Harvard Medical School Researchers Find Alternative Quality Contract Lowers Spending and Improves Patient Care

BOSTON — July 14, 2011 — A just-released study by a team of researchers at the Harvard Medical School finds that a new global payment model being implemented by Blue Cross Blue Shield of Massachusetts (BCBSMA) is meeting its twin goals of slowing the growth in health care costs while simultaneously improving the quality of patient care.

The comprehensive study is the first independent review of BCBSMA's Alternative Quality Contract (AQC) which was introduced in 2009. The study, published in the New England Journal of Medicine, analyzed 2006-2009 claims data for members whose primary care physicians were in the AQC, compared with members not in the AQC. The Harvard Medical School press release summarizing the study's findings can be found below.

Reacting to the findings, BCBSMA CEO Andrew Dreyfus said, "We're pleased that this independent and rigorous analysis of the first year of our new payment model finds that the AQC is playing a key role in helping these physicians and hospitals redesign the way they deliver care to emphasize value over volume." Dreyfus added the study offers important insights and lessons for state and federal policymakers considering reforms to the health care payment system.

In the study, researchers found three key lessons including:

1. Quality does not need to be threatened by global payment.

2. Global payment can introduce greater price competition into the market as referrals move from high-price to low-price facilities.

3. Setting appropriate budgets and providers' ability to practice in this new environment are essential to continued success.

The Harvard Medical School study, undertaken at BCBSMA's request, was funded by the well-respected Commonwealth Fund.

The press release from the Harvard Medical School is copied below.

Contact: Katie DuBoff
Email: katie_duboff@hms.harvard.edu
Phone: 617-432-3038

Harvard Medical School Study Finds New Health Care Payment System Slows Spending While Improving Patient Care

Findings reveal new Massachusetts model significantly outperforms current fee-for-service system

Cambridge, Mass. — July 13, 2011 — In a new study with implications for state and federal efforts to reform payments to doctors and hospitals to encourage greater coordination of care, Harvard Medical School researchers found that a global payment system underway in Massachusetts lowered medical spending while improving the quality of patient care relative to the traditional fee-for-service system.

The study, published today in the New England Journal of Medicine, examined the Alternative Quality Contract (AQC), which was first introduced by Blue Cross Blue Shield of Massachusetts (BCBSMA) in 2009 and now includes more than a third of the insurer's provider network.

Among the study's findings:

- The medical spending was nearly 2% lower among physicians and hospitals participating in the AQC compared with those working under traditional fee-for-service contracts.
- Importantly, for physicians and hospitals with no previous experience in a global payment model, spending was 6% lower than that of providers in traditional fee-for-service contracts.
- These year-one savings were largely the result of physicians changing referral patterns and shifting care to lower-cost facilities.
- By the end of year-1, quality of care among AQC providers was significantly higher than that of non-AQC

providers in the BCBSMA network, especially for adults with chronic illness and for children.

- Because the AQC contract shared savings with providers, rewarded providers for quality and, in some cases, include provider support for infrastructure development, the total dollars paid to AQC groups in the first year likely exceeded the savings achieved through reduced medical spending.

- This outcome reflects the design of the AQC, which focuses on slowing the growth of spending and improving quality initially, rather than saving money in the first year.

"The finding of reduced spending, together with improved quality in year-one of the contract is significant," says senior author Dr. Michael Chernew, Harvard Medical School. "For policymakers contemplating improved payment models for US health care, reducing medical spending while improving quality and outcomes is the Holy Grail. While much remains to be seen over the next years of these AQC contracts and as the model expands to other providers, these early results provide reason for optimism."

Chernew noted that changes in referral patterns like the kind accomplished in the AQC's first year can subsequently affect pricing in the health care market, as high-price facilities feel pressure from decreased volume. He also noted that the significance of the changes in physician thinking and behavior that are required to accomplish such changes in practice should not be understated.

Background on study
In 2009, Blue Cross Blue Shield of Massachusetts began paying seven Massachusetts provider groups differently under a contracting model called the "Alternative Quality Contract" (AQC). This model is characterized by global payment, whereby provider groups received a budget (defined for five years) to take care of their BCBSMA patients, rather than being paid separately for each service (fee-for-service). In addition to the global budget, groups were eligible for pay-for-performance bonuses, which rewarded providers for meeting certain quality targets. Provider groups in the AQC system assume accountability for spending, similar to Accountable Care Organizations (ACOs). This study analyzed the effect of this intervention on health care quality and spending. Harvard Medical School researchers analyzed 2006-2009 claims for enrollees whose primary care physicians were in the AQC, compared with enrollees not in the AQC.

About Harvard Medical School
Harvard Medical School (http://hms.harvard.edu) has more than 7,500 full-time faculty working in 11 academic departments located at the School's Boston campus or in one of 47 hospital-based clinical departments at 17 Harvard-affiliated teaching hospitals and research institutes. Those affiliates include Beth Israel Deaconess Medical Center, Brigham and Women's Hospital, Cambridge Health Alliance, Children's Hospital Boston, Dana-Farber Cancer Institute, Forsyth Institute, Harvard Pilgrim Health Care, Hebrew SeniorLife, Joslin Diabetes Center, Judge Baker Children's Center, Massachusetts Eye and Ear Infirmary, Massachusetts General Hospital, McLean Hospital, Mount Auburn Hospital, Schepens Eye Research Institute, Spaulding Rehabilitation Hospital, and VA Boston Healthcare System.

For further information: CONTACT: Jenna McPhee 617-246-7412 jenna.mcphee@bcbsma.com

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