

# Pay-for-performance in healthcare

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BOSTON--Although the idea of pay-for-performance (P4P) is popular among healthcare policy makers and private insurers, the results do not necessarily translate to the patient.

A new study from the *RAND Journal of Economics* analyzes performance reports from medical groups who worked with a large network HMO which has been compiling quality data since 1993, pre-P4P. Lead researcher Kathleen J. Mullen says, "In the end, we failed to find evidence that a large P4P initiative either resulted in major improvement in quality or notable disruption in care."

So how did policy makers and medical providers arrive at this miscalculation? A 2003 RAND study by Elizabeth McGlynn and colleagues found that on average American patients receive only fifty-five percent of recommended care. P4P seemed to be the answer to better quality care and effective preventative medicine.

The P4P reimbursement program rewards healthcare providers with bonuses for high marks in areas of preventative medicine (e.g., blood sugar testing for diabetics, cervical and [breast cancer](#) screenings for at-risk patients). Recently the Institute of Medicine recommended that Medicare join ranks with the P4P private insurers (over 100) to offer better quality, incentive-based care. However, the research shows that, rather than encouraging providers to shift resources toward quality improvement more generally, P4P may instead only persuade providers to focus on narrow (incentivized) areas.

Although the researchers found that some incentivized measures of quality may have improved in response to P4P, they failed to find evidence of positive spillovers to other related aspects of care. This result casts doubt on the promise of P4P as a transformative mechanism for improving the general quality of the [healthcare system](#), and suggests caution in moving ahead with P4P and in interpreting the results of future studies.

**More information:** To view the abstract for this article please visit [www3.interscience.wiley.com/jo.../123248403/abstract](http://www3.interscience.wiley.com/jo.../123248403/abstract)

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