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A question of trust

The newly established Te Whatu Ora (Health NZ) has the key function of working in partnership with Te Aka Whai Ora (Māori Health Authority) and iwi-Māori partnership boards, supporting community participation in the process of designing and delivering health services tailored to local needs. But the road ahead is a long and risky one in which rebuilding trust is critical to the effectiveness of new service models. In this Insight, we explore what economics tells us about building and rebuilding trust and what the two new health agencies can learn from those insights.

The health and disability system reforms aim to give Māori rangatiratanga over Hauora Māori and more "influence throughout the system" (Department of Prime Minister and Cabinet 2021). The reasons for this emphasis on rangatiratanga and influence include the government's obligations under Te Tiriti o Waitangi (following the report of the Waitangi Tribunal on the contemporary primary health claim WAI 2575). It also recognises the centrality of equity as a key objective of our publicly funded health system.

With a long history of inequitable care for Māori, the health and disability system has a long and risky road ahead. The cost of health inequities, and the implications of perpetuating these by further undermining trust in the system, is so high that the commonly assumed equity-efficiency trade-off is likely to be non-existent in the long run: Spending more now to achieve equity is likely to provide a good return on investment, provided we can get there reasonably efficiently.

The question we really should be asking is, what investment do we prioritise to make progress on health equity? The answer, we think, comes down to investing in trust – rebuilding trust sooner rather than later, and continuing to invest in maintaining, measuring and demonstrating it.

Economics and trust

While Adam Smith – and economists in general – are most often seen as believers in the power of self-interest, the establishment and protection of trust (through both institutional structures and individual ethics) is a core element of the progress of human societies from basic hunter-gatherer through to highly productive, market-based economies. Smith's Theory of Moral Sentiments (Smith 2010 (originally published in 1759)) describes a model of human interactions in which rules of conduct emerge from human sociality and, with the development of consent, become the conventions and norms that underpin society.

Adam Smith spent most of his career concerned with the fragility of justice and benevolence in the face of changing incentives and social conditions that may characterise growing, market-based societies (Graafland and Wells 2021). His work contributed to the understanding of a need for institutional approaches to support trust so that businesses, consumers and governments can get on with their respective roles in a fair and productive society.

John Stuart Mill was also a believer in the critical importance of trust, stating that: "Conjoint action is possible just in proportion as human beings can rely on each other. There are countries in Europe, of first-rate industrial capabilities, where the most serious impediment to conducting business concerns on a large scale, is the rarity of persons who are supposed fit to be trusted with the receipt and expenditure of large sums of money." (Mill 1884).

The benefits of trust

Trust is critical for the success of a wide range of public policies that depend on behavioural response (OECD 2022).

Economists know that trust is fundamental to well-functioning societies, so much so that trust has been identified as the key driver of differences between

the richest and poorest nations (Knack and Keefer 1997).

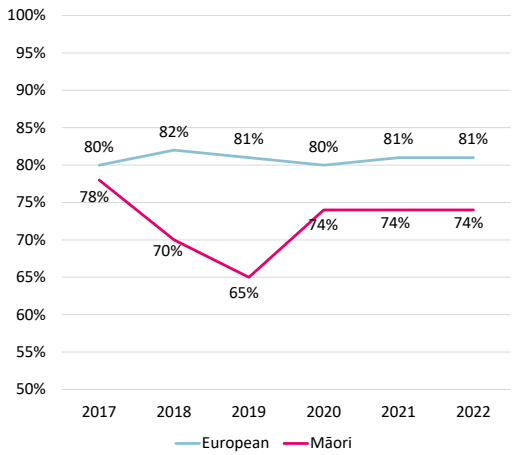
But trust is not just essential to economies and governments. It is essential to all organisations, including the health system. Trust between patient and doctor, between health professionals, between hospital management and surgeon, health leaders and nurses, etc., are well-recognised as important elements of a well-functioning health system. Studies have shown that when patients don't trust their doctor, they may not adhere to medication and their overall satisfaction with care suffers (Safran et al. 1998), and lack of trust between health service providers have hindered more integrated care (Islam et al. 2020).

Today, trust is the foundation that supports almost everything we do, and our laws and contracts are built on it and seek to strengthen it. We take for granted the everyday trust inherent in working for wages that will not be paid for at least two weeks, in paying rent in advance, in seeking health services for what ails us, and in voting in members of parliament who will represent our views and values.

Trust in Aotearoa's public services

The Kiwis Count survey has measured New Zealanders' trust and confidence in the public service since 2012 and shows that Māori have had lower levels and more variable trust than European New Zealanders (see Figure 1 below) (Te Kawa Mataaho Public Service Commission 2022).

Figure 1 Results of Kiwis Count survey of Māori views of the health system



Source: NZIER, Te Kawa Mataaho Public Service Commission 2022

Trust in the health system amongst Māori may well be even lower, resulting from decades of institutionalised racism across everything from system funding to service delivery. Māori experiences with mental health services, for example, have been summed up as "if you are Māori, you are significantly more likely to be tortured by a government-funded public health service than if you weren't Māori" (Gray 2021).

Distrust in the system – or the system's failure to be trustworthy to Māori – is a key barrier to Māori health equity because it hinders productive relationships that are critical to service design, contracting for services from providers who are best placed to deliver, and engagement with services by those who need them.

The Office of the Auditor General commissioned a report, published in July 2022, on Māori perspectives on public accountability and identified four key aspects of trust for Māori:

- Trust is relational
- Trust is reciprocal
- Tikanga builds trust and confidence
- The power imbalance thwarts trust.

(Haemata Ltd 2022)

While these aspects of trust were identified through wānanga and interviews with Māori, they are entirely consistent with economists' knowledge of trust and how it works for all people.

Two types of trust in systems

Economists describe two important forms of trust: institutional trust and informal trust.

Institutional trust is trust that results from the existence of institutional arrangements like regulations, contracts, and agencies designed to ensure agreements are upheld, quality is assured, monitoring and enforcement occurs as needed.

As economies have grown, the need for institutionalised trust has also grown due to the inability to establish informal, relationship-based trust across long, often global supply chains, within large organisations, or between citizens and governments. Societies that have successfully developed institutionalised trust have reaped the rewards of economic growth.

Those that have failed have seen high rates of corruption and the disincentive to invest, produce and grow that result from poor returns and a lack of fair process.

Many behavioural economists spend a great deal of effort trying to understand how to influence the other type of trust: informal trust. Informal trust is defined as an action that involves voluntarily placing resources at the disposal of a trustee despite the absence of an enforceable commitment from the trustee (Capra 2017).

Informal trust occurs where the truster is vulnerable to the trustee. Betrayal of trust, resulting in distrust, occurs where trustworthiness (the trustee's motivation, intent or competence) turns out to have been incorrectly assessed by the truster.

Because informal trust is trust that exists in the absence of institutional arrangements, it is often built on personal relationships. Despite the high level of sophistication in institutional trust that has developed in many developed economies, interpersonal trust remains critical to many interactions, especially where some nuances and complexities are too specific to every situation to be written into a contract. Few of us would, for example, enter into a marriage with a person we do not trust or employ a childcare worker we do not trust, even with the most detailed legal agreement.

Institutional trust in the health system

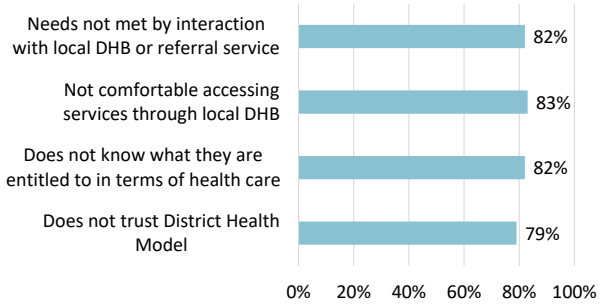
In New Zealand, just as in other well-developed countries with modern health systems, institutions and processes that help to support and strengthen public trust in the health system have been established. These include the Medicines Act 1981, the Health Practitioners Competence Assurance Act 2003, the Medicine and Medical Devices Safety Authority (Medsafe), the Health Quality and Safety Commission, the Health and Disability Commissioner, the health professional regulatory bodies, as well as the practice of public accountability through monitoring and reporting of health and health system indicators.

These institutions help to ensure the basic level of trust for a system that operates smoothly and delivers good outcomes overall. Essentially, they ensure that most of the time, very bad things don't happen, but this will be of little comfort to a group who feel that when bad things do happen, they are more likely to experience them, and that the system lacks accountability for when that happens.

But institutional trust comes from many other day-to-day processes as well. Knowing what to expect when visiting the GP, understanding that visiting the emergency department involves triage and often a wait before being seen by a clinician, knowing that a support person can be present, etc., all reinforce trust in the health system because experiences match expectations. Surprises, especially unpleasant ones, by contrast, tend to increase distrust.

Māori distrust in the health system's institutions and processes was captured in a survey by the New Zealand Māori Council, which found high levels of distrust in the DHB model: 79 percent did not trust the DHB model, and the Māori Council concluded that "Our people are more likely not to engage again once let down" (Māori Council 2019).

Figure 2 Results of Māori Council survey of Māori views of the health system



Source: NZIER, Māori Council 2019

Informal trust in the health system

At the individual rather than system level, informal trust is as important as institutional trust.

When we visit a doctor, we may well trust that institutional arrangements exist to ensure doctors are competent and that any failures will be dealt with, but if we don't feel some degree of trust in the individual doctor, we are unlikely to return, and we may not follow advice (Pearson and Raeke 2000).

The health sector experienced the power of informal trust and its ability to overcome the failures of institutional trust in the context of COVID-19 vaccination campaigns. The Capital & Coast and Hutt Valley District Health Boards (CCDHB and HVDHB)

were among the frontrunners in the vaccination of Māori due in large part to their investment in a strategy of reaching Māori communities through local leadership, Māori providers and culturally appropriate services – a campaign strategy of "Trusted faces, Trusted places". Continued investment in this strategy, in the belief that it would pay off, despite a slow start, saw CCDHB become the first to reach a 90 percent vaccination rate amongst Māori (O'Connor 2022). Leveraging informal trust helped to overcome the lack of institutional trust Crown's failure to uphold its Treaty obligations (Waitangi Tribunal 2021) in the fight against COVID-19.

The enemies of trust

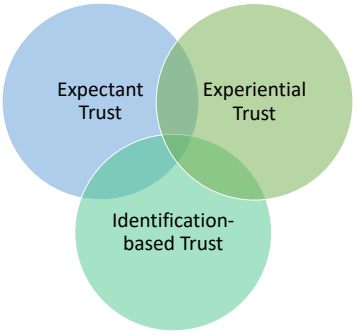
Three types of trust help to explain how and why distrust occurs and help point to potential solutions:

- Expectant trust
- Experiential trust
- Identification-based trust.

(Kramer and Tyler 1995)

Securing all three types of trust is a sweet spot that builds the strongest foundation for cooperation. Conversely, breaking all three types of trust creates significant challenges.

Figure 3 Three types of trust



Source: NZIER

Expectant trust is the predisposition a patient brings to the first encounter with a provider, a service or a system. It is influenced by personality, previous experiences with trust, and second-hand knowledge of the context, rather than personal experience.

Experiential trust is the trust that develops with knowledge and experience over time. It increases with positive experiences and tends to be quickly eroded by negative ones.

Identification-based trust is based on a sense of shared values and a mutual understanding of desires and intentions.

One important challenge facing Te Whatu Ora and Te Aka Whai Ora is that the health and disability system is not in a position to build trust from scratch. Instead, the enemies of trust have been kept alive and well for decades. These include:

- Inequality and power imbalance
- Lack of transparency
- Inconsistency of messaging and actions.

Expectant trust being affected by second-hand knowledge, including extensive media coverage of health system failures, and other negative experiences of trust, such as through other interactions with the public sector and government, means that for Māori, the level of trust is likely to be low even in a first experience situation.

The state of experiential trust for Māori has been described through reports of repeated bad experiences across the health system, from primary care to tertiary services. Māori indicated that they operated on an expectation of receiving lower quality care (Jansen, Bacal, and Crengle 2008).

Identification-based trust is equally fraught for Māori. As Haimona Gray wrote "It is easy to assume we're all this together, but without true commonalities, we are strangers forced together by coincidence, colonisation and coercion" (Gray 2021).

Economic research has demonstrated that inequality and differences between groups contribute to distrust. In particular, increases in inequality have been identified as contributing to the erosion of trust in public institutions (Gould and Hijzen 2016). Both trust and trustworthiness have been shown to increase when individuals are closer socially (Glaeser et al. 2000).

This effect can be observed in many everyday scenarios. For example, two economists (Charles and Kline 2006) analysed carpooling behaviour as a measure of social capital or trust – trust that your fellow traveller will not make you late for work, drive dangerously or seek to harm you. Their work demonstrated that we trust people who are most similar to us because those similarities have led to a

higher accumulated stock of social capital from previous interactions – in other words, identification-based trust lays a strong foundation for, and reinforces, experiential trust.

Māori interactions with the health system have been characterised by high degrees of difference and inequality, with expectations that health care would be provided by people who are either disrespectful or do not understand Māori or how to provide understandable information to Māori (Jansen, Bacal, and Crengle 2008).

The road ahead is challenging, risky and long

Another challenge that Te Whatu Ora and Te Aka Whai Ora face is the pervasiveness of distrust. The health sector is riddled with distrust: distrust between health professional groups, distrust between those groups and health system decision-makers (Powell 2022; Hendry-Tennant and Yates 2022), distrust between funders and providers (Cumming 2011), distrust between different types of providers (Cumming et al. 2021), and distrust between patients and health practitioners (O'Hagan 2021). While engagement with Māori communities may result in agreement about what services can be provided and how, getting cooperation across the health sector requires addressing these many other layers of distrust, particularly where care is to be better coordinated and integrated or where new models of care require more inter-disciplinary ways of working.

> *"For the past 20 years, distrust between organisations was hardwired by competition, hands-off relationships and compliance monitoring. The challenge now will be to hardwire collaboration and trust."*
> (Tenbensel 2021)

Low trust discourages innovation (Knack, n.d.) and innovation in the health sector is a key objective as traditional models of care have been ineffective in addressing the growing problem of complex multimorbidity.

The health system must acknowledge its poor track record in building or maintaining trust. Given past experience, there is a high risk of failure, and failure can erode trust even more, leading to further inequity and loss of efficiency in the system.

Furthermore, the OAG report demonstrates that the situation of Māori distrust in the Crown is not unique to the health system. While this is not surprising given the history of the Crown's treatment of Māori, it is important to recognise that broad distrust of the Crown presents challenges for Te Whatu Ora and Te Aka Whai Ora, as a violation of trust experienced in another sector is likely to impact on trust in the health sector. Where successful models of trust building exist, these should be applied consistently across all sectors.

So, what are the important lessons for those who must now focus on developing a process for pro-equity commissioning?

Putting process before outcomes

The health system and government, in general, have shifted from a focus on service delivery (counting volumes of services and service users) to focusing on outcomes as a measure of system success. From the Health Outcome Targets of the 1990s to the Health Targets of the early 2000s, to the System Level Measures (SLMs) Framework of the 2010s, and the new Health System Targets introduced in 2021, performance measures have set out the key outcomes for quality improvement and system integration and may have played some role in overall system performance but have failed to crack the persistent problem of health inequities for Māori.

And while outcomes are, ultimately, what everyone expects from publicly funded services and should remain a key focus of the newly reformed health system, the well-intentioned and well-reasoned shift from an activity focus to an outcomes focus has nevertheless ignored the critical issue of process. Neglected for decades, process is not only key to ensuring that the right services are designed and delivered in the right places, at the right time, by the right providers, and to the right people; process is critical to building and maintaining trust in the system – trust that helps to improve process over time in a self-reinforcing cycle, but also that ensures process delivers the right activity and that the right activity delivers the right outcomes.

The OAG report confirms the critical importance of process for Māori: "The process of how services are delivered, and outcomes are achieved, is just as important as the outcomes themselves." (Haemata

Ltd 2022, 24). Hence the need to recognise that *tikanga* builds trust and confidence.

Behavioural economics offers some trust-rebuilding strategies

Research on building trust has been most prevalent in behavioural economics, a field that combines economics and psychology to understand how and why people behave the way they do.

A key research tool for behavioural economists is something they call "trust games" – basically experiments in which participants make decisions about taking risks under various circumstances that researchers carefully manipulate to observe impacts on behaviour. Many of these experiments have been based on what behavioural economists call WEIRD samples (samples of populations that are Western, Educated, Industrialised, Rich and Democratic) (Henrich, Heine, and Norenzayan 2010), so applying their insights to other populations should involve a degree of caution as well as a need to listen to communities that are not well-represented in research sample populations. Still, these experiments do indicate some key strategies for building and rebuilding trust that can be built into a process for testing with target populations. These are:

- Demonstrating reciprocity
- Using a gradualism (or incrementalism) approach
- Bridging the cultural divide through both informal and institutional approaches.

Demonstrating reciprocity

Trust games have demonstrated that people who have already been primed to think about the trustee's incentives are less likely to trust when there is a perception that the trustee has something to gain from betrayal (Kugler, Connolly, and Kausel 2009).

Māori experience with the health and disability system provides a solid primer in health system decision-makers' incentives to save money by ignoring or failing to dedicate sufficient resources to address Māori health inequities.

Reciprocity, which has been missing from the public sector's relationship with Māori, requires Te Whatu Ora and Te Aka Whai Ora to demonstrate trust in Māori communities to participate and contribute to the system reforms: "To gain trust from Māori, the Crown, through the public sector, must also trust Māori" (Haemata Ltd 2022).

The Crown does not have a history of trusting Māori. One example of this distrust that has had significant consequences is the chronic underfunding of Māori primary and community health providers, combined with under-investment in Māori health workforce, which contributed to the failure to deliver on promises to address the inequitable health status of Māori. An estimate of the monetary cost of poor health and excess mortality for Māori over the 18-year period in which the government failed in its implementation of policy under the Primary Health Care Strategy is over $5 billion per year (Love et al. 2021).

Demonstrating reciprocity will mean investing upfront in Māori, in Māori communities, in Māori providers and in the processes that support engagement and co-design. In other words, health system funders must put their money where their mouth is, sooner rather than later.

Using a gradualism approach

Trust games have also demonstrated that in environments characterised by low levels of trust, an approach in which cooperation is initially sought where the stakes are low, with increasing stakes as trustworthiness is demonstrated, is likely to be the most successful strategy (Kartal, Müller, and Tremewan 2021).

The challenge here is identifying and agreeing on where the stakes are low and where they are high. This question should be a key component of early engagement with communities to understand what services to start with.

Gradualism is related to incrementalism – a key contribution of political scientist Charles E. Lindblom (Lindblom 1959). Incrementalism is a method of achieving widespread and substantial public policy changes by slowly implementing small changes over time. Examples of major shifts achieved through incrementalism include civil rights, racial equality, women's right to vote, and gay rights (Longley 2020).

Gradualism – and incrementalism - support capacity building to occur. Māori rangatiratanga in any sector

requires that the government allow political, social and economic space for self-organisation to occur. This requires a willingness to take risks on outcomes and commit to investing resources in areas that improve the chances of successful self-organisation (NZIER 2003).

It is essential that the approach to gradualism is empowering rather than restrictive, the latter communicating distrust rather than trust and reinforcing the power imbalance that thwarts trust for Māori (Haemata Ltd 2022).

Bridging the divide through informal and institutional approaches

Research demonstrates that differences between social groups lead to a lower level of trust. But the OAG report identified two key aspects of trust for Māori: trust is relational and that Tikanga builds trust and confidence. These findings have implications for both informal and institutional approaches (Haemata Ltd 2022).

Supporting the development of informal trust

In identifying that "trust is built on the relationship rather than the organisation", the OAG report clearly identifies that productive engagement with Māori communities must provide space and time to form relationships between people. Relationships build trust because they support transparency of motivation and intent.

The challenge in building relationships that the system currently faces is one of organisational instability: The health sector is currently engaged in a game of musical chairs, with many of the same faces – trusted or not trusted – moving into different roles, some new faces appearing, and a lack of clarity (from the outside at least) as to their place in the organisational structure. Going into an election with a potential change of government, threatens to destabilise the sector further, creating a context that is not conducive to establishing relationships.

Once things have settled down, Te Whatu Ora and Te Aka Whai Ora will need to consider who can initiate and maintain informal trust in this way. A review of the literature on building and rebuilding trust indicates that competence, benevolence, and integrity are the core characteristics that define trustworthiness and support trust to increase over time (Mayer, Davis, and Schoorman 2006). Behavioural economics research indicates that even simple personal gestures such as informal declarations of mutual trust have positive impacts on trust and trustworthiness (Bjorvatan and Soto Moto 2021) but that long-lasting relationships in which exchanges are repeated (known as repeat games) are most likely to have a positive impact on trust and trustworthiness (Engle-Warnick and Slonim 2006).

Strengthening institutional approaches

While informal trust is clearly important at a local level, the literature on trust suggests that institutional/formal trust is more important in large, complex systems than informal trust because there is no way that all participants can get to know each other well enough to build informal trust.

Behavioural economics research suggests that commitments can improve the quality of cooperation.

An institutional approach that can help bridge the cultural divide while harnessing the power of commitment could be the development and consistent use of a commissioning model or process that incorporates Tikanga Māori and a mutual commitment to it at the start of the process.

Because process is important to Māori, commissioning models need to be expanded to include steps that establish the foundation for trust, including:

- Acknowledging the history of the relationship, the failures of the system and the impacts on communities
- Use of te reo Māori and Māori processes
- Committing to transparency
- Agreeing on the process of engagement
- Ensuring the respective responsibilities of participants are understood
- Identifying issues of power imbalance and the extent of any power transfer.

These steps represent a fundamental change to the way traditional commissioning models are designed, with needs assessment being the typical first step. A pro-equity model would lay the foundations of trust and true partnership at the start.

Consistency is a key risk to both equity and efficiency

A review of the literature on building and rebuilding trust indicates that consistency is a key driver of trust because trust is built over time through repeated processes allowing people to know what to expect from the process and for the perception of risk to gradually diminish.

But consistency is challenging for large organisations to achieve. The challenge will be ensuring that the disparate commissioning groups that work across the districts and over time are supported to maintain a consistent approach to engaging with communities.

This is where an institutional approach with a formal model will be helpful. A key benefit of a formal model is its ability to be tested, refined, and replicated to maximise effectiveness and efficiency by starting with what is known to work.

Ultimately, formal models can help overcome the equity risks associated with informal relationships: Informal relationships vary in quality, presenting the risk that some communities will benefit from strong relationships with individuals in their local commissioning groups, while others do not. Institutional approaches can help to support informal relationships and smooth out differences over time and space. Where informal trust is weak, a formal model may provide the best opportunity for trust-building.

Replicability is also important for true equity: How can we say we are moving towards equity if some communities get a better experience or quality of partnership with Health NZ than others?

In the long term, replication also means the trust that has been built through earlier successful use of the model helps to streamline processes and minimise tensions, contributing to greater process efficiency and maximising the available resources for health services.

All New Zealanders have something to gain from pro-equity commissioning

While this Insight has focused on the trust issue between Māori communities and the health and disability sector, effective pro-equity commissioning is the key to moving beyond the current frontier of health outcomes and system efficiency by better meeting the needs of a range of groups of New Zealanders. This includes not just Māori but Pacific communities, people with disabilities, remote and rural communities, etc. Essentially all New Zealanders whose needs have not been met by the health system present opportunities to better design services so that health outcomes are improved, and resources are either saved (from spending to address poor outcomes) or shifted (to services that support good outcomes).

The economics, psychology and management literature indicate that processes designed to effectively and efficiently build and rebuild trust (what may be described as a pro-equity approach to service commissioning) reflects universal best practice to achieve good outcomes.

But while trust is a long-term game, politics is a short term one

The key question is not whether rebuilding trust is the first and most important step for health system decision-makers, if transformational change is wanted, but rather are they up to the task, and can they mobilise the resources within its constrained budget and in face of dire needs for investment across the system, to make a real difference?

The Labour government will be looking for short term wins to bolster its chances in the 2023 election and to justify the disruption and investment delays associated with the reform process, so the pressure will be high to deliver in the short term. The current work with the nine pilot localities (Johnston 2022) is likely to be to this end. Ironically, given the long-term nature of trust building, if the new system can deliver on time for the government's political agenda, it will likely be due to the trust-building efforts of the more successful, but now defunct, District Health Boards, many of which had already been planning services in a localities model and working on pro-equity commissioning before the new health agencies were even a twinkle in the Minister's eye.

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