Using Incentives to Improve Health Care Delivery

What are Incentives?

Incentives are rewards made to an individual or group that lead to specific behaviors. They can be positive or negative, tangible or intangible. They may be financial, although research indicates that financial incentives alone are not necessarily sufficient, and may not always be the most appropriate way to improve performance. Indeed, multiple types of incentives influence the behavior of workers and organizations in a health care system (see box). Understanding incentives in the existing system as well as those underlying proposed changes is key to achieving the desired outcomes of reforms.

Which incentives motivate health workers to provide effective care?

Little is known about work motivation and incentive systems in developing and transition countries. As part of its Major Applied Research program, PHR developed a conceptual framework which outlines the complex nature of socio-cultural, economic, and organizational factors that influence worker motivation. Field work on determinants of health worker motivation in Jordan and Georgia validated the broad nature of this framework and provided insights for shaping effective incentives for improving quality, effectiveness, and efficiency. Key factors influencing worker satisfaction, organizational commitment, and general work behaviors included individual factors such as perceptions of self-efficacy and control of achievement, and perceived organizational factors such as pride, management support, resource availability, and job characteristics. Although not minimizing the power of financial rewards and adequate salary, the results suggest the importance of non-financial mechanisms for improving work motivation, such as improved communication and better job design.

Types of Incentives

<table>
<thead>
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<th>Types</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Embedded</td>
<td>Trust, professional ethics, social recognition, solidarity</td>
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<tr>
<td>Market</td>
<td>Employment, remuneration</td>
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<tr>
<td>Organizational</td>
<td>Recognition, promotion, performance rewards, contracts</td>
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<tr>
<td>Institutional</td>
<td>Legal framework, rules and regulations, threat of censure</td>
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How can payment mechanisms create incentives for appropriate care?

Incentives can encourage provision of specific types of health care services, such as preventive or family-based care. PHR research on provider payment systems in Thailand, Nicaragua, and Argentina revealed that payment based on capitation (a fixed, periodic, prospective payment per beneficiary, in contrast to retrospective reimbursement of any cost incurred)
provides incentives to providers to deliver more preventive services and discourages higher-cost curative treatments.

In Egypt, PHR developed a primary health care facility accreditation program to improve quality and determine facility eligibility for contracting with the Family Health Fund. The incentives of: (1) a capitation payment to the facility for each enrolled member plus (2) a performance-based payment to providers seek to reward decreased patient waiting time and delivery of preventive care.

Incentives can also be used to improve the efficiency of resource use. In Peru, hospitals were absorbing enormous amounts of resources and had excess capacity. With the help of PHR, the Ministry of Health developed a pilot case-based reimbursement system. Case-based payment mechanisms, which, like capitation, fix in advance the amount paid to providers, create incentives for improved efficiency.

How can incentives be used to generate resources in a health care system?

Incentives can also be used to generate additional resources for health. In Senegal, decentralization of responsibility for operating costs of health facilities to local governments led initially to serious under-allocations of funds for district and peripheral health facilities. Along with conducting extensive stakeholder discussions, PHR worked with USAID to develop a system of incentives (matching funds) for communities that developed health care facilities and increased community-based mobilization for preventive activities.

How do incentives for downward accountability and community-based incentives increase effective utilization of health care services?

Reforms can include incentives for increased accountability to patients and utilization of priority health services. In Rwanda, PHR worked with local communities and health facilities to design prepayment schemes. Community councils contract with local health facilities and manage these schemes, creating a strong sense of downward accountability of providers to patients. Capitation payments for each member enrolled creates incentives for health center staff to provide only necessary services and to focus on preventive interventions. Capitation also motivates attention to patient satisfaction, which affects enrollment and, therefore, payments to facilities. Prepayment also removed a major disincentive of the previous fee-for-service system: discouraging patients from seeking early, less expensive treatment.

How must financial and non-financial incentives be balanced to ensure efficient, high-quality care?

As described above, PHR’s work demonstrated the many ways in which incentives can be used. A word of caution, however. Although financial incentives do influence behavior, they can also create unintended side effects if they are not aligned with non-financial incentives. For example, financial incentives may lead to cost savings but also decrease quality and effectiveness; they may increase provider expectations for monetary rewards; and they may fail to motivate better performance. More work needs to be done to test incentives that include non-financial components, and policymakers need to be cognizant about the effects on behavior of incentives inherent in proposed policy changes. ▲