

# Incentives for Better Performance in Health Care

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## العوامل المحفزة لأداء أفضل في المجال الطبي والصحي

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الملخص: لقد تعددت الأساليب والطرق المحفزة التي تؤدي بدورها لأداء أفضل في مجال الرعاية الصحية. فقد تم تصميم هذه الأساليب لتحفيز العاملين في المجال الطبي والصحي بشكل عام لتحسين أدائهم وكذلك للحصول على أفضل النتائج. وقد تكون هذه المحفزات مالية أو غير مالية، وقد تطبق إما على المستهلك أو على مقدمي الخدمات الطبية والصحية، أو على مؤسسات الرعاية الصحية. نظام الأجر مقابل جودة الأداء هو أحد هذه المحفزات، حيث يتم من خلال هذا النظام مقارنة المستفيدين من الخدمات بناء على مجموعة من مؤشرات الإنجاز، والذي يحصل على مستوى أعلى من الإنجاز يكافأ مالياً. إن من أولويات وأهداف هذا النظام هو تمييز ومكافأة الذين يقومون بخدماتهم بشكل أفضل. لقد تم تطبيق هذا النظام على عدد من المستفيدين وفي عدة دول وفي شتى المجالات، وتشير الدلائل الأولية إلى أن هذا النظام له تأثيرات متعددة على جودة الأداء.

مفتاح الكلمات: الأجر مقابل الأداء، تحسين الأداء، جودة الرعاية الطبية، الحوافز، الرعاية الصحية، المكافآت والتقدير، الأداء بمهنية، إدارة الجودة الشاملة.

**ABSTRACT:** Incentives for better performance in health care have several modes and methods. They are designed to motivate and encourage people to perform well and improve their outcomes. They may include monetary or non-monetary incentives and may be applied to consumers, individual providers or institutions. One such model is the Pay-for-Performance system. In this system, beneficiaries are compared with one another based on a set of performance indicators and those that achieve a high level of performance are rewarded financially. This system is meant to recognise and primarily to reward high performers. Its goal is to encourage beneficiaries to strive for better performance. This system has been applied in several countries and for several recipients and settings. Early indications show that this system has had mixed effects on performance.

**Keywords:** Pay for Performance; PI; Healthcare quality; Incentives; Health care; Rewards and recognition; Professional performance; TQM

HEALTH CARE PROFESSIONALS ARE dedicated individuals who require minimal direction and supervision to perform their duties. They are professionals in that they are bound to their code of ethics and their fiduciary responsibility to perform well and render quality services to their clients. It is believed that health care providers are the type of professionals that embody such beliefs and behaviour. These professionals are seldom found committing intentional mistakes or causing harm to their clients or their environment, but errors do occur in health care and “unacceptable” behaviour occasionally happens as well. For this reason, one has to question these practices and wonder why such highly regarded individuals who are extremely dedicated to their profession, clients and profession still commit errors. Some of these individuals also raise such

questions as “What’s in it for me?” to do this or that and have been increasingly asking, “Why do I need to continue to work hard?” especially if there is no system of appreciation. One cause of the problem could be that there is a system that punishes errors, but no system to reward productivity.

## Pay-for-Performance

One of the performance incentives models being used in the USA is Pay-for-Performance (P4P). This is a model that was initiated to improve measures of quality and efficiency, and eliminate excessive cost. It provides a financial incentive that allows payers and providers to link economic incentives and operational quality outcomes. The underlying assumption is that P4P will improve, motivate, and enhance providers to pursue aggressively and

ultimately achieve the quality performance targets thus decreasing the number of medical errors with less malpractice events.<sup>1</sup>

In 2005, 75% of American companies and employers paid part of their employees' salaries by a P4P method.<sup>2</sup> Payment systems have been known traditionally to reward and pay health care providers for the quantity of their services rather than their quality. On the other hand, health care providers were still able to increase their incomes by providing quality service, but only as part of a payment for performance incentives system. In 2004, The UK's National Health Service (NHS) began a system of P4P, where 8,000 general practitioners and family physicians agreed to increases in their incomes based on 146 quality indicators. A study showed that British health care providers have increased their average income by \$40,000 by adhering to the P4P system.<sup>3</sup> Therefore, incentives in any form combined with other methods to improve performance may prove successful to change provider behaviour.

Rewarding employees is becoming the norm in most successful organisations in the USA and worldwide. A recognised employee is a loyal employee and a loyal employee is a dedicated employee. A dedicated employee will perform at a higher level, but when dedication is not recognised it causes employees to lose their enthusiasm. Those unrecognised employees will gradually lose morale as well as their desire to work for improvement and innovation. It behoves an organization to recognise its employees often and continuously. However, recognition without sincerity may not have the same effect and in some cases, may even backfire. For example, saying thank you to employees who help a facility provide quality service can go a long way when facility managers are sincere. It is believed that a happy employee is one who innovates and competes with others to be the best.

Dedicated employees impact their organisations positively. On the other hand, a struggling organisation generally has a minimum number of dedicated employees. Dedication is critical for sustainability and continuous success. Without dedicated employees, organisations will not do well.

Having a rewards and recognition programme in place lets valued employees know that their contributions are important and their efforts are appreciated. Not only will the employees appreciate it, but clients may appreciate it as well. When

employees are happy and satisfied with their work, their attitude will be reflected in the services they provide. When managers "go the extra mile" to keep the employees happy and treat team members well, employees will often go the extra mile to ensure clients are happy. Treating people well is reflective of how employees expect others to treat them.

Again with P4P, physician reimbursements will be partly dependent on patient outcomes, and it is widely assumed that a doctor can only do so much. In a study reported in the *New England Journal of Medicine* in 2003, patients only received 55% of the care they were supposed to get regardless of whether it was preventive, acute or chronic care.<sup>4</sup> P4P is intended improve this situation. Another study found that hospitals participating in a P4P programme had modestly superior outcome measures compared to those who did not participate in such incentive programmes.<sup>5</sup>

Although monetary rewards are important, recognition is even more important for professionals. High performing employees expect to be recognised, but do not necessarily expect to be rewarded. Sometimes a small token of appreciation may go a long way towards motivating dedicated employees. In fact, recognising employees (sincerely, often and on a timely basis) will improve retention and have a major and positive impact on attracting new staff. Employees want to be appreciated, valued and recognised and not all are motivated by money alone.<sup>6</sup>

Nelson suggests that, "The best praise is done soon, specifically, sincerely, personally, positively, and proactively."<sup>7</sup> When employees feel valued, they are more satisfied and happier at work, and in turn will provide better service to patients. Putting an employee rewards and recognition programme in place does not have to be difficult or costly. There are many ways to show the team that their efforts are appreciated, not only for large accomplishments, but also for the smaller daily ones.

Incentives of all forms have two main goals: 1) to motivate the employee to perform or continue to perform better and 2) to have a long lasting effect on their performance. Motivations coming from any type of incentive should spur the recipients to meet these two goals by sparking an interest and a change in behaviour in the recipient and having a lasting effect on that individual's desire to perform better. To achieve this, most researchers and experienced

organisations try to customise rewards based on employees' preferences and expectations. Rewards may have different effects on different individuals depending on their education, culture and status in the organisation. Therefore trying different rewards and motivational methods may be necessary to engage employees more and to stimulate them to improve their performance.

On the other hand, W. Edwards Deming, a leading quality management scholar and consultant, taught and demonstrated that motivation efforts are a form of tampering because they try to make improvements to individual components of what is largely a common cause (or routine system) variation. He argued that the overall performance of a unit was much more a function of the quality of materials, process design and management, quality specifications and machine performance—in other words, the “system.” Deming went on to demonstrate that the result of an improvement strategy based on trying to lift the performance of each worker one-at-a-time would not be system improvement; rather, it would simply be an increased variation in performance. He encouraged management to find ways to lift the performance of the whole system.<sup>8,9</sup>

Putting together an incentive programme is, nonetheless, a great step toward improving employee morale and encouraging productivity. If employees are happy and motivated, it follows that clients will be happier and will reap the benefits as well. Saying thank you to everyone for a job well done is important.

Incentives can be either monetary or non-monetary. Monetary incentives include: P4P, cash, non-cash gift cards, certificates, merchandise, travel and experiential rewards. These and other such incentives have a varying impact on performance and behaviour.<sup>10</sup> Examples of non-monetary incentives include: payroll or premium contributions, flexible work hours, health savings or reimbursement accounts, training, or even paid sabbaticals. Also, plaques, thank you letters, recognition certificates, stickers, and t-shirts with a logo are used. Other no-cost or low-cost awards include:<sup>11</sup> presentation of a certificate of appreciation for a job well done at a staff meeting; nomination of department employee of the month; allowing employees to take classes and improve skills; sending a handwritten note of thanks for the completion of a challenging task; sending flowers

to an employee's family thanking them for sharing their loved one with the organisation during the preparation of an important project; making time to stop and chat with your employees; bringing treats for the office; encouraging participation in organisation's activities; sending an employee to a conference, and development of a flexible work schedule.<sup>12</sup>

## Payment-for-Performance for Health Care Providers

P4P programmes are designed to measure employees' performance accurately while aligning pay such that it rises and falls in accordance with variations in performance. The use of P4P comes from a simple desire to motivate employees towards more constructive behaviour.<sup>13</sup>

P4P is an emerging movement in health insurance (initially in Britain and USA). Providers (and in some instances consumers) under this arrangement are rewarded for meeting pre-established targets for delivery of (or increased use) of health care services. This is a fundamental change from the fee for service payment system. The P4P or “value-based purchasing,” model rewards physicians, hospitals, medical groups, and other health care providers for meeting certain performance measures for quality and efficiency.

Disincentives, such as eliminating payments for negative consequences of care (medical errors) or increased costs, have also been proposed. In developed nations, the rapidly ageing population and rising health care costs have recently brought P4P to the forefront of health policy discussions. Pilot studies underway in several large health care systems have shown modest improvements in specific outcomes and increased efficiency, but no cost savings because of the added administrative requirements. Statements by professional medical societies generally support incentive programmes to increase the quality of health care, but express concern with the validity of quality indicators, patient and physician autonomy and privacy, and increased administrative burdens.<sup>14</sup>

In the United States, the Centers for Medicare and Medicaid Services (CMS), in an attempt to reform payment to providers for services rendered, designed and implemented a basic P4P system; one for hospitals and one for doctors' offices.

Based on the commonest and most effective and evidence-based clinical practice guidelines of high volume medical conditions, CMS designed and implemented a programme to reward high performers. For hospitals, CMS identified some 20 plus process and outcome indicators related to three medical conditions: congestive heart failure, acute myocardial infarction and community acquired pneumonia. Hospitals were asked to volunteer in the programme by submitting their performance against those indicators to be ranked with other hospitals in the national database of these indicators. The high performing hospitals in the top 4% would receive a bonus on top of their reimbursements for maintaining a high level of performance. A similar system was designed for physician offices, but this one was based on medical conditions most frequently seen in an outpatient setting namely, diabetes, asthma, hypertension, back ache, etc. Again a number of indicators were identified and those doctor's offices who volunteered to submit their measurements of performance against those indicators were entered in the national database and ranked against the performance of their peers. High performers will be rewarded with an annual bonus as a percentage of their reimbursement amount.

The CMS programme is in its early stages and has already experienced some challenges related to design, communication and impact on performance. Common design challenges include: difficulties in measuring performance; setting payouts at the correct level; managing factors outside the control of individuals being paid for performance; discomfort that managers and peers have with rating employees differentially; limited funding for payouts; resistance to adjusting payout levels as technology or market conditions change; avoiding perceptions of unfairness, and quality of implementation.<sup>15</sup>

Communication challenges stem from the difficulties about how the programme works and what is required to achieve rewards. Additionally, there is little evidence so far that there is a marked impact on performance in general of those enrolled in the programme compared to those who are not. In fact, providers (hospitals and physicians) can easily manipulate the system by concentrating their performance improvement interventions on the specific indicators which will make their "focused" performance look good, but

ignoring other indicators or medical conditions not included in the programme. In addition, the cost of designing, maintaining and evaluating the system is another burden that needs attention and perhaps a re-design.

## Pay-for-Performance for Health Care Clients

Yet the P4P system has led to marked improvement in outcomes in several other locations and projects. The *Bolsa Familia*, a results-based financing for health project in Brazil, provides small monetary incentives for poor and very poor families on condition that they use certain health care services. Several health indicators showed marked improvements in these families: 1) Decrease in income inequity and poverty levels by 81%; 2) Decrease in child mortality, and 3) Improvements in maternal health.<sup>16</sup>

Monetary incentives for consumers have been introduced not just in Brazil, but in a number of countries world-wide. The common factor between these projects was improving performance or enhancing behavioural change through incentives (primarily monetary). These practices showed a positive impact on health care outcomes and health indices. It was noticed that even small monetary incentives in certain populations (low or very low income families) had a positive impact on the health indices of these families' mothers and children. According to the Center for Global Development, these projects were so successful that the number of families wishing to participate increased dramatically from the first year of these programmes.<sup>17</sup>

As part of the Millennium Development Goals, in a project in 2006, conditional cash transfer (family stipends) was provided (US \$26–55 per month/family) to more than 11 million families (or 46 million individuals) in Latin America.<sup>18</sup> Once again, marked and tangible improvements were recorded in child health related to weight, vaccinations, school attendance, and nutrition. Similar results were noted in other conditional cash transfers projects in such countries as Guatemala and Nicaragua (combining demand and supply side incentives), Haiti (performance incentives model), Afghanistan, (paying NGOs for performance in post-conflict settings), Rwanda (performance

based financing in the public sector) and several Latin American countries and world-wide to offer incentives for TB diagnosis and treatment.<sup>19-21</sup>

Two models were implemented in these projects: one targeted primarily to providers to increase the demand for health care services and another targeted at consumers to increase their use of health care and related services. In the all projects, workers reported that to ensure success of these projects the following characteristics should be present: 1) Designed in collaborative manner; 2) Development of realistic goals; 3) Development of indicators that are SMART (specific, measurable, achievable, realistic, and timely); 4) Tailoring of incentives (types and amounts) according to the target population; 5) Putting in place a system to monitor and validate performance, and 6) Development and execution of contracts.

## Pay-for-Performance Outside the Health Sector

Outside the health sector, national and international companies have been using performance based incentives for their employees for a long time. For example, Conoco-Philips has long offered what they call a Viable Cash Incentives Programs (VCIP) to their employees based on the performance of the organisation, i.e. a share in the business success.<sup>22</sup> Employees are rewarded for advancing company objectives and are accountable to their performance outcomes. Other practices elsewhere include the rewarding of employees in terms of monetary incentives or discounts for their participation in health enhancing programmes (exercise, dieting, smoking cessation, alcohol and drug abuse awareness programmes etc.) Insurance companies on the other hand also use monetary incentives to encourage their consumers to live and practice a healthy life style.<sup>23,24</sup>

## Conclusion

An incentive programme represents a substantial investment for most organisations. Receiving a sufficient return on that investment requires the full participation of the programme participants. Incentive programmes are based upon the concept that effort increases as people perceive themselves progressing towards their goal. Therefore

programmes should offer participants a variety of products and services based on their unique interests and diverse needs. Successful programmes need to develop their reward methods carefully to keep participants eager to approach a new goal once they have achieved a reward.<sup>25</sup>

There is often a poor level of incentives given to providers. Unless incentives are worthwhile, providers may not be interested or encouraged to participate. Incentives have to be based on a sound system of performance measurements that is both comprehensive and valid. Measures have to be reliable, valid and clear while comparisons between provider performances based on these measures should be risk adjusted and unbiased. These conditions are almost impossible to achieve in the current system of performance.<sup>26,27</sup>

P4P and similar incentives programmes are a major improvement in the right direction. Providers must be accountable. Performance must be measured and levels must be ranked and compared with one another. Basing reimbursements of providers on quantity should be changed and payment based on performance should be encouraged.<sup>28</sup>

Workers in general (even the most dedicated) thrive on constant encouragement, effective rewards and suitable recognition. Rewards tend to motivate people to do more and to do it better or continue to do it better. Without rewards, workers tend to lose interest in excelling and innovating. If not properly recognised, they will lose their enthusiasm for perfection and that will in turn diminish their morale and happiness. It is documented that unhappy employees are less productive, but worse still they will negatively affect the satisfaction of their clients.

There are many types of incentive programmes and a variety of options within each type. Not all incentives are applicable to all organisations and not all successful programmes will be successful in all organisations. For these programmes to be effective they must be customised, well-focused and suitable to the organisation's culture and setting.

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