

**Performance
Contracting:
Design, Implementation
& Evaluation**

“How to deliver and pay for addiction treatment in a chronic disease or continuing care model” has become a central question in the addiction treatment field. The answer has many parts – all interrelated.

Addressing addiction as a potentially chronic disease begins in healthcare settings (primary care, emergency room, trauma center, etc.); continues in specialty addiction treatment; and, increasingly, extends beyond formal treatment – including family supports, drug-free housing, and other community supports – to sustain the gains made in treatment and prevent costly relapse. In general healthcare, for the last twenty years the Federal government, various foundations, and private sector insurers have attempted to link these separate systems of care to provide seamless treatment. All of the attempts have met with less than major success – formidable obstacles continue to exist for clinicians, as well as patients attempting to gain access to the care they need.

Other Services:

Treatment of Offenders
with Substance-Use
Disorders

Financing & Purchasing
Coordinated,
Efficient Care

Integration of Substance
Use in Medical Care

State Readiness for
Implementation of
Medication-Assisted
Treatment (MAT)

Performance contracting operates from the value-based principle that reimbursing substance abuse treatment organizations for organizational results, not for individual clinical services, will lay the foundation for improved quality of care. Performance contracting can provide incentives for the coordination and information sharing essential to chronic care strategies. Although these principles are new to the addiction field, they have been used in other forms of healthcare where they have focused primarily on clinicians and their practices – not on organizations – and have, frankly, met with mixed results.

In the addiction treatment system, performance contracting has focused on organizations, not individual clinicians, and on quality improvement and results rather than adoption of specified evidence-based clinical practices. There are now practical and important state studies using performance feedback and public reporting to enhance access and utilization of care. Some states have gone beyond simply providing feedback to providers on

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Performance Contracting: Design, Implementation & Evaluation

performance to placing financial incentives on organizations that make a portion of payment contingent upon achieving performance results. This is still a very new approach to healthcare and addiction treatment management and needs to be closely monitored and evaluated to minimize the potential for adverse consequences and to learn more about how these contracts affect performance improvement.

While the concept is new, the Delaware experience - as well as experiences at the county level in California - already indicate that introduction of a feasible PBC model requires a systematic process of program/service design; measurement followed by target and incentive selection; continuous monitoring and evaluation; and regular feedback to the purchasing authority and treatment providers. TRI researchers have studied successful and unsuccessful contracting experiments. We have worked with states and counties to create appropriate incentives with rewards and penalties that include efficient accountability and management safeguards. Under these conditions, state treatment systems have doubled the number of clients served and doubled the length of stay in outpatient care – all without adding funding or suffering political repercussions.

What TRI Offers:

TRI offers states and other purchasers of addiction treatment assistance with design, implementation and evaluation of performance based contracts. TRI has developed the following sequenced and step-wise approach to designing and introducing PBC into a state system. We work with each state to tailor the steps to meet specific needs.

- A.** We begin by consulting with key Single State Agency (SSA) leaders to assure acceptance that addiction is a chronic disease and that the publicly funded treatment system must be designed to deliver care over several months of outpatient recovery management, not just several days or weeks of inpatient or residential treatment. This philosophy must guide leaders' decisions regarding what services they will purchase and the results they expect.
- B.** TRI then conducts a workshop for SSA leadership on performance contracting (PBC) that helps states identify and think through some of the issues they will have to consider as they introduce PBC. This workshop also presents examples from successful healthcare, business and addiction treatment pay-for-performance initiatives.

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- C. Next the state designs the program, or determines the specific services it wants to purchase in the overall context of the chronic/adaptive care treatment model. The state begins with the status of its current system as a baseline. TRI can assist by helping identify evidence-based organizational, administrative and/or clinical practices previously shown to be effective; and by reviewing and commenting on the program or RFP design.
- D. TRI is available to provide guidance and advice to SSA Directors identifying a few key measures to target for performance incentives (and/or penalties) based on the specific focus of their initiative. This is a critical step and TRI can help Directors think through the implications of the measures and targets they are considering (including unintended consequences), and the types of data needed to measure performance on a regular (usually monthly) basis.
- E. At this point, TRI encourages the SSA to sponsor one or more meetings for community based treatment providers and other stakeholders (e.g., criminal justice officials, child protective services officials, Medicaid and other insurers, etc.) to assure that everyone understands the overall philosophy and management plan. TRI is also available to conduct briefings for legislators and other state officials (e.g., budget officers, etc.) to help the SSA forge political support for its plans.
- F. During and following implementation, TRI works with the SSA to evaluate and report on the process changes in the system, unintended results, and performance benefits. Performance contracting is still a very new approach to healthcare purchasing and management. Such contracts need to be closely monitored and evaluated to minimize the potential for adverse consequences and to assess whether and how the contracts stimulate performance improvements.

The Treatment Research Institute (TRI) is an independent, non-profit research and development organization specializing in science-driven reform of policy and practice in addiction and substance use. TRI was founded in 1992 by A. Thomas McLellan, Ph.D. and colleagues from the University of Pennsylvania's Center for the Studies of Addiction.

To learn more, visit the TRI website at www.tresearch.org or contact Bonnie Catone, Director of Communications, at bcatone@tresearch.org.