

## **Allocation of health care under pay for performance: winners and losers**

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**Abstract:** Many physicians receive a payment for their performance (P4P). This performance is often linked to a health target that triggers a bonus when met. For some patients the target is easily met, while others require a significant amount of care to reach the target (if ever). This study provides causal evidence of how P4P affects allocation of care across patients with low and high responsiveness to treatment compared to a fixed payment, such as capitation and salary. In a controlled laboratory experiment involving medical students, we find that patients who have the potential to reach the target, gain care under P4P, whereas patients with no potential to reach it, may receive less care. Redistribution of care between patients arise when physicians are resource constrained. Policymakers should therefore consider the underlying market conditions when designing P4P to avoid unintended inequalities in access to health care.