The Role of Performance-Based Incentives in Strengthening Health Systems

Using PBI approaches frees recipients to experiment and adapt as needed to achieve predetermined objectives.

Performance-based incentive schemes (PBI)—known by many names (see the definitions on page 2)—are arrangements where money or material goods are paid to recipients based on measured improvements in health related actions or results (i.e. achieving predetermined performance targets). Using PBI approaches frees recipients to experiment and adapt as needed to achieve predetermined objectives.

Arrangements to pay for results can be used in any payer-recipient relationship. In health, they are commonly applied to payments made to facilities, individual service providers, and intended beneficiaries, but can equally be applied to payments made to local or national governments, or communities.[1,2,4,7,8]

Importance/relevance for Health Systems Strengthening (HSS)

PBI schemes can stimulate HSS in two ways. First, they may motivate recipients to strengthen the health system to achieve their results. Second, HSS may be required to establish a PBI scheme.

PBIs can induce recipients to strengthen health systems

Since recipients are not confined to particular inputs and activities, PBIs have the potential to induce them to strengthen the health system as needed to achieve their results, and as feasible given their resources, autonomy, and level of influence. The choice of recipients and targeted performance results will be two key determining factors in whether or not the PBI scheme will induce recipients to strengthen health systems. These relationships—between performance targets, actors, and health systems—are context specific and require analysis of underlying causes of poor performance to be understood.

Health systems may need to be strengthened to establish PBI schemes

Effective PBI schemes are dependent on certain functions of the health system being strong enough to support the scheme. In particular, effective PBI schemes require government and other stakeholder participation and buy-in to the scheme, valid and reliable information to measure and track performance, a mechanism to verify the results, and mechanisms to transparently handle the money and make payments.[1,4,7,8]

What we know: the latest evidence

Dozens of PBI schemes have been tested and documented in the health sector, representing a wide diversity of approaches designed to achieve particular performance targets within very diverse contexts. Because of this diversity, systematic reviews and attempts to establish external validity for "what works"

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have yet to bear fruit.[1,2,5,10] In addition, though many PBI schemes have been associated with improvements in service utilization and client perceptions of service quality, attribution and cost-effectiveness have been established in too few studies to produce generalized findings.[1,8] The majority of the evidence we have mostly documents the process of implementing PBI schemes and concurrent changes in performance. From these experiences, experts have attempted to draw lessons about what factors seem most critical for designing successful PBI schemes.[1,2,4,7,8]

Based on analysis of reviews of health sector PBI schemes, these are some important elements of well-designed PBI schemes:

- They are informed by an analysis of the underlying causes of poor performance.
- They have contracts with clear responsibilities, performance measures, monitoring mechanisms, data verification mechanisms, payment mechanisms, and conditions for making payments.
- The targeted performance indicators should be realistic, relevant, understandable, attributable, measurable, and verifiable. PBIs should also target measures of service quality rather than just measures of coverage or utilization.
- PBI schemes work best when the problems with performance are caused by behavioral, organizational, or management factors that are within the power of the recipients/payees to change, and when recipients have the autonomy to make the necessary changes.
- Performance targets should be selected and contracts should be designed in consultation with all key stakeholders.
- Independent validation of results is necessary to mitigate perverse incentives to manipulate or over-report results.
- For effectiveness and sustainability, monitoring, oversight, payment, and verification mechanisms should eventually be administered by actors in the health systems, not by program staff.
- The community should play a prominent role verifying results.
- PBI schemes will often need to adapt and evolve to allow time for needed reforms, establish effective institutional mechanisms, and correct course based on lessons learned.
- Adequate resources need to be devoted to designing, implementing, assessing, learning, and revising the PBI approach, and increases in service delivery and utilization. Designers of PBI schemes should consider how the costs of these schemes will be integrated into national budgets.
- PBI schemes have the potential to bring about unintended distortions to behavior of recipients and other stakeholders. They can also cause de-motivation when there is a lack of transparency or inequitable distribution of performance rewards. These potential consequences need to be identified and addressed in the design and during implementation of PBI schemes.

Performance-based terminology

Performance-based incentives (PBI), results-based financing (RBF), pay-for-performance (P4P) and performance-based payments (PBP):
These terms are synonyms for monetary payments or other material rewards that are provided on the condition that one or more indicators of performance change, that predetermined targets are met, or both.[9]

Performance-based contracting (PBC):
Refers to a contract—usually to non-state providers—where payment of a fixed price for a given output is reduced for poor performance and increased for good performance.[6]

Conditional cash transfers (CCT):
Performance-based payments made specifically to program beneficiaries to take a health related action, such as attending ANC visits. These are often referred to as "demand-side incentives".[3]

Results-based aid (RBA), performance-based aid, performance-based financing (PBF), cash-on-delivery aid (COD aid), and output-based aid (OBA):
These are performance-based payment schemes used by donors to pay national governments, sub-national governments, or other major national institutions. OBA is often focused on outputs rather than outcomes. COD aid has few or no restrictions on how funding can be used. PBF is often where future funding levels are dependent on past performance.

Technical Assistance Services of FHI 360 to support PBIs

Administer district/facility performance enhancement funds
In programs using performance improvement plans with facilities, local governments, or non-government organizations, FHI 360 can establish a "pot" of funds that will be made available if the recipient achieves the performance targets. When the recipient achieves their targets, they decide jointly with FHI 360 how to allocate/spend the funds. This spending may be limited by restrictions of the source funder (e.g. USAID funding often cannot be used for salary top-ups of public sector workers).

Administer conditional cash transfer (CCT) schemes to target populations
In programs where there is a need to motivate changes in target populations' behaviors, FHI 360 can use conditional cash transfers (see definition of CCTs on page 2). For an overview of CCT schemes, see the recent review from DfID.[3]

Administer voucher schemes
FHI 360 can manage voucher schemes where beneficiaries themselves reward providers for achieving certain results. In these schemes, vouchers are distributed to target beneficiaries to procure a good or service from participating providers. The payer then pays the provider for the vouchers and FHI 360 verifies that products and services were delivered as agreed.

Use performance-based contracting for non-state providers and/or sub-contractors
FHI 360 programs could use performance-based contracting to contract non-state service providers to achieve targeted results. A full description of how to do performance-based contracting can be found in the World Bank's toolkit, *Performance-based contracting for health services in developing countries.*[6]

Piloting and/or evaluating PBI schemes
FHI 360 can play an important role filling the evidence gap on PBI schemes, either through rigorous pilots of PBI schemes or through rigorous research or evaluation studies of existing PBI schemes. Impact evaluations, cost effectiveness analysis, and other implementation science research could be valuable contributions to the science of PBI.

Providing technical assistance to public sector PBI schemes
FHI 360 can provide technical assistance to support the design and administration of public sector PBI schemes, helping them to establish or strengthen mechanisms for monitoring performance metrics, verifying results, managing funds, making payments, or offering/providing support to recipients to help them achieve their performance improvement targets.

FHI 360's experience with PBI

Here are a few examples of FHI 360's recent experience with PBIs:

- Since 2006, FHI 360 has been administering the HIV/AIDS component of the Rwandan government's national PBI scheme.[11] Under this scheme, FHI 360 issues grants to district hospitals and primary health centers when they achieve nationally-defined performance indicators for HIV. The Ministry of Health pays for all other non-HIV indicators. FHI 360 executes these output grants, provides TA in quality assurance and data analysis at the service delivery level, and monitors performance of implementing partners. FHI 360 also helps define performance indicators and milestones each year, provides technical input on quality/quantity assessment tools and quarterly staff performance checklists, participates in evaluations, and serves as a national trainer in PBIs.
- FHI 360 is involved with two ongoing randomized control trials (RCTs) on the effects of conditional cash transfers (CCTs) to target beneficiaries. In the first, FHI 360 serves as the coordinating and operation center for the HIV Prevention Trials Network (HPTN), a worldwide collaborative clinical trials network that develops and tests interventions designed to prevent the transmission of HIV. HPTN 068 is a four year RCT in South Africa to determine whether providing cash transfers to young women and their household, conditional on school attendance, reduces young women's risk of acquiring Human Immunodeficiency Virus (HIV).[12] The second is a two-year RCT in Kenya to determine whether providing men with food vouchers increases the uptake of voluntary medical male circumcision.[13]
- In Cambodia, FHI 360 has developed a performance-based contracting scheme to pay the Battambang provincial health department for improvements in HIV/AIDS services as well as for provincial health department and operational district management.[14] The scheme first pays for the completion of a baseline performance assessment and then pays for achievement of performance improvements demonstrated through quarterly performance assessments. The "fixed-price sub-contract" designed by FHI 360 Cambodia details in clear terms the performance metrics, methods for assessing performance, and terms and conditions for payment.
- FHI 360 is also experienced in using supply-and demand-side PBI schemes in education and keeping girls in school.[15]

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