

**Researchers**

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**Timeline**

2013

**Sample Size**

N/A

**Research Implemented by IPA**

Yes

# Pay for Performance Health Care in Peru

## Abstract

Systems of performance pay have become increasingly common in the public sector in the last decade in both developed and developing countries. Despite advances in these programs, there is great need to generate evidence on the effectiveness of performance pay systems and on how to optimize their design to suit the health sector. This impact evaluation aimed to assist Peru's Ministry of Health in its development of a design for a pay for performance scheme.

## Policy Issue

Payment models that reward workers for meeting certain targets have long been used in the private sector to improve worker performance. Pay for performance schemes have become more common in the public sector over the past decade, and such schemes are now widely considered to be an essential tool for improving healthcare outcomes. The schemes involve providing rewards to physicians, hospitals, medical groups, or other healthcare providers for meeting certain performance measures for quality and efficiency. Despite advances in these programs, there is great need to generate evidence on the effectiveness of performance pay systems and on how to optimize their design to suit the health sector. This study contributes evidence on this topic.

*Note: This project is not a randomized control trial.*

## Context of the Evaluation

In the last decade, in Peru, base wages in the health sector have not increased despite economic growth and a fiscal surplus. While the government has increased the salaries for some workers, its pay structure is outdated and, because of ad-hoc changes, inconsistent. Between September and October 2012, public sector doctors carried out a 33-day strike to protest low salaries, and the Ministry of Health considers reform of its pay structure

necessary and urgent.

As part of the reform of the health care sector, a performance pay scheme was legislated in order to improve access to and quality of health services. The Ministry of Health has expressed interest in receiving technical assistance in the design of performance indicators and improving the implementation and monitoring of the program, informed by international best practices. Before designing its program, the ministry is interested in testing different verification and payment schemes and assessing their effectiveness.

## Details of the Intervention

To inform the design of a potential randomized evaluation that would test modifications of one or more operational aspects of the pay for performance program, University of California, Berkeley Professor Paul Gertler and IPA carried out three activities in partnership with Peru's Ministry of Health.

First, to extract relevant lessons for the Peruvian context, IPA carried out a literature review and collected international evidence on performance pay, including evidence from previous research by Gertler. IPA then held a workshop in which experts in the field shared their experience in implementing performance pay reforms in the public sector with Ministry of Health officials.

Second, IPA used these findings to assess the pay for performance scheme included in the National Health Reform and provided recommendations. Because international evidence indicated that such schemes are most effective when employees are involved in the definition of performance indicators, IPA also performed approximately 40 interviews on possible indicators of performance from various levels of public health care providers and management and on the viability of systematizing that information.

Third, IPA proposed three potential impact assessments of the pay for performance scheme, which would test operational modifications to the program. Before doing so, IPA worked with the ministry to identify a research agenda and define priority research questions and get feedback on various designs.

## Results and Policy Lessons

*No results; this project was not a randomized control trial.*

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