

"Payment for Performance (P4P) in Healthcare: Building an Alternative Theoretical Framework on its Intended and Unintended Consequences."

Stergios Seretis¹, Elias Kondilis² and Alexis Benos³
International Health and Political Economy of Health Research Group

1. PhD, Research Fellow, Aristotle University of Thessaloniki

2. PhD, Senior Lecturer, Queen Mary University of London

3. PhD, Professor, Aristotle University of Thessaloniki

Introduction: Payment for Performance (P4P) schemes are reimbursement systems that offer financial incentives to individuals or organizations in order for them to achieve measurable targets. P4P is portrayed by its advocates as an effective way of steering providers' behavior, and shifting the focus from volume of services to value and quality of care. Over the last decade P4P has become an international trend in healthcare systems of both developed and developing countries. The aim of this study is to identify and critically appraise the theories related to P4P, and build an alternative theoretical framework on its intended and unintended consequences.

Methodology: Based on a scoping review of several theoretical strands (neoclassical economics, information and behavioral economics, institutional and organizational theories, Keynesian economics and radical approaches) we identified the following theories relevant to P4P: expectancy theory, Hawthorne effect, equity theory of motivation, agency theory, crowding-in/crowding-out hypothesis, transaction costs theory, and Marxist approach on privatization. A comparative analysis of these theories and their applications on P4P in healthcare services was conducted, leading to a classification framework of the main advantages and unintended consequences of P4P schemes in healthcare.

Findings: The potential advantages of P4P schemes are: a) Increased provision for targeted services; b) Potential Improvement of quality of care for desired outcomes; c) Increased cost-effectiveness. The main a) "Gaming" and "rent-seeking" behaviors (eg. non-reporting of monitoring data, misreporting and/or over-reporting of performance outcomes); b) under-provision of untargeted services; c) complicated monitoring and enforcement systems leading to increased administrative costs; d) cherry-picking of patients; e) diversion of clinical practice from comprehensive care to myopic focus on performance goals (tick-box medicine).; f) increased dissatisfaction and decreased internal and/or overall motivation of healthcare workers

Conclusions: The theories and hypotheses identified and reviewed in this paper highlight the existence of divergent and conflicting approaches regarding the value of P4P schemes. Nevertheless, the majority of these theories indicate the numerous potential unintended consequences of P4P, suggesting that its uncritical acceptance and implementation in health care systems lacks solid theoretical basis and documentation.