



Alphabet Soup for Healthcare

Pay for Performance—P4P

Pay for Performance (P4P), also known as value-based purchasing, is an umbrella term for initiatives aimed at improving the quality, efficiency, and overall value of healthcare. It is a payment model that offers financial incentives to physicians, hospitals, medical groups, and other healthcare providers for meeting certain performance criteria. This system rewards providers financially who meet, exceed or improve their performance on quality and cost measures. P4P models are based on a common set of *design elements*; performance measurement, incentive design, and transparency and consumer engagement.

Benefits of a P4P model include financial savings, increased physician engagement, and better patient care. When payment is tied to outcomes of patient care, studies have found that physicians are more engaged. Quality measures to provide better management of chronic diseases, such as heart disease and diabetes, increase patient health and reduce healthcare costs. Transparency allows consumers to shop around for their care, giving them the option to choose providers based on accessibility, cost and quality of care.



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