

Limited effect of performance-related payment incentives on improving the quality of primary care for people with chronic conditions in Chile

Summary

- Since 2012, the Family and Community Integrated Health Care model (known as MAIS for its acronym in Spanish) has provided a guiding framework for municipalities to implement their strategies for primary health care (PHC)¹ according to their capacities and the needs of the population they are responsible for.
- PHC networks are responsible for the prevention, early detection and treatment of mild conditions; routine control of chronic conditions; rehabilitation; and referral to other levels of care. MAIS uses incentives to encourage PHC networks to improve access to health care, enhance the quality of health services and increase social participation.
- MAIS uses four methods to fund municipal PHC networks: capitation, direct transfers from the central government to strengthen specific areas of care delivery (for programmes known as PRAPs, for their acronym in Spanish), a pay-for-performance scheme and municipal budget allocations.
- About 95% of PHC networks have consistently received 100% of the pay-for-performance bonus. Moreover, all health workers get a 10.3% salary bonus even if the PHC network's performance is poor. As such, the overall effectiveness of the pay-for-performance scheme is limited.

Key elements of the programme

- The capitation payment is adjusted by three factors to account for differences in health needs and risks and their related expenditures: the poverty or deprivation index, the degree of rurality, and geographical isolation. In addition, two add-on payments to the adjusted capitation amount are made based on the number of people 65 years and older registered with the PHC network and whether an area is considered as difficult to provide PHC (i.e. it is socioeconomically deprived and difficult to retain health personnel).
- PRAPs are not in place in all PHC networks. The participation of a network in a particular PRAP, and the consequent allocation of resources, is determined by an agreement between the Health Service Network and the municipal administration of the network. Agreements stipulate health-promotion activities, performance goals, clear timelines and a proposed budget. Part of the allocation for a PRAP may be linked to achieving defined performance goals.
- The incentive for the pay-for-performance scheme includes base and variable components. The base component is a bonus of 10.3% of annual remuneration for every PHC employee. The variable component represents 11.9% of annual remuneration if the PHC network meets more than 90% of its service delivery goals; 5.95% if the PHC network meets between 75% and 90% of the health goals; and zero if the PHC network meets less than 75% of the health care goals.

1 We differentiate between primary health care (PHC) and primary care. In the Chilean context, the former refers to the formal primary health care system, managed by local health authorities. The latter is any form of care provided at the first level.

- Allocations from municipal budgets cover costs related to addressing the urgent health needs of the population, also identified through dialogue with communities.

Results

- The capitation mechanism has proved effective in improving equity in the distribution of resources across municipalities, thus making per capita spending more equal. Funding from capitation has also helped provide essential resources, especially to poorer municipalities.
- About 95% of PHC networks have consistently received 100% of the pay-for-performance bonus. Moreover, all health workers get a 10.3% salary bonus even if the PHC network's performance is poor. Furthermore, only a subset of health system goals relates to chronic care. As such, the overall effectiveness of the pay-for-performance scheme is limited.

Facilitating factors

- The willingness of municipal authorities to support and improve the PHC system has been identified as a critical element in improving performance. Municipal support translates to direct budget allocations to PHC networks and also to a push to implement interventions, such as PRAPs, that respond to a population's health needs.
- Municipalities provide direct budget allocations to PHC networks to implement interventions to respond to the specific health needs of their population, including those of people with chronic conditions. Regular meetings between community representatives and policy-makers at the local level facilitate a more responsive health system that is conducive to providing better quality care.

Inhibiting factor

- Health workers receive their performance bonus of 10.3% regardless of the performance of their PHC network. By design, this payment method does not function as a performance incentive. Moreover, the majority of the networks achieve more than 90% of their performance goals, so little additional effort is needed to receive the 11.9% variable component, which lessens its effect on improving the quality of care.

Lessons learned for other settings

- PRAPs are both financing arrangements and quality improvement initiatives. These initiatives are planned, designed and funded centrally by the Ministry of Health. Because PRAPs are created to address critical health care needs and funding is partly linked to performance, these programmes – only a few of which target care for patients with chronic disease – could effectively contribute to improving the quality of PHC.
- A pay-for-performance method should be designed to actually reward improvements in performance and should avoid assigning most providers to the top tier of performance.
- Bonus payments need to be clearly linked to improved performance.
- To enhance continual improvement in the quality of care, targets should be partly based on performance observed during the previous year.
- Capitation alone cannot provide incentives to improve health care quality per se; therefore, it is important to combine it with other payment methods to reduce the inherent incentive to skimp on quality.

This policy brief is based on Urriola R, Larrain N. *Effect of the payment mix for primary care services on the quality of chronic care in Chile: case study*. Geneva: World Health Organization, Organisation for Economic Co-operation and Development; 2023.