

Designing Incentives for Performance Improvement in Health Care and Payment for Performance Schemes

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Outline

- Pay for performance in healthcare
- Theory of incentives and motivations
- Research issues

Payment for performance

- International trend
- UK, USA, Australia, New Zealand, Italy
- Better systems of measurement
- Failure of public reporting
- Evidence from other sectors.

Design elements of P4P

- Objectives
- Unit of assessment
- Performance measures
- Analysis and interpretation of performance data
- Financial awards.

Empirical evidence

- QOF
- 98% attainment of quality indicators
- £23,000 increased gross income.

**All healthcare staff operate
within a set of incentives
and constraints**

The success of a particular incentive will depend on:

- the design of the incentive
- the culture within which it is applied
- the information base which supports its application
- the priorities and aspirations of its staff.

What is an Incentive?

“a reward (or sanction) associated with a particular aspect of performance”

Purposive – explicitly put in place deliberately to induce beneficial behaviour.

Accidental – implicit by-product of other managerial arrangements.

A good incentive scheme will:

- Reward desired actions
- Discourage unwanted actions
- Give staff an indication of organization's priorities
- Alignment between industrial organizational objectives
- Generate organizational benefits that exceed its costs.

Types of Rewards/Sanctions

- Personal financial rewards
- Intrinsic rewards (a job well done)
- Peer reputation
- Career advancement
- Additional budget for service development
- Time to pursue other activities (such as research)
- Reduced level of inspection
- A probationary period
- Requirement to engage in professional development or re-training
- Loss of livelihood
- Dismissal.

Problems with Incentive Schemes

- Attribution
- Target setting
- Magnitude of reward
- Autonomy of discretion
- Poor measures of success
- Manipulated by staff
- Dysfunctional consequences.

Intrinsic motivation

Extrinsic motivation

Intrinsic motivation

Interest in work for its own sake,
control of ones own affairs.

Extrinsic motivation

Motivation played by 'external rewards'.

'Crowding in'

External rewards, regulations seen
as supportive.

'Crowding out'

- The more rewards are expected
- More salient reward is
- More contingent on task or performance
- More deadlines or threats are used
- The more intensive the surveillance is.

Research implications

- Motivations of staff
- Empirical evaluations and pilot evaluations
- Intangible aspects of performance.

Recent references

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