

## Lessons Learned

In interviews some important lessons emerged from stakeholders, including states, pursuing quality-based payment reforms.

- *Collaborate first.* Payment reform is complex and can be threatening, especially to many stakeholders who are financially stretched. Reform must be based on a consensus-building process. There are honest disagreements about what constitutes “quality of care” and how to measure it. These must be acknowledged and addressed in a process that all stakeholders find fair. Collaboration serves to educate all stakeholders about other perspectives and the need for reform, as well as developing robust solutions that are more likely to be successful. The process can be as important as the resulting policies.
- *Go slowly.* Payment reform is a moving target. It is critical to evaluate pilots often and adjust policies as needed to ensure success. Incremental approaches ensure that members’ choices are not severely restricted and allow market forces to drive quality improvement.
- *Start small and with the strongest partners.* Beginning with the stakeholders most committed to reforming payment systems and most willing to put in the effort to work out problems will improve chances for success. Provide strong supports and safe harbors for first adopters.
- *Coordinate across payers.* It is critical to standardize measures, reporting systems, and incentives across payers; providers facing multiple, sometimes conflicting incentives from different payers will not be able to respond productively. States can help bring disparate, even competing interests to the table to reduce fragmentation and conflicting signals.
- *Ensure a fair and open process.* Policy development must be open and accessible to succeed. All stakeholders must be engaged from the beginning using common language and measurements.
- *Be very clear on goals.* It is critical that the goals of the project, focused on outcomes, are well-understood, using common language, from the beginning. Progress must be measured regularly against those goals.
- *Patient education is critical.* Too often consumers and the public are left out of complex health system reforms. The public often receives conflicting information about health care quality. States serve as trusted sources of unbiased information. If patients do not understand the potential benefits of system reform, and the risks of doing nothing, a voter backlash could undermine reforms, as happened to managed care in the 1990’s.
- *Plan for transitions.* Transformations do not happen suddenly. The current health care system is not working, but each interest involved is strong. Care must be taken to protect important but fragile sectors during the transition to quality-based purchasing.
- *Don’t underestimate the power of transparency and disclosure.* Several sources interviewed for this report noted that disclosure, even without financial consequences, can be a very strong motivator. Physicians given information on their quality performance compared to colleagues were motivated to make significant changes in their practices.
- *Invest in data and analysis.* Measuring and defining value requires clear information from trusted sources. Confidence in the fairness and integrity of risk adjustment, performance measurement and rate setting is critical. Research is critical to test the impact of strategies, intended and unintended, identify barriers and solutions, and track provider and consumer experiences with reform. There must be a commitment by policymakers to share and act on lessons learned.

- *Be brave.* All sources emphasized that payment reform is not easy, but the results are worth the work.