Paying for Performance in Haiti

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Rena Eichler, Ph.D.
President, Broad Branch Associates
renaeichler@comcast.net

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Outline

- Rena to discuss why incentives matter and a definition of “payment for performance”.
- Paul to describe the details of P4P in Haiti.
- Rena to compare the performance of NGOs in P4P and those under cost-reimbursement contracts.
- Paul to discuss lessons and challenges.
- Karen to comment.
- Discussion

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Working Definition

" *Pay-for-performance" or "P4P" is: Transfer of money or material goods conditional on taking a measurable action or achieving a predetermined performance target"*

- Demand side examples: Conditional Cash Transfer Programs, incentives (money, food) to motivate TB patients to complete treatment.
- Supply side examples: P4P to service providing institutions in Afghanistan, DRC, Nicaragua, Rwanda, and Haiti.

P4P imposes **financial risk:** Payment is received when (or withheld until) results (or actions) are verified.

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Extrinsic vs. intrinsic motivation

- People are motivated by intrinsic forces (ex: professional pride, altruism) and extrinsic forces (money, recognition, awards).
- P4P focuses on extrinsic motivation. Payment comes from an external source.
- *** Financial and material incentives are not the only drivers of behavior change. But they are important.

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Does the incentive environment support attainment of social goals in health in developing countries?

Individual health worker level:

- Fixed salaries with raises not related to performance are associated with: low productivity, absenteeism, poor quality, lack of innovation. (public sector, NGOs)
- Payment of fees by households results in: High volume of fee generating services, low attention to preventive care, inadequate attention quality. (private sector)

Health providing institution level:

- Fixed budget justified by the costs of inputs generates focus on cost justification, not on results. No incentive to solve systemic problems. (Public sector, NGOs receiving grants)

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People and Institutions are driven by many things…

Service Providers (individuals and institutions) are motivated by intrinsic forces (ex: professional pride, altruism) and extrinsic forces (money, recognition, awards).

The challenge comes when drivers motivate people to act in conflicting ways.

Performance based payment can be used to align these conflicting forces to motivate people to work hard, innovate, and achieve results.

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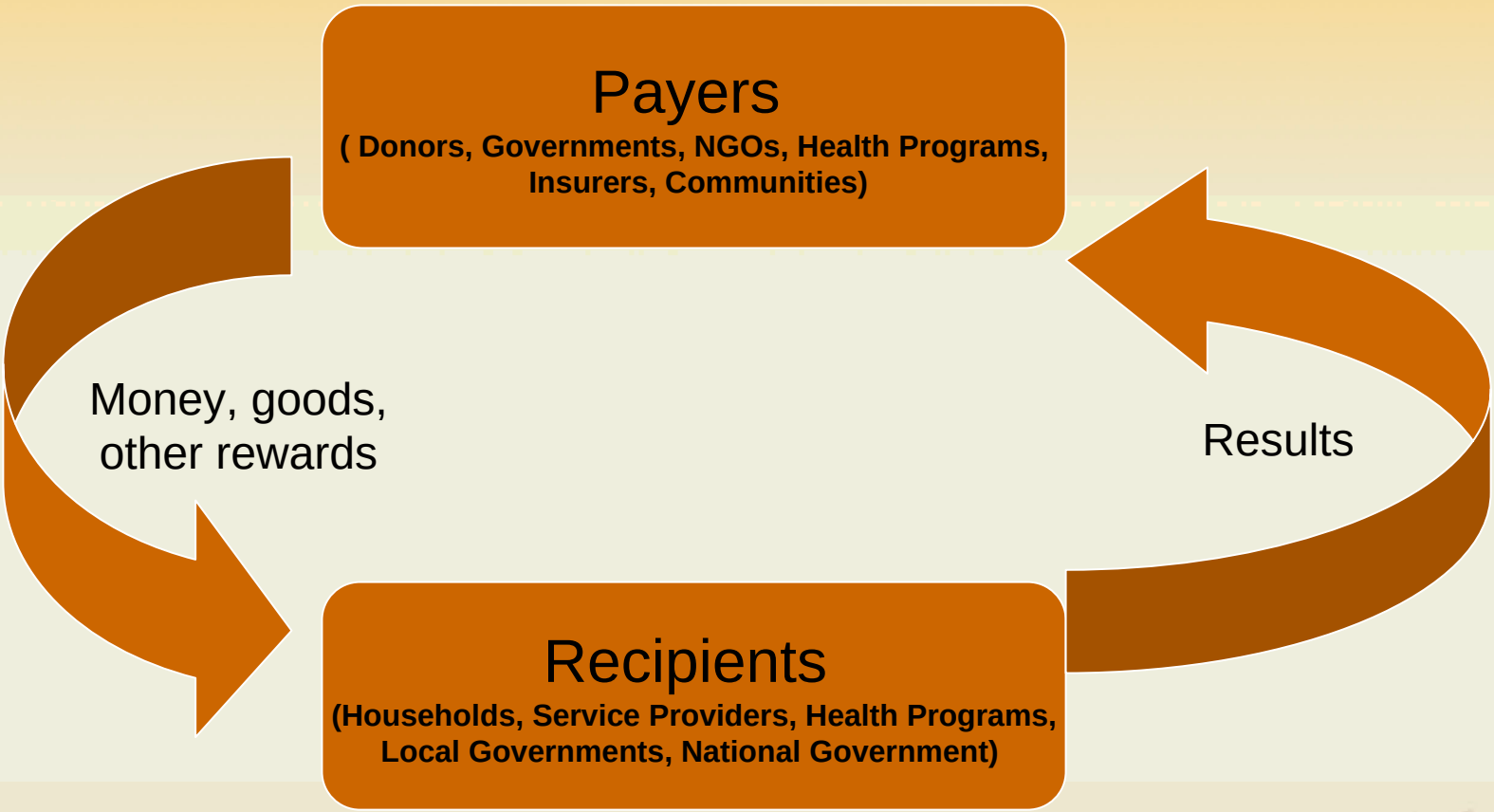
Conceptual Framework



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To Paul

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Results

- Progressively more NGOs “graduate” into P4P each year (1999-2005).
- ALL receive the same package of support.
- NGOs want to be in P4P: incentives to signal they are ready.
- Focus here on 4 indicators: child immunizations, prenatal care, attended deliveries, postnatal care.

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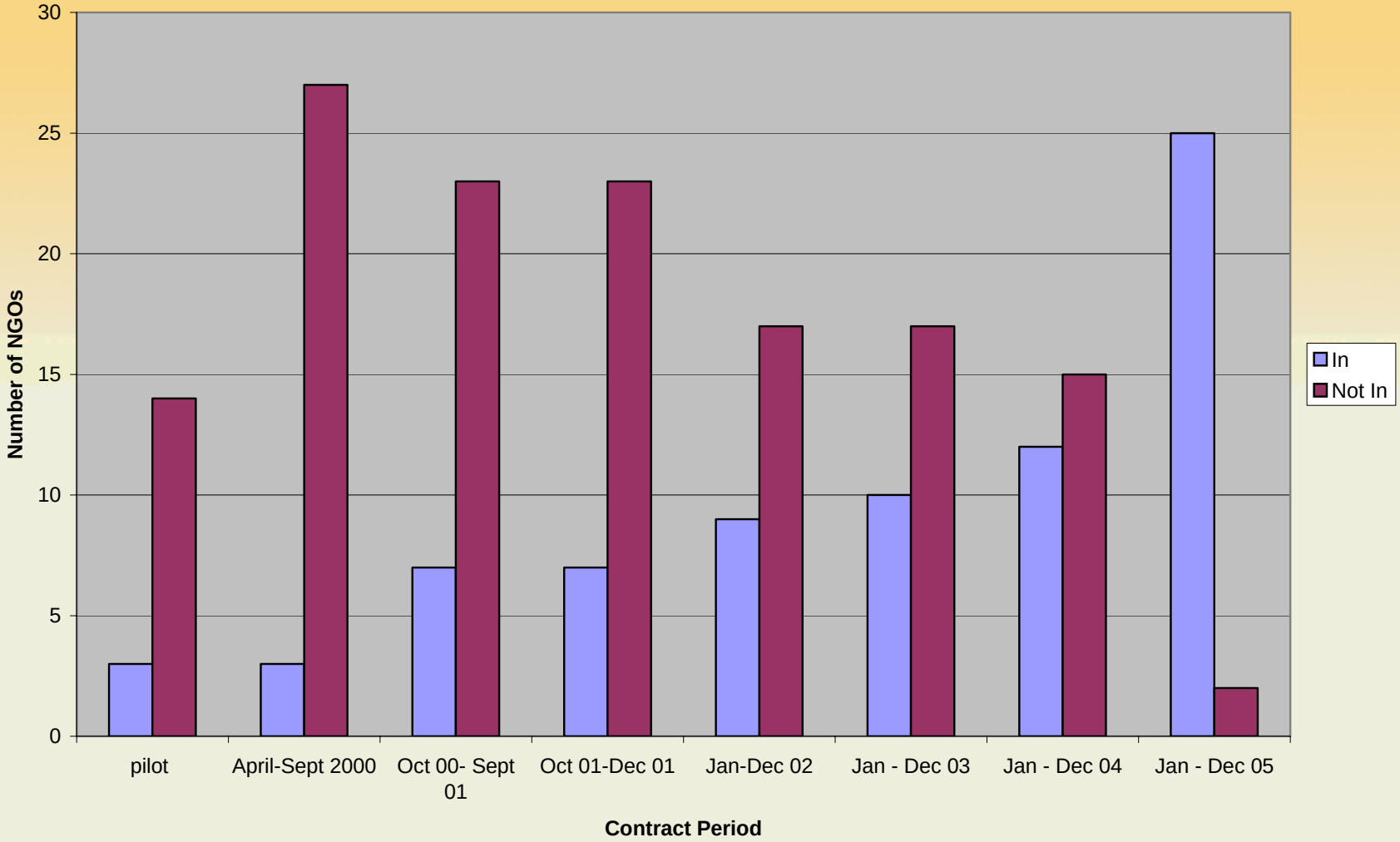
Scaling up Payment for Performance: NGOs in Each Period



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Data strengths and weaknesses

- Data set includes baseline, targets, and results for **all** NGOs in the project network in a given period. Covers 6 years and 8 contract periods. Rare opportunity.
- For NGOs under cost based reimbursement, targets are not negotiated and results are not audited. Implies less confidence in the data for those “not in”.
- Changes in population denominators (census, migration) alter targets and results for reasons other than “performance”. Implies ups and downs that don’t represent true performance changes.
- Inaccurate population figures also contribute to some results over 100%.

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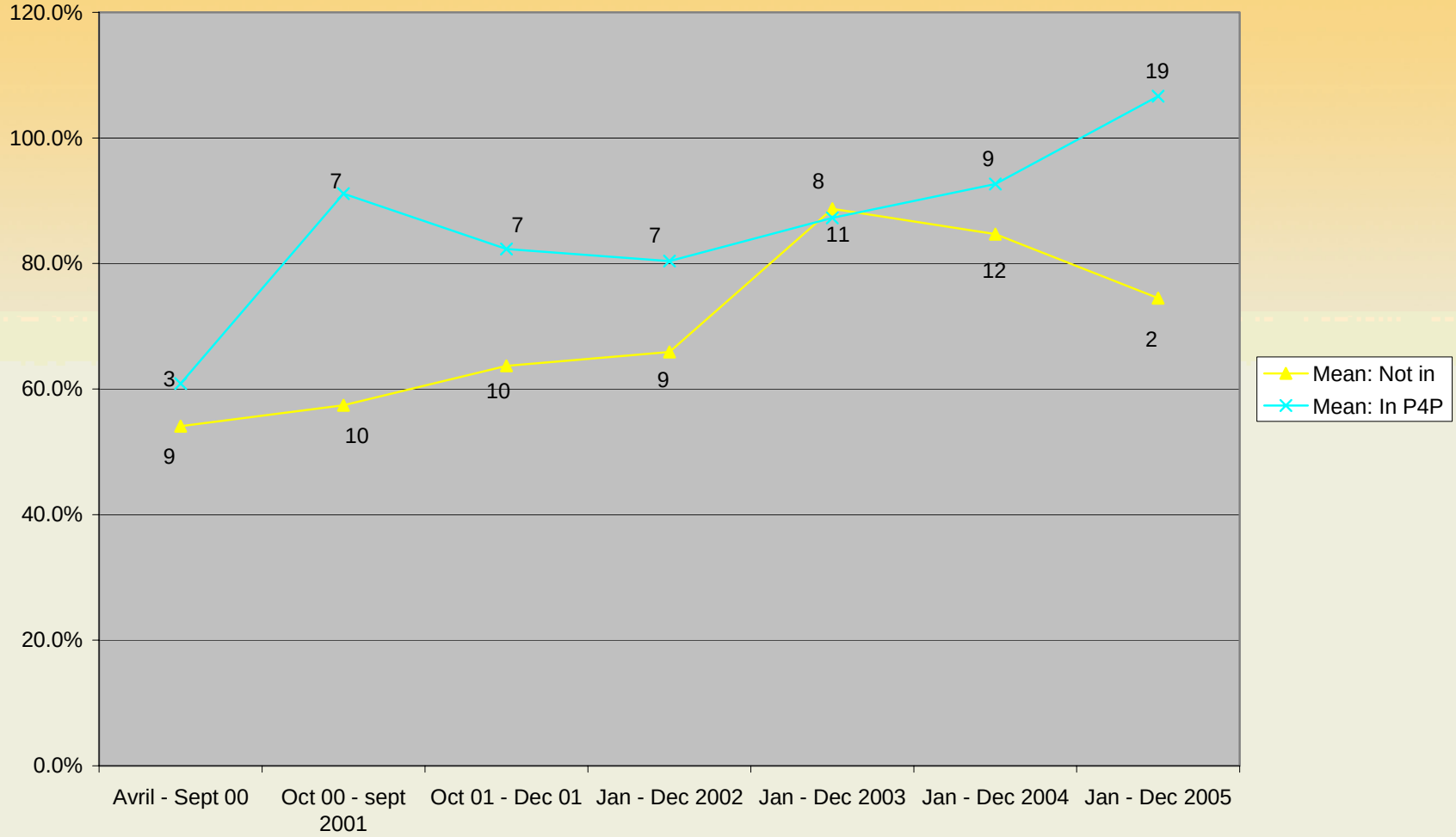
Immunization coverage: Comparison of Means by contract period
(number of NGOs in each period in each regime represented at each point)



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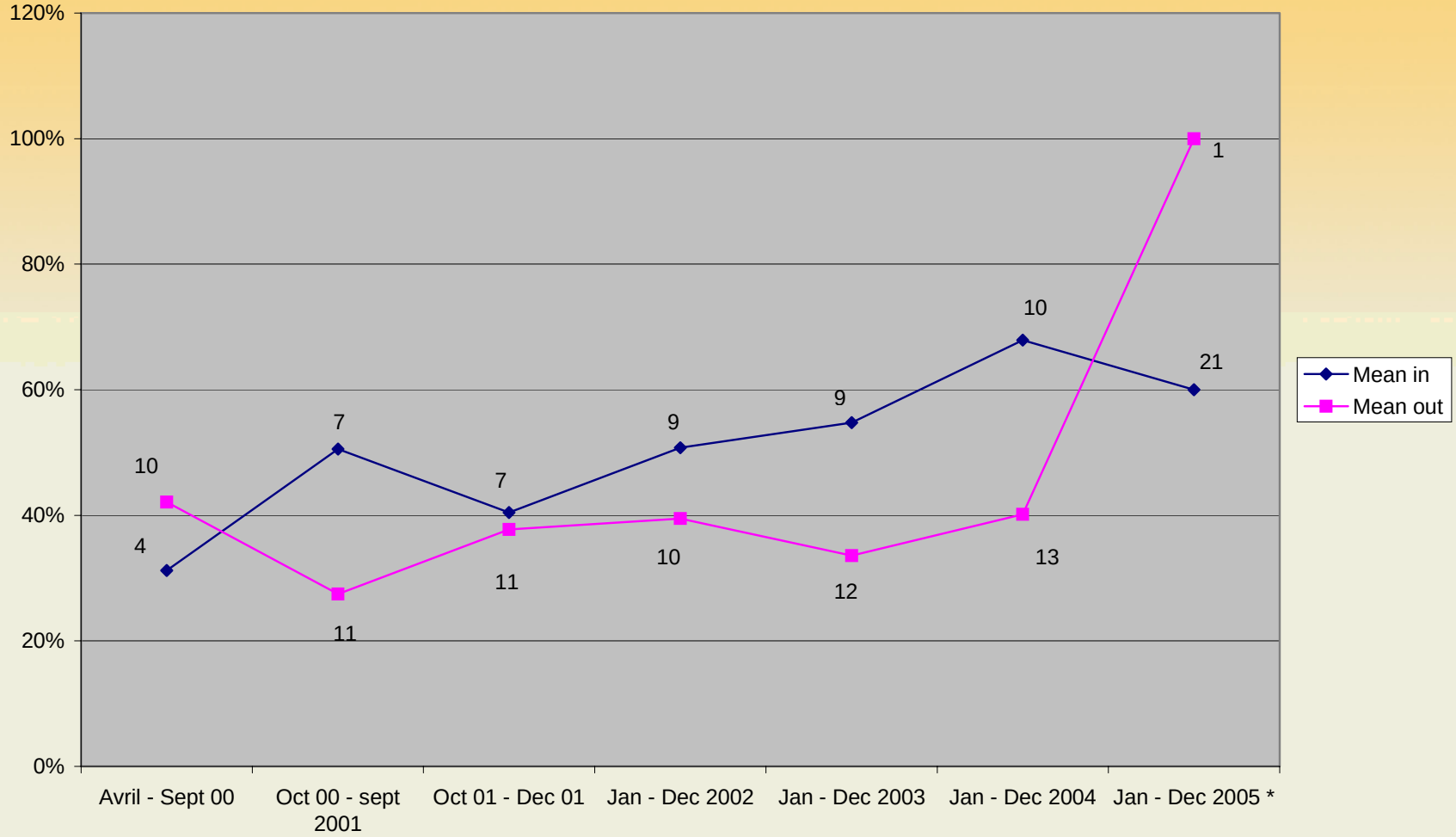
Prenatal Care: Comparison of Mean NGO Performance by Contract Period
(number of NGOs in each period in each regime represented at each point)



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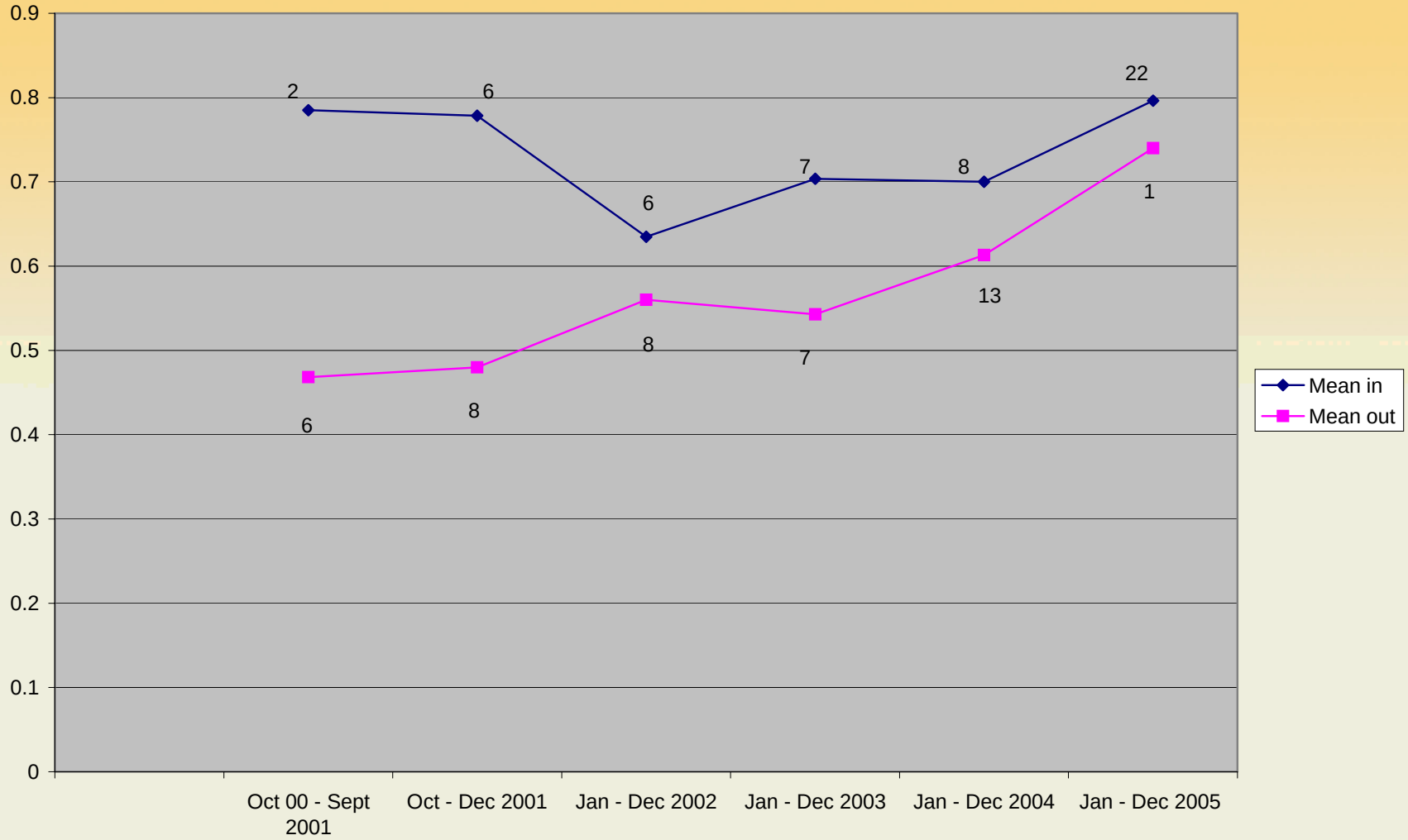
Assisted Delivery by Trained Attendant: Comparison of Means by Contract Period (number of NGOs in each regime at each period represented at each point)



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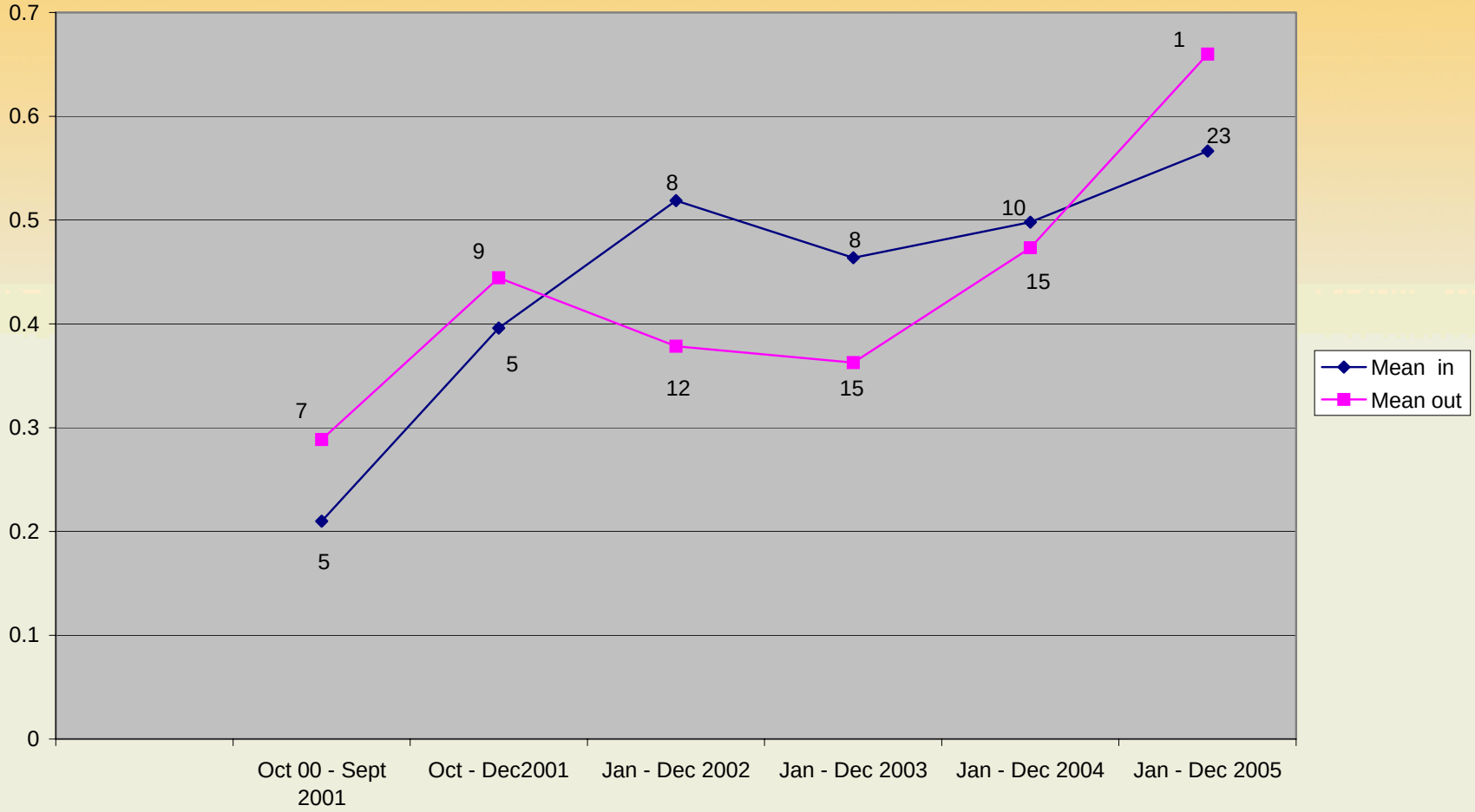
Postnatal Care: Comparison of Means by Contract Period
(number of NGOs in each regime at each period represented at each point)



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Is better performance a result of P4P?

- Possible alternative explanation: NGOs in P4P are more capable.
- Is it the payment mechanism or other interventions (TA, increased funding, networking)? Or the combination?
- The following suggests that P4P is at least partially driving the better results:
  - Big jump in performance between the year prior and the first year in P4P.
  - Big improvement in project performance in 2005 when all NGOs were in P4P.
  - Regressions that adjust for NGO specific effects and year effects show a significant impact of P4P on results.

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Average Performance Changes from the Year Prior to Entrance into Performance Based Payment to the First Year in Performance-Based Payment.

	Immunizations	Prenatal Care	Assisted Deliveries	Postnatal care
Number up	11	10	10	16
Number down	4	6	5	4
Stayed the same	1	1	1	
Total NGOs that exhibited changes*	16	17	16	20
Average performance change of NGOs in the year before prior to and first year in performance based payment**	20%	15%	20%	12%
Average performance change for the project over all contract periods***	6.2%	2.2%	3%	7.8%

* NGOs under performance-based payment for the entire period were not included.

** For each NGO, performance changes were calculated from the year prior to entrance into performance based payment and the first year in performance based payment. This period differs by NGO and spans all contract periods. For cases when NGOs entered and exited twice the final contract period was used.

*** Project level performance changes between each contract period were calculated and the overall average performance change is presented for comparison.

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Panel Regressions of Performance Results on "P4P", NGO Fixed Effects with and without Contract Period Effects (Standard Errors)

	A) Full immunization (no contract period effect)	B) 3+ Prenatal care visits (no contract period effect)	C) Attended deliveries (no contract period effect)	D) Postnatal Care Visits (no contract period effect)	E) Full immunization (with contract period effect)	F) 3+ Prenatal care visits (with contract period effect)	G) Attended deliveries (with contract period effect)	H) Postnatal Care Visits (with contract period effect)
P4P	.243*** (.053)	.109*** (.042)	.269*** (.057)	.099** (.05)	.132*** (.053)	.034 (.045)	.196*** (.061)	.023 (.052)
constant	.672*** (.033)	.415*** (.025)	.538*** (.036)	.391*** (.031)	.856*** (.049)	.54** (.042)	.651*** (.056)	.51*** (.047)
# obs	138	151	126	126	138	151	126	126
# grps	23	26	24	26	23	26	24	26
R-sq (overall)	.133	.052	.087	.024	.315	.09	.087	.09

*** significant at the 1% level
** significant at the 5% level
* significant at the 10% level

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Implications

- Results suggest that P4P is associated with a 13 to 24 percentage point increase in immunization coverage. *Translates to 15,000 additional children per contract period immunized because of P4P.*
- Results suggest that P4P is associated with a 19 to 27 percentage point increase in the number of women who delivered babies with the assistance of trained attendants. *Implies that 18,000 additional women per contract period gave birth more safely because of P4P.*
- **If these results are attainable in Haiti, can we afford not to consider this approach in other developing countries?**

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