

# Study Snapshot:

## Challenges in Achieving Successful Pay-for-Performance Programs

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### Key Findings

- Using penalties and withholds may have a stronger effect on clinical quality performance than offering payment incentives.
- Modest incentive payments are likely to be insufficient to improve clinical quality.
- Pay-for-performance programs are likely to be more successful when applied to individual physicians rather than group practices.

### The Question:

How effective are pay-for-performance programs at improving general clinical quality?

During the late 1990s and early 2000s, pay-for-performance (P4P) programs grew in popularity. P4P is a payment model that rewards physicians, hospitals, medical groups, and other healthcare providers for meeting certain performance measures for quality and efficiency as opposed to payment based on the number of services provided or establishment of a set rate. In a HCFO-funded study, Douglas A. Conrad, Ph.D., of the University of Washington School of Public Health and Community Medicine and colleagues examined the effects of a large-scale P4P program implemented by a leading health insurer in Washington State between 2003 and 2007 on clinical quality performance. Clinical quality performance was based on a set of well-established metrics, including cancer screenings, prescribing optimal medications for asthma, and diabetes screenings and treatments. Components of the program included a quality scorecard, public reporting and payment incentives. The full results of their study are available in *Healthcare*. An overview and summary of the key findings are available in the related *HCFO Findings Brief*.

### The Implications:

Results showed that rather than improving quality, the use of a payment incentive program was actually associated with a **reduction** in quality for most of the quality metrics showing significant effects when compared to the use of a scorecard and reporting alone. Follow-up interviews with medical group administrators and clinical leaders indicated that the modest size of the payment and group nature of the study were two large factors in why the P4P program failed to improve quality. The researchers note that other studies have shown that using penalties and withholds, instead of exclusively providing rewards, can have a larger effect on modifying behavior. Their current findings suggest that other means of controlling costs and increasing quality should be explored.

### Contact Us

For more information on the results from this grant, please contact Douglas Conrad, Ph.D., at [dconrad@u.washington.edu](mailto:dconrad@u.washington.edu).

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