

March 25, 2008

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**Improving Public Addiction Treatment through Performance Contracting:
The Delaware Experiment**

***Long-Awaited Evaluation Suggests Purchasing for Performance May Create Treatment “Value”
Leading to Quality Improvement***

Paying substance abuse treatment providers for results, not services, may lead to improved quality of care, according to the first published study of a novel performance-based contracting system implemented by the State of Delaware in 2002.

Providers who stood to gain or lose financially under the new system may have taken steps to make their services more appealing to patients and do more to integrate evidence-based practices, improving their ability to attract patients and keep them engaged in treatment longer, the study suggested.

The unusual pay-for-performance system was undertaken in fiscal year 2002 by the Delaware Division of Substance Abuse and Mental Health when it replaced its cost-reimbursement contracts with performance-based contracts with all outpatient addiction treatment programs. Rather than reimbursing providers on a fixed basis (regardless of the number of patients treated), or for the number of treatment services delivered (regardless of the results), the new model included financial rewards and penalties based on success or failure to achieve agreed-upon incentive targets: 80% and later 90% capacity utilization and active patient participation in treatment.

The study, evaluating this incentive-based contracting system, is published in an upcoming issue of *Health Policy* by A. Thomas McLellan, Ph.D. and a team of investigators from the Treatment Research Institute; as well as Jack Kemp, now-retired Director of Substance Abuse Services in Delaware. The project demonstrated marked increases in two indicators experts agree are predictive of accountability and effectiveness of clinical services. Comparing 2001 - the year before the performance contracting - and 2006, average rates of patient capacity utilization increased from 54% to 95%; and the average proportion of patients who were actively engaged in more than 30 days of treatment went from 53% to 70%.

The changes were not due to programs admitting more selectively. Indeed, there were significant increases in the severity of problems presented by patients across the years of the incentives, the study concluded.

Kemp cited several factors which may have contributed to the performance improvement. Programs integrated evidence-based practices into daily care and made other structural changes to

make their facilities and services more appealing. More treatment venues, better proximity to the populations most needing services, more convenient hours of operation, and refurbished facilities were some of them.

Additional factors may have included efforts to engage providers as full partners from the outset, allowing them to select practices and procedures they thought would work (rather than forcing a specific set of practices), re-designing reimbursement and auditing procedures to expedite provider payments, and expressly promoting sharing of ideas and “lessons learned” among the providers.

With all outpatient treatment providers participating and thus no control group for comparisons, the study authors warned against attributing the dramatic improvement directly or exclusively to contracting changes when it is possible other forces played a role.

Still, changes in the Delaware treatment system coinciding with pay-for-performance were clinically and financially significant. Moreover, the success seen has led Delaware to a new performance contracting effort focused on the pervasive problem of patients leaving detoxification without needed rehabilitative care. Beginning July 2007, the State agency entered into a performance based contract with its largest detoxification clinic, providing financial incentives contingent upon its ability to connect patients to ongoing rehabilitative care following completion of detoxification. It is too early to tell for certain but the pilot appears quite promising, said McLellan.

“All indications are that relative to other system wide efforts to improve treatment accountability, performance based contracting is less costly and complicated to implement and seemingly quite compatible with other accountability initiatives,” McLellan said. Kemp added that performance contracting “...is the type of intervention a small to mid-sized system can do within the limits imposed by most contemporary budgets.”

The Treatment Research Institute is a research and development group specializing in science-driven reform of policy and practice in addiction. For more information contact Bonnie Catone, Director of Communications, at www.tresearch.org.