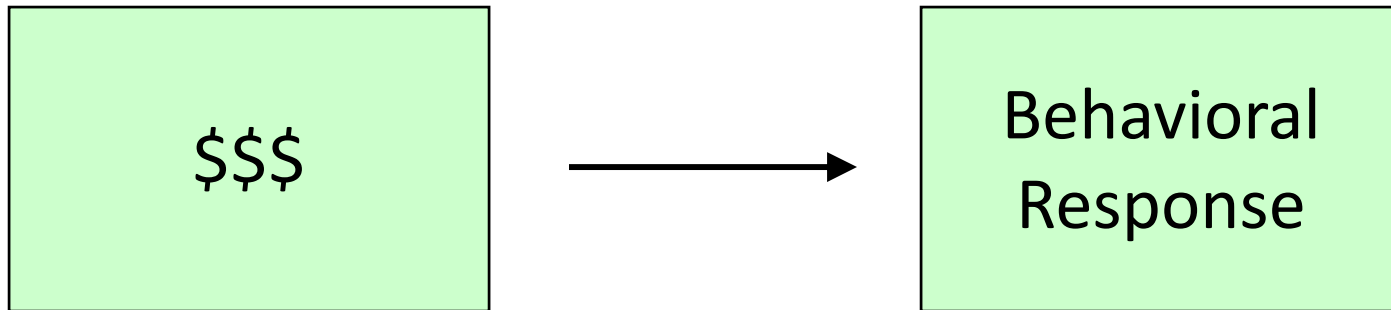


# Pay for performance – It is not all about the money

Ateev Mehrotra

Harvard Medical School  
Beth Israel Deaconess Medical Center  
RAND

# Overly Simplistic Model



## Many Smaller Incentives > One Large Incentive

- Perceived importance of \$5 depends on framing
- Small and frequent incentives are powerful
- Application to P4P
  - 10 payments of \$10 > 1 payment of \$100
  - Do not use a percentage increase in reimbursement

# Difficulty in achieving incentive drives behavioral response

- Goal gradient theory
  - Far from goal: little behavioral response
  - Get close: increasing behavioral response
  - Past goal: little behavioral response
- Application to P4P
  - Tiered thresholds vs. single threshold
  - Paying for improvement

# Uncertainty Undermines Incentive

- Contrary to “rational” choice, majority of people are risk-averse
  - Why do majority of people choose a guaranteed one-week vacation over a 50% chance at a three-week vacation?
- Application to P4P
  - Absolute > relative thresholds
  - Two risks with shared saving program

## Non-financial factors are powerful

- Gifts or other items may be a stronger incentive
- Application to P4P
  - Decreasing time burden
  - Removing requirements such as accreditation

## Key component of P4P is feedback, but not all feedback is the same

- Feedback intervention theory argues greater response when feedback....
  - Frequent
  - Group and individual
  - Normative data provided (e.g. Achievable Benchmarks of Care)
  - Correct solution suggested
- Application for P4P
  - Providing feedback to providers far after the fact undermines impact on behavior

# Who is profiled in P4P and what measures are chosen

- Level of health care system (providers, groups, large systems)
  - Locus of control
  - Rewarding noise vs. signal
- Do providers feel quality measures are salient
  - NQF approval  $\neq$  salience
  - Tension between societal view vs. provider view



## Guidance for P4P

- How incentive is structured may be more important than actual amount of dollars on the table
- Where incentives are applied, how feedback is provided, and quality measures chosen are critical

Backup slides

## Greater Lags Undermines Response

- Hyperbolic discounting
- Money in hand greater driver than future gains
- Example: \$10 now vs. \$20 in one year
- Application to P4P:
  - Ideal incentive given right after care delivered
  - Shorten lag time between delivery of care and receipt of incentive
  - Example: hospital is more likely to implement an EMR if money will be received in a month vs. many years from now

# Withholds > Bonuses

- Loss aversion
  - Avoiding a loss potentially much greater driver than equivalent gain
  - Difference significant – up two-fold
- Example of framing: Pamphlets to encourage women to use breast self-exam
  - Framed as a loss (59% increased use)
  - Framed as a gain (38% increased use)
- Application for P4P
  - Withhold = loss
  - Bonus = gain

# *Alternative example*

## Withholds > Bonuses

- Important caveat is differential emotional response
  - Withhold seen as unfair
- Example: Salary change with same economic impact, but framed differently
  - No inflation & 7% pay-cut: 69% unfair
  - 12% inflation & 5% pay-raise: 22% unfair
- P4P example:
  - 59% preferred bonus
  - 24% preferred withhold
  - 17% felt they were the same

## Alternative Example 2

### Greater Lag Time Undermines Drive

- Hyperbolic discounting
- Money in hand greater driver than future gains
- Example: \$10 now vs. \$20 in one year
- Application to P4P:
  - Ideal incentive given right after care delivered
  - Shorten lag time between delivery of care and receipt of incentive
  - Example: hospital is more likely to implement an EMR if money will be received in a month vs. many years from now

# Caveats

- Theories developed outside of health care
- Unclear whether applicable to reimbursement
- Individual response may not be applicable to organizational response

# Hospitals Have Many “Outputs”

- Different hospital outputs
  - “Getting patient seen quickly” vs. “Spending enough time with patient to make right diagnosis”
- Strong incentive applied to one will undermine effort applied to the other
- Potential solutions
  - Reward all outputs
  - “Low-powered” incentives



## *P4P May Undermine Intrinsic Motivation*

- Giving money to donate blood might decrease number of people who donate blood
- Financial incentive potentially undermines altruism
- Solution: “Pay Enough or Don’t Pay at All”
  - Three groups of students took an IQ test
  - No bonus per correct answer – 28/50
  - Small bonus per correct answer – 23/50
  - Large bonus per correct answer – 35/50