Blue Cross Blue Shield of Massachusetts Announces First-Year Results of Alternative Quality Contract

One of the largest payment reform initiatives in the country shows success in improving patient care and lowering cost trends

BOSTON — January 21, 2011 — Blue Cross Blue Shield of Massachusetts, Inc. (BCBSMA), today announced the first-year results of its Alternative Quality Contract (AQC) agreements with physicians and hospitals. The AQC is a modified global payment model, designed to encourage cost-effective, patient-centered care by paying participating physicians and hospitals for the quality, not the quantity of the care they deliver. Early results of the AQC provide compelling evidence that sharing accountability with providers for health care quality and costs by changing the payment model can stimulate significant improvements in both areas.

"Our new approach to payment was designed to address the twin goals of improving the quality and outcomes of patient care while significantly cutting the rate of growth in health care spending," said Andrew Dreyfus, President and Chief Executive Officer of Blue Cross Blue Shield of Massachusetts. "After reviewing the firstyear results of these multi-year contracts, I am pleased that we are making significant progress toward both goals."

Despite the fact that the AQC groups vary with respect to geography, size, leadership structure and experience with accepting financial accountability for the cost of patient care, every AQC organization was successful in managing the global budget and significantly improving quality and clinical outcomes. First-year results show the AQC is on track to achieve its original goal of reducing annual health care cost trends by one-half over the five years of the AQC contracts while at the same time improving the quality of patient care.

Dreyfus added, "Our new payment model is a crucial component of our company's agenda to make quality health care affordable for our members and employer customers. This alternative payment model fosters shared responsibility for both improving care and moderating the unsustainable rate of increase in health care costs."

AQC Improves Quality and Outcomes of Patient Care

In the first year of the AQC, improvements in the quality of patient care were greater than any one-year change seen previously in our network of hospitals and physicians—significantly exceeding the rates of improvement on quality measures that AQC groups were achieving prior to the contract and outpacing the rates of improvement among non-AQC physicians. Results include:

- For preventative care measures like cancer screenings and well-child visits, the rate of improvement in AQC groups' performance was three times that of non-AQC groups, and more than double the AQC group's own improvement before joining the AQC.

- For chronic disease care measures such as management of diabetes and cardiovascular disease, among the most costly and prevalent chronic care conditions, the AQC groups' rate of improvement on screening and monitoring measures far exceeded those of physicians not in an AQC contract. In year one of the contract, AQC organizations made gains on these measures at a rate more than four times what they had been accomplishing before the contract.

- On clinical outcome measures, many AQC group's performance measures are approaching or have reached the highest levels of quality believed to be attainable for a patient population. Outcome measures indicate results of patient care, such as control of blood pressure, blood sugar, or cholesterol, which signify that a patient's chronic condition like diabetes or cardiovascular disease is well-managed.

Dana Safran, ScD., BCBSMA's Senior Vice President, Performance Measurement and Improvement said, "The improvements in quality and patient health outcomes achieved by each and every AQC organization were remarkable in the first year of these multi-year contracts. These results demonstrate that by aligning payment incentives with accountability for important quality and outcome measures, significant improvements in patient care can be accomplished."

AQC Lowers Medical Cost Trends

First-year results show the AQC is on track to achieve its original goal of reducing annual health care cost trends by one-half over the five years of the AQC contracts. In addition, all first-year provider groups have met their budgets, producing surpluses that enable them to invest in infrastructure and other improvements that will help them deliver care more effectively and efficiently. With these contracts, for the first time, physicians and hospitals have agreed to share responsibility for efficiency of care—and early indications show they are delivering encouraging results.

Patrick Gilligan, Senior Vice President of Health Care Services at BCBSMA said, "We're pleased to see in the first year of these contracts that the vast majority of AQC groups are outpacing the rest of our network in lowering the rate of increase in medical costs."

The AQC model brings both predictability and stability to annual health care cost increases. Because the global budget is agreed upon at the outset of these physician and hospital agreements, the reduction in rise of medical costs will remain predictable and stable throughout the multi-year contracts, regardless of any market fluctuations.

The AQC has already positively influenced two major health care cost drivers—hospital readmissions and the use of emergency rooms (ER) for non-emergent care. For example:

- The AQC groups improved their hospital readmission rates more than the non-AQC groups, a decrease equivalent to $1.8 million in avoided readmission costs for the AQC groups. For the rest of the network, readmission rates increased over the past year.

- With regard to non-emergent emergency room (ER) use—one AQC group has reduced their nonemergency ER visits by 22 percent over the past year, which translates into $300,000 in avoided ER costs.

About the AQC

The AQC is a significant change from traditional fee-for-service contracts. The new contract model combines a per-patient global budget with significant performance incentives based on nationally endorsed quality measures tied to quality, health outcomes, and patient experience. The global payments are adjusted for age, sex, and health status of patients and cover all services received by a patient, including primary, specialty, and hospital care. So, when a doctor spends more time with a patient and helps the patient successfully manage a chronic medical condition, like hypertension or diabetes, the result is both improved health outcomes for the patient and lower overall costs by helping avoid unnecessary hospitalization. Employers and employees/members benefit as the new system moderates cost increases and hence health insurance premiums through better care.

The AQC is one of the largest private payment reform initiatives in the country and is an example of the kind of innovative payment models encouraged by the new federal health care reform law. This model also aligns with the focus on payment reform in Massachusetts that Governor Deval Patrick has indicated will be a major priority of his Administration in 2011. Governor Patrick's focus follows the Massachusetts Special Commission on Payment Reform's unanimous vote to move toward a global payment system, indicating it is the best opportunity to moderate costs while promoting high-quality care.

The first AQC was signed in January 2009. Today, one-third of physicians in BCBSMA's HMO Network (about 6,600 physicians) are in an AQC arrangement. Approximately 40 percent of BCBSMA's Massachusetts-based HMO members (nearly 430,000 members) are provided care by physicians in an Alternative Quality Contract.

Statewide, the organizations in an AQC arrangement include: Mount Auburn Hospital and the affiliated Mount Auburn Cambridge Independent Practice Association (MACIPA); Hampden County Physician Associates, LLC (HCPA); Tufts Medical Center and the affiliated New England Quality Care Alliance (NEQCA); Signature Healthcare Corporation including Brockton Hospital and its affiliated physicians; Lowell General Hospital and the affiliated Lowell General Physician Hospital Organization; Atrius Health; South Shore Hospital and the affiliated South Shore Physician Hospital Organization; Caritas Christi Health Care including its six Hospitals (Carney, Good Samaritan, Merrimack Valley, Norwood, St. Anne's, and St. Elizabeth's); and Northeast Health Systems Physician Hospital Organization, Inc. including Addison Gilbert Hospital and Beverly Hospital.

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) was founded 73 years ago and is now the largest private health plan in the state, providing coverage to nearly 3 million members. BCBSMA believes in working with physicians, hospitals, employers and the broader community to provide quality, affordable health care in Massachusetts. Blue Cross Blue Shield of Massachusetts is an independent licensee of the Blue Cross Blue Shield Association.

For further information: CONTACT: Tara Murray 617-246-4851 tara.murray@bcbsma.com