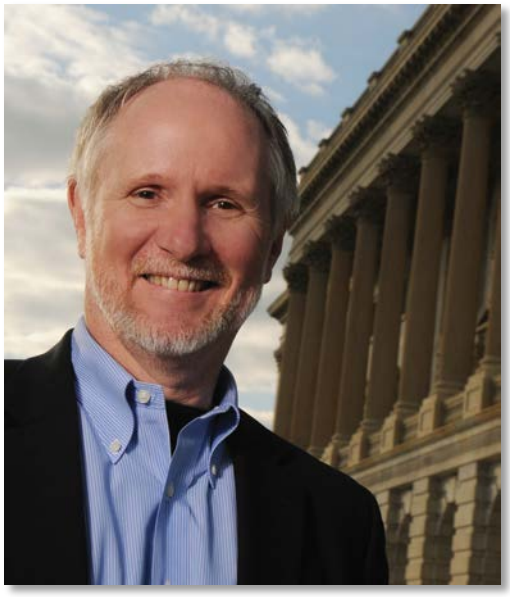
Catching Up with ...



Len M. Nichols, Ph.D., has served as director of the Center for Health Policy Research and Ethics and as a professor of health policy at George Mason University since March 2010.

- Member, Physician-Focused Payment Model Technical Advisory Committee
- Board of Directors, National Committee for Quality Assurance
- Advisor, Patient-Centered Primary Care Collaborative
- Payment Reform Advisor, Virginia Center for Health Innovation
- Former Senior Advisor, Health Policy, Office of Management and Budget
- Former Principle Research Associate, Urban Institute
- Former Vice President, Center for Studying Health System Change
- Former Director, Health Policy Program, New America Foundation
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- B.A. degree, Hendrix College, Conway, Ark.
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- Ph.D. degree, economics, University of Illinois

Accountable Care News: *What kind of imprint will MACRA have on accountable care organizations (ACOs)?*

Len Nichols: MACRA will push more ACO's to bearing downside risk. That is the fundamental thrust, gain (and possible pain) for performance risk.

Accountable Care News: *What do you see as the main challenges of developing alternative payment models (APMs)?*

Len Nichols: ACO-like organizations, with years of experience, should be mostly ready. The biggest challenges are for small practices without information system sophistication. Many electronic health records (EHRs) cannot yield custom reports to support decisions about which measures to choose for evaluation. Thus, many small practices, due to EHR limitations, are flying blind in a world in which, according to the proposed MACRA rule, they are competing in a zero sum game against large sophisticated practices. Not fair, not wise. Hopefully CMS will revise rules and timing to give these practices a fighting chance.

Accountable Care News: *What are the key components of a reformed healthcare delivery system?*

Len Nichols: The key is to align the interests of providers, whether in an ACO or not, to lower costs for society. This requires management of total cost of care, patient experience and patient outcomes. If hospitals, physicians or plans do not see how they can gain from a new system, it will fail. Therefore, both structure and communication about the structure of a new incentive system really matter.

Accountable Care News: *From your vantage point as an economist, how can the healthcare industry become fiscally responsible?*

Len Nichols: Number one, all creatures respond to incentives so health providers are no better or worse than others. Our incentives have been slanted to favor more care as opposed to better care. And some of our patients have also been convinced that more is always better, when it is manifestly not. So the main thing our industry has to do is to accept that we must lower cost growth per capita and not hope to be exempt from new incentive structures. Twenty percent PhRMA margins, for example, will end, and pretending otherwise will be increasingly unacceptable and likely to provoke policy backlash.

Accountable Care News: *What more do ACOs need to do to achieve a value-based healthcare system?*

Len Nichols: Some ACOs have been successful, seemingly by paying attention to what patient-centered primary care can do, and to low cost/high touch ways to reduce unnecessary emergency use and admissions. The next frontier will be enlisting specialists with proper incentives to help reduce costs and to engage in secondary prevention—-stopping pre-diabetics and pre-heart condition patients from developing full blown diseases that need to be managed and contained as opposed to merely prevented. Then and only then can we reduce costs by one-third, which the Institute of Medicine said was possible in 2009.

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