

Pay for Performance

Unlike nonpayment for never events, which utilizes only disincentives, Pay for Performance (P4P) relies on incentives to improve the quality and value of care. The concept rests on providing bonuses for higher quality, more efficient health care, giving providers and health plans resources to invest in value. In 2006, twenty eight state Medicaid agencies were operating P4P programs; by next year, it is expected that there will be 82 programs in 43 states.ⁱ State performance targets include well-child visits, cervical cancer screening rates, immunization rates, and HbA1c testing for patients with diabetes. Financial rewards include paying primary care providers each time one of their patients receives a screen, performance-based fee increases, bonus payments for reaching a performance threshold, or bonuses based on improvement. States have also implemented P4P programs with non-financial incentives including public recognition, technical assistance, and reduced administrative burdens such as less frequent quality auditing.ⁱⁱ

Maine's Medicaid program has included bonus payments to higher performing physicians since 1998. Pediatricians, family practitioners, internists and OB/GYN physicians participating in MaineCare, a primary care case management program, are compared quarterly to their peers based on their performance on measures including access to care, preventive screenings, and emergency room use. Providers in the top 80% of performers share about \$3 million each year; payments are based on individual performance measures and specialty. The mechanism to distribute payments was developed by the state in collaboration with providers. Providers reportedly pay close attention to their performance reports. The desire to improve their ranking on the publicly shared report is often a greater motivator than the bonus payments.ⁱⁱⁱ

ⁱ Kuhmerker and Hartman, Pay-for-Performance in State Medicaid Programs: A Survey of State Medicaid Directors and Programs, The Commonwealth Fund, April 2007.

ⁱⁱ Physician Pay-for-Performance in Medicaid: A Guide for States, Center for Health Care Strategies, March 2007.

ⁱⁱⁱ Ibid.