
ISSUE BRIEF
AUGUST 2013

Executive Summary: Improving Incentives to Free Motivation

Background

At the core of the debate over how to improve the quality and affordability of US health care is an old fight about what drives human behaviors. The two principal “agents” responsible for health care decision-making are the patient and their health care professional. Each has an internal “generator,” or set of motivations, that drives them toward a shared goal: improving the patient’s health.

Despite that shared goal, however, many patients fail to comply with the recommendations of health professionals and many health professionals misuse services in caring for the sick. As a result, policymakers have concluded that the internal generator that drives the decisions of patients and providers must be insufficient and in need of some external stimuli. They have introduced a host of financial rewards (“carrots”) and punishments (“sticks”), assuming that if they find just the right mix, health care costs will drop and quality will improve.

With a mountain of carrots and sticks but little cost or quality improvement to show for them, policymakers have acknowledged the need for reform.

Challenging the Assumptions Underlying Payment Reform

This report serves as a caution to payers and policymakers as they enter into much-needed payment reform discussions. It encourages them to resist the urge to rely on a simple carrot-and-stick framework and instead embrace an alternate framework that puts the focus back on the power of patients’ and clinicians’ internal generators to guide their health care decisions.

In order to successfully harness the power of those internal motives, this report argues that policymakers must identify and address the external forces that have distorted them. A large body of research shows that misguided financial incentives can be especially harmful to the ability of health professionals to do their jobs well. Many financial incentives are designed to change simple behaviors, like improving productivity in rote tasks, but do not work for more complex behaviors. The research, which this report draws on, shows that they actually undermine assets like creativity and drive, which are essential to the success of health professionals.

Consider that every time a health care professional’s internal motives tell her to avoid an unneeded test or spend extra time with a patient, the prevailing external force of fee-for-service payments motivates her to do the opposite. In this example, fee-for-service payment must be changed in order to allow the professional’s internal generator to effectively guide her decisions.

This report identifies a host of other external forces (both financial and otherwise) that are acting in similar ways to inhibit the otherwise effective internal generators of



patients and clinicians. As the report distinguishes, the forces acting on patients are separate and distinct from those acting on clinicians. Furthermore, the report specifies that the extent and variety of external forces at play can vary by condition, professional specialty, and myriad other variables.

A Call to Clinically Nuanced Action

With so many unique forces at play, they can neither be addressed all at once nor with a one-size-fits-all solution. This report provides a framework for prioritizing and identifying the counterproductive external incentives that must be fixed, and suggests solutions for doing so.

The report's proposed framework encourages payers to first identify the medical conditions whose treatment quality and/or affordability suffers the most when clinicians' and patients' internal motives are distorted or inhibited. To identify those priority conditions, the report suggests evaluating each one based on three criteria: (1) having a high degree of variability, (2) comprising a large portion of total medical expenditure, and (3) presenting high rates of potentially avoidable complications. Once the high-priority conditions are identified, payers should seek to understand the external forces at play—on both the patient and provider side—causing variation and high levels of complications. Finally, payers and policymakers should construct clinically-nuanced solutions that correct those distorting forces.

If payers and policymakers embrace this framework, they will be rewarded with positive, long-term behavior change on the part of both patients and the health professionals who care for them. Because, when it comes to health care, no constructed financial incentive—no matter how complex or elegant—can alone achieve the level of change that humans can produce when motivated effectively from within.