



Improving Health Care Quality While Slowing Spending Growth: *The Alternative Quality Contract (AQC)*

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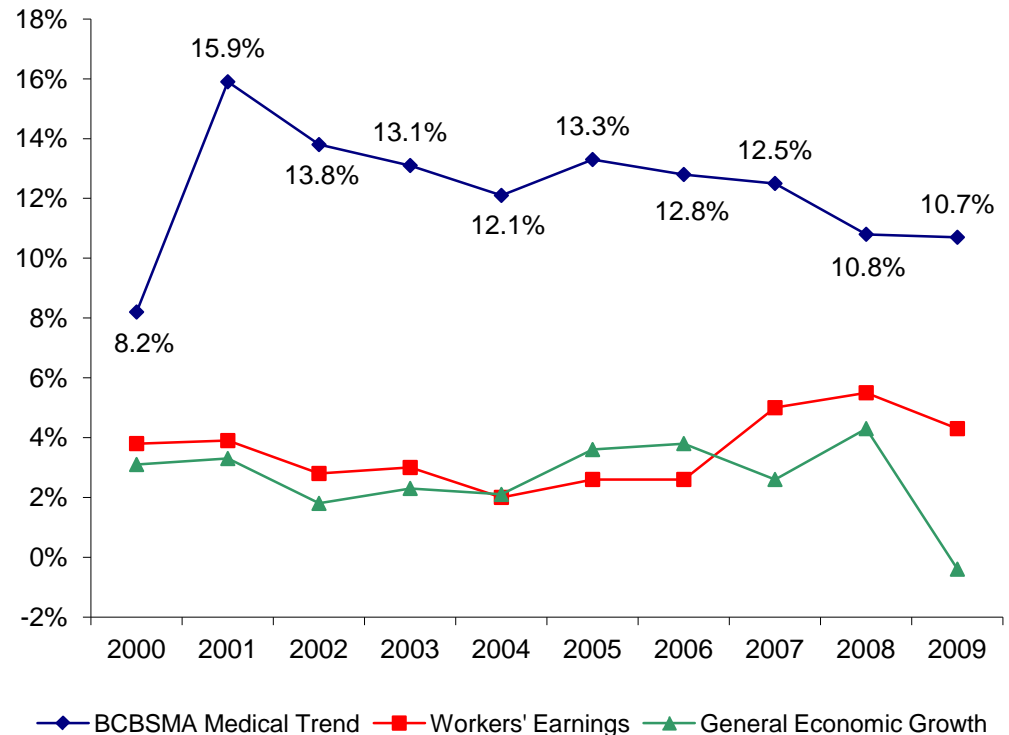
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Alternatives to Traditional Fee-for-Service Payment Models Panel
25 February 2015

The Alternative Quality Contract: Twin goals of improving quality and slowing spending growth

In 2007, leaders at BCBSMA challenged the company to develop a new contract model that would improve quality and outcomes while significantly slowing the rate of growth in health care spending.

The Massachusetts health reform law (2006) caused a bright light to shine on the issue of unrelenting double-digit increases in health care spending growth (Health Care Reform II).



Sources: BCBSMA, Bureau of Labor Statistics.

Key Components of the AQC Model



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Unique contract model:

- Accountability for quality and resource use across full care continuum
- Long-term (5-years)

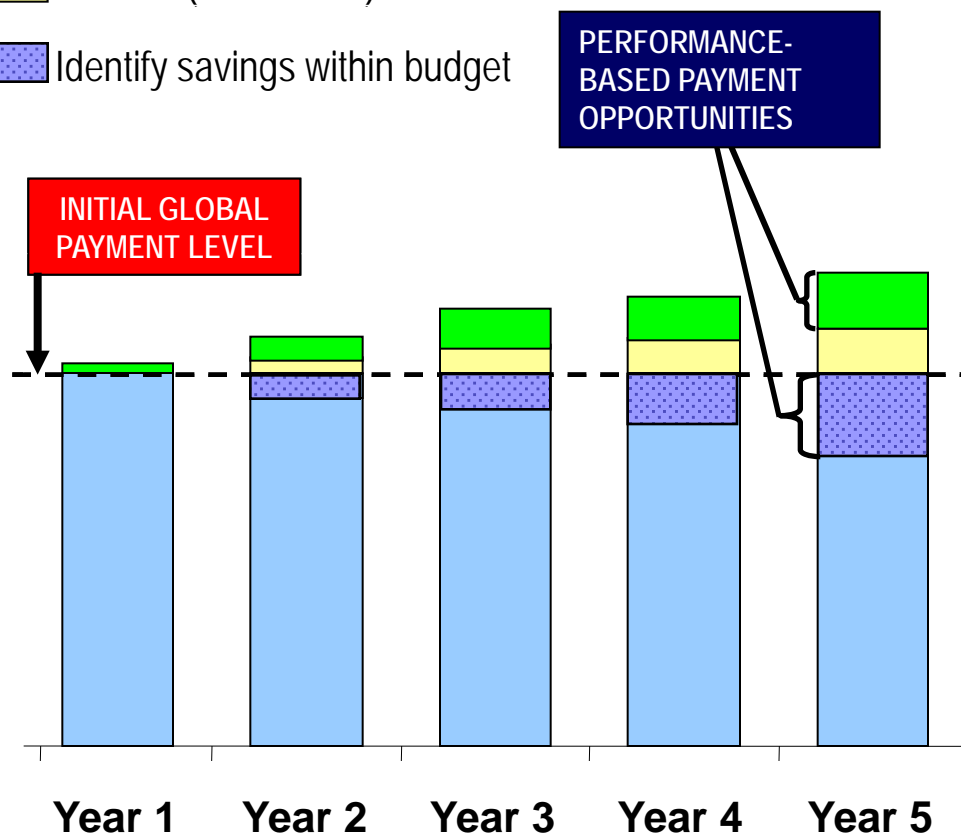
- Performance on quality
- Inflation (cumulative)
- Identify savings within budget

Controls cost growth:

- Global population-based budget
- Shared risk: 2-sided symmetrical
- Health status adjusted
- Annual inflation targets set at baseline for each year of the contract and designed to significantly moderate cost growth

Improved quality, safety & outcomes:

- Robust performance measure set creates accountability for quality, safety & outcomes across continuum
- Substantial financial incentives for high performance and for improvement



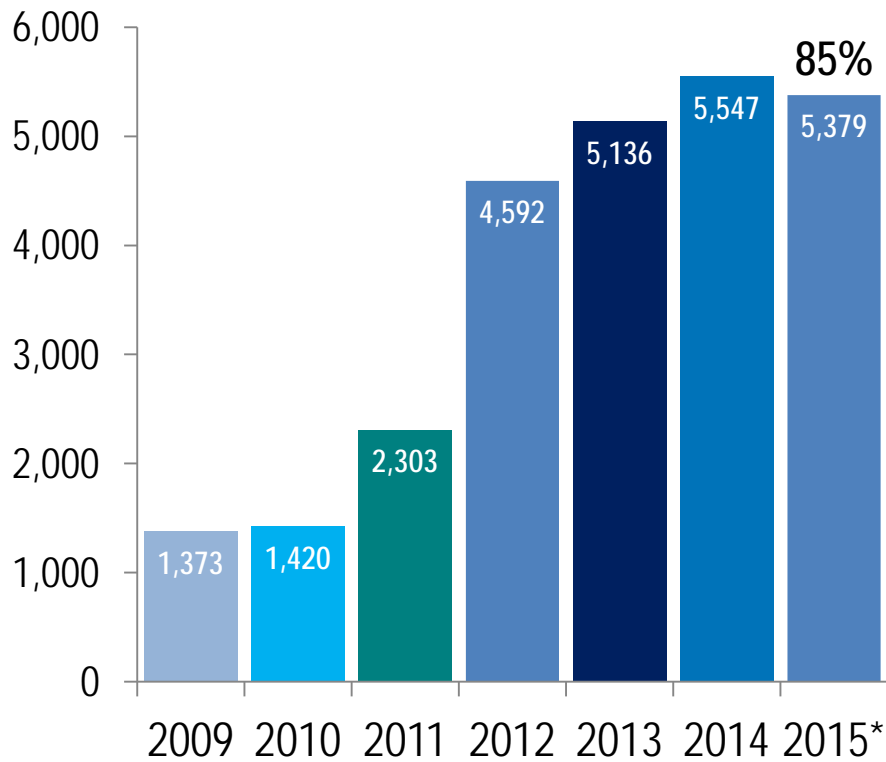
AQC Physician Participation

(Current as of January 2015)

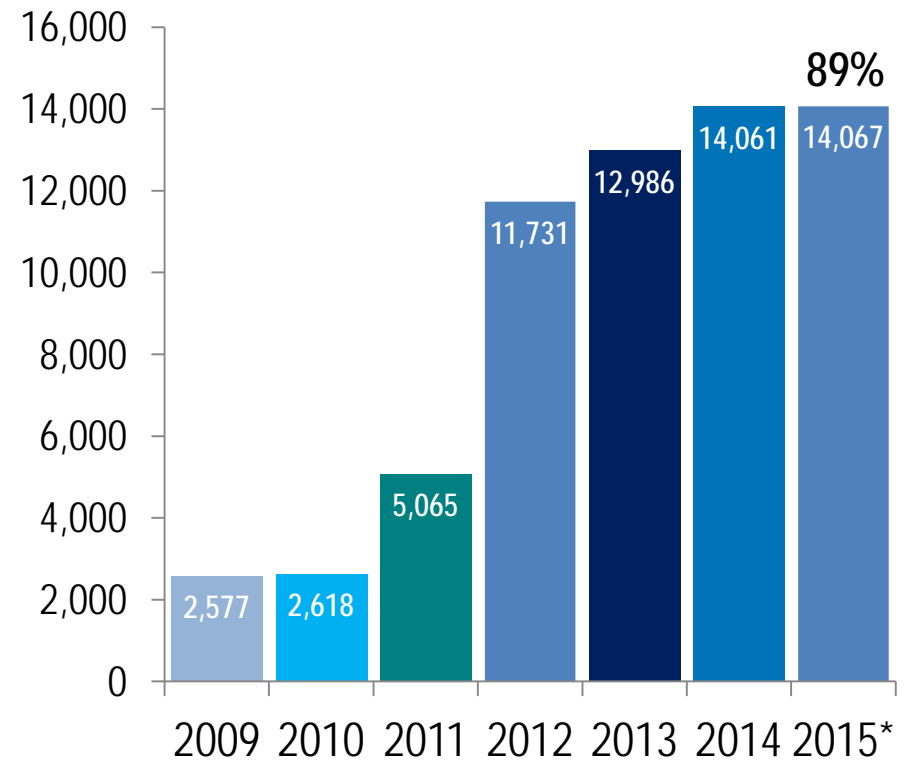


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PCPs



SCPs

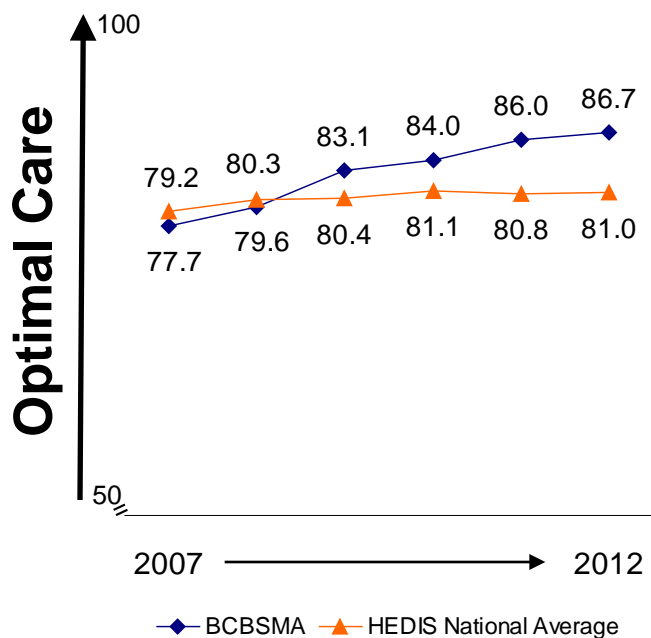


* All 2015 figures as of January

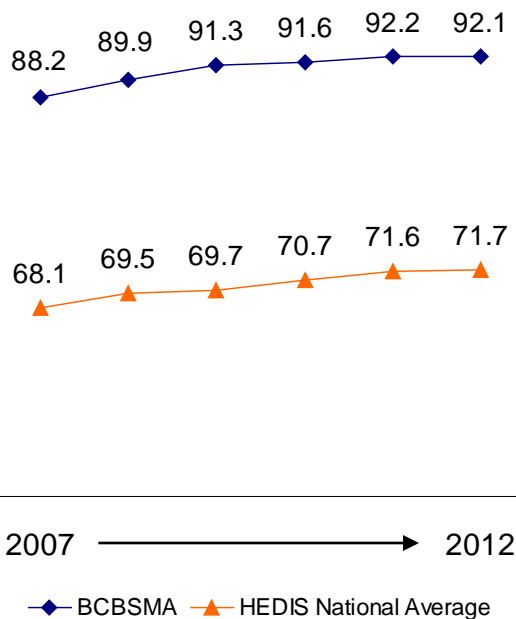
Results Under The AQC:

Improvement of the 2009 Cohort of AQC Groups from 2007-2012

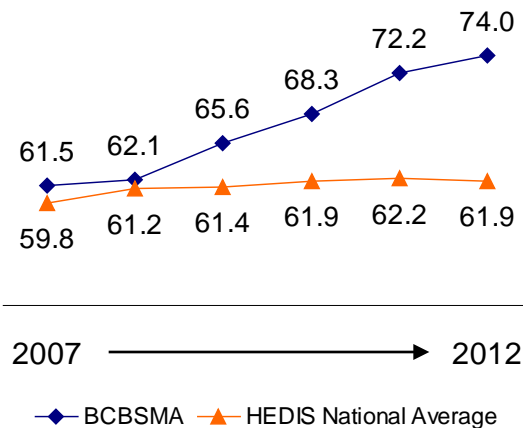
Adult Chronic Care



Pediatric Care



Adult Health Outcomes



These graphs show that the AQC has accelerated progress toward optimal care since it began in 2009. The first two scores are based on the delivery of evidence-based care to adults with chronic illness and to children, including appropriate tests, services, and preventive care. The third score reflects the extent to which providers helped adults with serious chronic illness achieve optimal clinical outcomes. Linking provider payment to outcome measures has been one of the AQC's pioneering achievements.

AQC Results: Formal Evaluation Findings

Formal Academic Evaluation: Year 3 & 4 Results



The NEW ENGLAND
JOURNAL of MEDICINE

SPECIAL ARTICLE

Changes in Health Care Spending and Quality 4 Years into Global Payment

Zirui Song, M.D., Ph.D., Sherri Rose, Ph.D., Bruce F....

As compared with similar populations in other states, Massachusetts AQC enrollees had lower spending growth and generally greater quality improvements in the period 2009 through 2012... The AQC experience may be useful to policy-makers, insurers and providers embarking on payment reform. Although it is still early, these results suggest that a two-sided global budget model may serve as a foundation for slowing spending and improving quality."

Blue Cross Blue Shield of Massachusetts

Savings Associated with the AQC Relative to Control Group, 2009-2012



AQC Physician Participation ¹	2009	2010	2011	2012
	20%	20%	35%	77%

Notes: (1) Calculated based on combined RCP and GOP participation as of December of each year.

Blue Cross Blue Shield of Massachusetts

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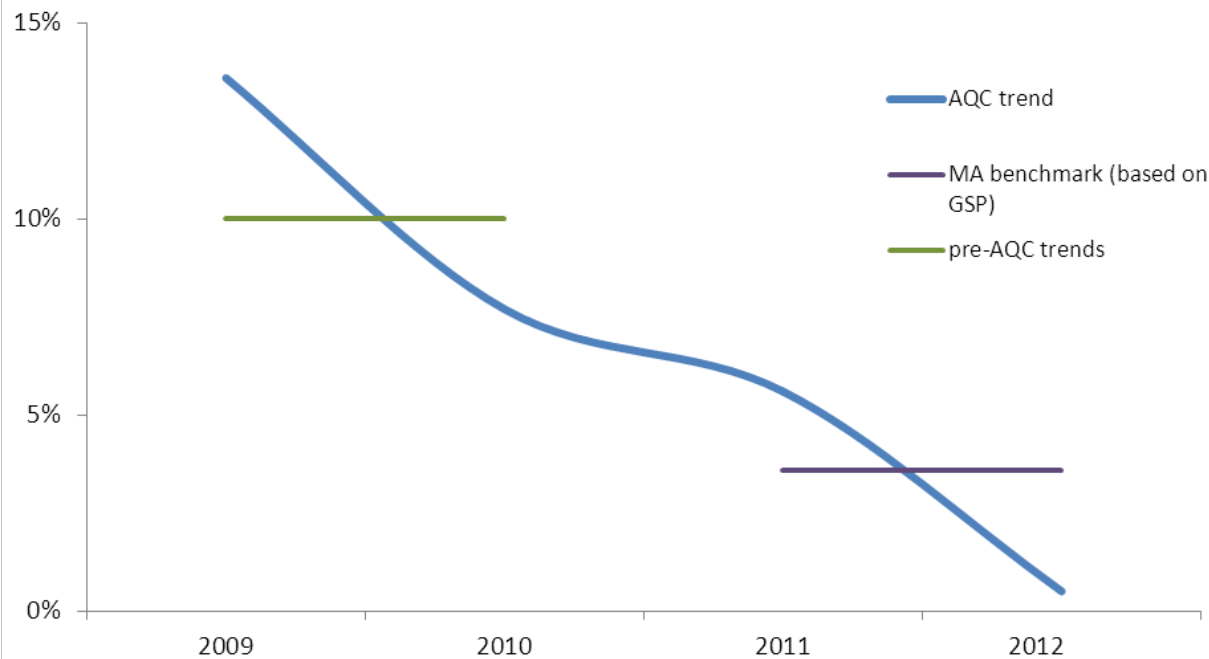
Source: Song Z, et al. Changes in Health Care Spending and Quality 4 Years into Global Payment. *The New England Journal of Medicine*. 2014.

Total Cost Results



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AQC Total Cost Increases (FFS + incentives)

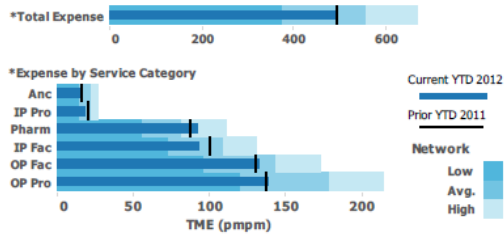


- The Harvard evaluation documented that AQC is reducing medical spending, but accounts also want to see reductions in total spending
- By Year-3, BCBSMA met its goal of cutting trend in half (2 years ahead of plan)
- By Year-4, BCBSMA total cost trend was below state general economic growth benchmark (<3.6%)

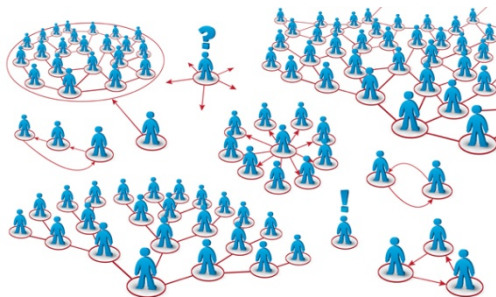
Components of the AQC Support Model

Our four-pronged support model is designed to help provider groups succeed in the AQC.

Data and Actionable Reports



Consultative Support



Best Practice Sharing and Collaboration



Training and Educational Programming

Summary and Priority Issues Ahead



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Summary

- Payment reform gives rise to significant delivery system reform
- Rapid and substantial performance improvements are possible in the context of:
 - Meaningful financial incentives
 - Rigorously validated measures & methods
 - Ongoing and timely data sharing and engagement
 - Committed leadership
- For payment reform, deep provider relationships and significant market share are advantageous
 - For national payers, remote provider relationships pose engagement challenges; member-facing incentives (benefit design) an attractive lever

Priority Issues Ahead

- Expanding payment reform to include PPO presents unique challenges
 - Gaining strong employer buy-in & support will be important; and this means models must offer value from day-1
- Continued evolution of performance measures to fill priority gaps
 - Focus on outcomes, including patient reported outcomes (functional status, well being)
- Continued evolution of the delivery system:
 - Evolving the role of hospitals in the delivery system
 - Building deeper engagement of specialists
 - Bringing incentives (financial & non-financial) to front lines
 - Advancing innovations in virtual care
- Payment incentives to front line clinicians need continued attention

For More Information



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Doctor and the Doll by Norman Rockwell

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