DRUG ALCOHOL FINDINGS *Research abstract*

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▶ Performance contracting for substance abuse treatment.

Commons M., McGuire T.G., Riordan M.H.

Health Services Research: 1997, 32(5), p. 631–650.

This US study finds that performance contracting may be associated with improvements in service utilisation and treatment outcomes, but does not appear to increase engagement with under-served populations.

SUMMARY There is widespread interest in making publicly-funded substance use services more cost-effective. “It is no longer sufficient simply to deliver the contracted units of treatment services … the units delivered should improve the clients’ condition”. One proposed solution is to use performance contracts to incentivise service providers.

This paper describes the impact of performance contracts on substance abuse service providers across the state of Maine in the United States. Performance contracting was implemented in 1992 by the Maine Office of Substance Abuse which had overall responsibility for commissioning substance use services, including detoxification, residential rehabilitation, halfway houses, shelters, emergency shelters, and outpatient counselling. Prior to this, there was no robust system in place to monitor treatment outcomes or to monitor whether service providers were delivering their contracted units of service. The new system specified that treatments should ‘produce’ a number of desired outcomes, including a reduction in substance use, a reduction in arrests and an improvement in employment status.

Programmes were deemed to meet performance standards overall if they met minimum standards in three categories: “efficiency”, reflecting the extent to which the programmes delivered services promised to the State; “effectiveness”, reflecting treatment outcomes; and “special populations”, reflecting levels of services delivered to specified target populations. By requiring minimum levels of service, the final category was intended to discourage providers from avoiding ‘difficult’ clients. The authors analysed trends in performance over a four-year period (including time before and after the introduction of performance contracting), separated out performance contracting from other factors which could have affected performance, and analysed whether the effect of performance contracting depended on the degree to which services relied on state funding.

Performance contracting seems to have had a measurable positive effect on some dimensions of provider performance. Efficiency and effectiveness improved significantly over the course of the study period in both outpatient and residential programmes. The more a service provider relied on the State for funding, the greater the improvement observed. Together these findings suggest that the introduction of performance contracting actually *caused* some improvements in provider performance in the state of Maine. However, there was no discernible impact on measures of performance for special populations.

Overall, this paper provides tentative evidence of a relationship between the introduction of performance contracting and improved provider performance.

FINDINGS **COMMENTARY** Prior to the introduction of performance contracting, providers delivered more services than were contractually required, while after performance contracting began, providers delivered close to the contracted amount. This could suggest that providers were focusing on delivering the core services they were paid for, in place of delivering ‘optional’ services that clients previously had access to.

Performance contracting is the ‘carrot and stick’ approach to working with providers of drug and alcohol

services. In the state of Maine, those who performed well were rewarded with additional funds and technical assistance to provide or expand existing services, and those who didn't meet minimum requirements of performance were more heavily monitored (being asked to submit a corrective action plan identifying the causes of insufficient performance and the steps to be taken to meet the minimal standards) or contracted on a payment-by-results basis going forward.

Payment-by-results has produced surprising results in the UK. After one year of a UK Government pilot project, patients were significantly less likely to complete treatment and significantly more likely to refuse to start treatment. Although the funding arrangements were intended to incentivise innovation, they may have generated unintended consequences by transferring financial risk from funders to the providers of services. The topic is explored more in this Effectiveness Bank hot topic.

Last revised 14 March 2016. First uploaded 10 March 2016

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