Partners Healthcare to Join Alternative Quality Contract

Renegotiated contract includes $80 million in annual savings for BCBSMA customers

BOSTON — October 5, 2011 — Blue Cross Blue Shield of Massachusetts (BCBSMA) announced today that Partners HealthCare will join BCBSMA's innovative payment system known as the *Alternative Quality Contract* (*AQC*) effective January 1, 2012. Introduced in 2009, the *AQC* is a modified global payment model designed to slow the growth in health care spending and improve patient care by helping physicians and hospitals redesign their care to emphasize quality and value over volume.

"By joining the *Alternative Quality Contract*, Partners has committed to work with us in a deeper, more collaborative way to lower the cost and improve the quality of the care they deliver to our members," said Andrew Dreyfus, BCBSMA's President and CEO. "Partners is adopting the newest version of the model, known as *AQC 2.0*, which will require them to outperform the rest of our provider network in managing the growth in health care spending or risk giving back some of the payments it receives." Dreyfus added that Partners HealthCare has also agreed to the patient quality measures contained in the *AQC*.

The decision by Partners HealthCare to join the *AQC* is the centerpiece of a renegotiated contract between the two organizations that will result in $240 million in savings over three years, including $80 million in 2012. The revised contract will run through 2014.

"Our customers and members will be the beneficiaries of these savings," said Dreyfus. "We've been clear for some time now that making quality health care affordable is our highest priority as an organization. This new agreement with Partners is an important step forward."

The renegotiated contract also calls for Partners HealthCare to continue to participate in BCBSMA's tiered network plans and includes a requirement that Partners reimbursement rates will not be automatically extended to new physician groups that join Partners HealthCare.

Partners HealthCare—with nine hospitals, 1,300 primary care physicians, and nearly 6,000 specialists—is the largest health system yet to join the *AQC*. The agreement will cover approximately 200,000 BCBSMA members.

With the addition of Partners HealthCare, nearly 60% of the primary care physicians and almost 75% of the specialists in BCBSMA's provider network are now participating in the *AQC*. Approximately 613,000 BCBSMA members, or roughly two-thirds of BCBSMA's in-state HMO membership, are now cared for by doctors and hospitals in the *AQC*.

A recent study by researchers at the Harvard Medical School found that the *AQC* is achieving its twin goals of improving care and slowing costs. The study, published in the *New England Journal of Medicine* in July 2011, examined health care claims data from 2006-2009. The study found that in the first year of the *AQC*:

- Medical spending was nearly 2% lower among physicians and hospitals participating in the *AQC* compared with those working in 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.
- 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.

About Blue Cross Blue Shield of Massachusetts
Blue Cross Blue Shield of Massachusetts (www.bluecrossma.com) was founded 74 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.

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