

Avalere: Lessons Learned from Blue Cross Blue Shield of Massachusetts' Alternative Quality Contract as HHS Explores Different Payment Models

WASHINGTON, D.C. — March 3, 2015 — As healthcare leaders and policymakers look to curb spending and improve quality, they should examine models like the Alternative Quality Contract (AQC), according to a new paper by [Avalere](#). This is particularly important given the January 26th announcement by Health and Human Services Secretary Sylvia Burwell stating that the United States' healthcare system needs to move "toward paying providers based on the quality, rather than the quantity of care they give patients."

"The Administration has set aggressive goals for quality based payments and integration in Medicare and other government programs," said Dan Mendelson, CEO and Founder of Avalere. "Using proven models such as the AQC in important markets will be necessary to move the delivery system along at this pace."

The AQC is a payment system used by Blue Cross Blue Shield of Massachusetts (BCBSMA), which uses spending targets for patient services to providers and rewards providers financially based on savings from the program and if quality targets are reached.

Specifically, "Payment Reform on the Ground: Lessons Learned from the Alternative Quality Contract," explores the AQC that was first implemented by BCBSMA in 2009. The AQC puts medical groups at risk for the total cost of treating a patient. Based on a spending target for all patient care, providers share in the savings—or, conversely, repay losses—generated by reducing the price, volume or intensity of health care services. Participating providers can earn separate payments based on quality and outcome measures. Studies show that the AQC reduces participating groups' spending growth, and that the AQC has driven important improvements in the quality of healthcare received by BCBSMA members.

Based on a review of existing literature and a series of interviews with key opinion leaders, Avalere identified the following takeaways:

- Payment reform programs can significantly change provider behavior.
- Changing behavior requires providers to have "skin in the game" (e.g., financial incentives and penalties), but payers need to meet providers where they are today.
- New payment models should hold providers accountable for the full range of patient care costs.
- Providers can implement meaningful change, but need time, consistent goals, and a similar commitment from payers to do so.
- Providers need detailed spending and quality information and clinical support to take on risk.
- Payers with significant local presence are best positioned to implement innovative payment models.

The Secretary has made it clear that she expects alternative payment models to represent a majority of Medicare payments within the next few years. Based on Avalere's analysis, multi-payer pilots built around existing commercial programs - like the AQC - could be a step forward in meeting this important goal.

"The AQC innovates by holding providers accountable for both quality and cost with two-sided risk," said Josh Seidman, vice president at Avalere. "This framework is a nice model for Medicare because it moves to accountability in a way that appears to be working for providers."

Avalere and key opinion leaders will discuss this analysis during a webinar on March 17th from 1 - 2 pm EST. Speakers will include Mark McClellan of the Brookings Institution and Administrator of the Centers for Medicare and Medicaid Services during the Bush Administration, Bob Kocher of Venrock and former Special Assistant to the President for Healthcare and Economic Policy in the Obama Administration, Dana Safran of Blue Cross Blue Shield of Massachusetts, and Dan Mendelson and Josh Seidman of Avalere.

More information about the AQC is available [here](#).

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About Blue Cross Blue Shield of Massachusetts

Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) is a community-focused, tax-paying, not-for-profit health plan headquartered in Boston. We are the trusted health plan for more than 30,000 Massachusetts employers and are committed to working with others in a spirit of shared responsibility to make quality health care affordable. Consistent with our corporate promise to always put our 2.8 million members first, we are rated among the nation's best health plans for member satisfaction and quality. Connect with us on [Facebook](#), [Twitter](#), [YouTube](#) and [LinkedIn](#).

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