

PERSPECTIVES ON
HEALTH CARE & LIFE SCIENCES

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Payment Reform: Moving at the Speed of Trustby [Mark Lutes](#)

An August 14 meta-analysis¹ of payment reform evaluations by Len Nichols and others offers health care investors a sobering appraisal of the success to-date of a range of payment reforms initiated by the Centers for Medicare & Medicaid Services and Congress—accountable care organizations, patient-centered medical homes, and bundled payments in particular. Investors should take the approach of “caveat emptor” when listening to pitches claiming that a technological, data, or telephonic solution du jour will lower costs, improve outcomes, and produce amazing growth in EBITDA.

Dr. Nichols *et al.*, however, do offer a lodestar for an investor seeking an answer to “what works?” They observe that “(w)hile economic incentive and useful information can be supplied quickly, changing the essential relationships to achieve cost-effective care takes more time ... all move at the speed of trust” between “parties” in the health care

¹ L. Nichols, A. Cuellar, L. Helmchen, G. Gimm & J. Want, “What Should We Conclude From ‘Mixed’ Results In Payment Reform Evaluations?” *Health Affairs Blog* (Aug. 14, 2017), available at <http://healthaffairs.org/blog/2017/08/14/what-should-we-conclude-from-mixed-results-in-payment-reform-evaluations/>.

system. These “parties” include the referring primary care physicians, cost-aware specialists, health plans, and patients and their families.

As the Chairman of a professional services firm, that observation does not come as a shock—however, it is a useful reminder that professionals spend years developing trust in the other professionals to whom they refer their clients. Lawyers take years to trust that another legal specialist or a consultant can provide their clients with the right blend of insight, service, and cost-effectiveness. I, therefore, am not surprised to be reminded by Dr. Nichols *et al.* that undergirding the new payment systems are complex incentives beyond the opportunity for a shared savings bonus.

Investors will thus want to understand if there are unique human factors that drive the cost-savings achievements claimed to be associated with a new technology or data solution. Our firm has assisted health providers and purchasers with the implementation of new financial incentive systems and care coordination models for almost 50 years. We, therefore, have a healthy appreciation for how much of care management success is actually attributable to the basic “blocking and tackling” of professional service interactions. I thank Dr. Nichols *et al.* for the friendly reminder of the vital role that these trust relationships will continue to play in attaining health payment reform’s goals.

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