

# How well-designed payment systems can improve hospital care

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When people fall and break their hip, fast and coordinated hospital care can make the difference between recovery and long-term disability. Hospitals are often paid based on their performance in order to encourage them to achieve the best results for patients. In 2010, the NHS in England introduced a new payment system to encourage hospitals to follow best practice in hip fracture treatment. Hospitals would only receive an extra payment if patients received all parts of a recommended “care bundle” of 9 processes, such as having surgery within 36 hours and getting specialist input from a qualified geriatrician. The process was also designed to ensure the size of the extra payment was big enough to make a difference to hospitals.

We analysed this Best Practice Tariff (BPT) for fragility hip fracture using data on more than 280,000 patients treated between 2008 and 2015 in England and Wales, as the new payment was not introduced in Wales, allowing us to compare what happened to treatment for hip fractures in each country. We used methods that took account of the possible impact on hospital performance of a range of factors such as the characteristics of the patients treated and the severity of the fractures treated, to isolate the effect of the BPT.

We found that the policy worked as intended: the number of patients receiving all elements of best practice treatment increased by more than 50 percentage points over the next five years. The largest improvements were in areas requiring coordination between specialties, especially the involvement of geriatricians. We also found that the gains were smaller where performance of the hospital was already high before the policy. One concern with bundled payments is that once a hospital misses one element of the care bundle, they may then reduce their effort in meeting the specified steps further along in the process of care. However, we found no evidence for this, suggesting that the incentives did not create unintended adverse effects.

The findings show that linking payments to full, evidence-based care processes can significantly improve hospital quality. This is especially the case when the financial impact of the payments is large enough to matter. If policymakers can design hospital payment schemes that align financial incentives with good clinical practice, they can help ensure that more patients get the right care at the right time. This can apply not just for hip fracture treatment but more broadly across the whole healthcare system.

[Read the full paper, funding sources and disclaimers in Health Economics.](#)

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