Pioneering hospital pay-for-performance program falls short of its goals

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Massachusetts' innovative use of "pay-for-performance" bonuses to try to reduce racial and ethnic disparities in the case of Medicaid patients has turned up no evidence of the problem at any of the state's 66 acute-care hospitals, according to a new study that raises questions about the effectiveness of the state's novel approach.

While the study, published in the June edition of Health Affairs (June 9, 2011), found that racial and ethnic inequities for disadvantaged patients may well exist, it also determined that the hospital "pay-for-performance" approach – typically used to improve quality of care – proved unsuited to the task of identifying health care disparities or their severity, at least in the pioneering first years of its use.

According to the study, "Massachusetts' racial and ethnic disparities legislation was based on the assumptions that there were racial and ethnic disparities in the treatment of patients within the state's hospitals and that every hospital's patient population was sufficiently diverse to make a statewide intervention sensible."

However, the researchers found, the clinical conditions tracked in the pay-for- performance program did not bring to light any significant racial and ethnic disparities in hospital care. In addition, the hospitals' patient population was not sufficiently diverse to allow the approach to succeed in its goals of finding and narrowing gaps in care among the disadvantaged, the study stated.

It was in 2006 that Massachusetts passed major legislation to expand health insurance coverage throughout the state. The law, which would influence the federal Affordable Care Act implemented in 2010, featured a large increase in the state's Medicaid payment rate for hospitals, and with that increase came greater accountability in the form of the pay-for-performance program. Under the data-driven program, hospitals that performed well on specified measurements were eligible to receive substantial bonuses.

The use of "pay for performance" for the purpose of identifying and reducing racial and ethnic disparities in the care of Medicaid patients within hospitals marked a new approach for states. After the innovation was introduced in 2008, it became a subject of national interest.

This study of Massachusetts' use of pay-for-performance to reduce racial and ethnic inequities in hospital care was authored by Dr. Jan Blustein, professor of health policy and medicine at the Robert F. Wagner Graduate School of Public Service at New York University, along with Joel S. Weissman of Mongan Institute for Health Policy at Massachusetts General Hospital and Harvard Medical School; Andrew M. Ryan, assistant professor of public health at Weill Cornell Medical College; Tim Doran, clinical research fellow in public health at the School of Health Sciences at the University of Manchester, England; and Roman Hasnain-Wynia, director, Center for Healthcare Equity, and associate research professor at the Feinberg School of Medicine at Northwestern University.

While no signs of racial or ethnic disparities were detected by the researchers, they noted the program is in its early years, and over time, policymakers may be able to more effectively measure and address disparities.

Even so, it's also possible that time will show that hospital pay-for-

performance may be an inadequate tool for reducing health care disparities, the researchers wrote. A more effective way to reduce racial and ethnic inequities may be to focus on hospitals that heavily serve minority populations, or to attend to barriers to health and health care access that are rooted in factors "beyond hospital walls" over which hospitals have little direct influence, the authors suggested.

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