



Insight

Pay-For-Performance Fails to Improve Performance

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The New England Journal of Medicine recently published disappointing [results from a study](#) focusing on mortality rates of hospitals participating in a pay-for-performance demonstration project. Researchers used 6 years of data from hospitals that participated in the Centers for Medicare and Medicaid Services' (CMS) Hospital Quality Incentive Demonstration (HQID) as well as a control group that only reported their quality data. The results are of particular interest as the Affordable Care Act requires CMS to expand the pay-for-performance program to most hospitals in 2012.

HQID hospitals did not have better mortality rates than the control hospitals, which is not surprising given a [recent CBO report](#) that concludes most pilot programs fail. Additionally, a similar study published in [Health Affairs](#) article had analogous findings; that the pay-for-performance hospitals showed initial gains but had the same results as the controls after a five year period. Authors noted, "These findings suggest that tailoring pay-for-performance programs to hospitals' specific situations could have the greatest effect on health care quality."

As with all quality improvement programs, the end goal is not improvement on the process measures per se, but an actual improvement in patient outcomes. The measure serves merely as a proxy. Therefore, as the NEJM study finds, a supposed improvement in "quality" doesn't always translate to meaningful results.

These results, therefore, suggest that scaling up this pilot could only cost CMS money, without providing real added value to patients. It further demonstrates a key problem with the Affordable Care Act, the reliance on unproven mechanisms to improve quality. Instead, there is a need for localized, specific solutions for quality improvement, not the Affordable Care Act's one-size-fits-all approach. In HQID case, it is clear the pilot program should not be expanded. Hopefully the HQID pilot experience will give policymakers pause when they are tempted to alter the health care system without definitive proof of improved quality.