Large Health System in Western Massachusetts Becomes the Latest to Join the Alternative Quality Contract

Cooley Dickinson Hospital also agrees to reduce its prices

BOSTON — October 27, 2011 —Blue Cross Blue Shield of Massachusetts (BCBSMA) today announced thatCooley Dickinson Hospital (CDH) and Cooley Dickinson Physician Hospital Organization (CDPHO), based in Northampton, Mass., 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 emphasize quality and value over volume.

Cooley Dickinson Hospital and CDPHO are adopting the newest version of the*Alternative Quality Contract*, known as *AQC 2.0*, which will require them to outperform their region in managing the growth in health care spending or risk giving back some of the payments they receive.

"By joining the *AQC*, Cooley Dickinson Physician Hospital Organization and Cooley Dickinson Hospital have 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 in the Northampton area," said Andrew Dreyfus, BCBSMA's President and CEO. "We are pleased that the hospital has also agreed to reduce the prices they charge for their services—further moderating the cost of care for our employer customers and members."

CDPHO—with 66 Primary Care Physicians and 160 Specialists participating in this agreement—is one of the largest physician-hospital organizations in Western Massachusetts to join the *AQC*. The agreement will cover approximately 8,900 BCBSMA members.

Norman Stachelek, Jr., President and Executive Director of the Cooley Dickinson PHO, said, "CDPHO is pleased to be participating in an innovative, long-term arrangement that recognizes a focus on high quality and cost-effective care. Coordinating care between our physicians and CDH has proven to result in better outcomes for the community. We look forward to participating with Blue Cross in the *AQC* to further our ongoing efforts."

Cooley Dickinson Hospital's improvement in costs (through its rate reduction), combined with the quality of care provided (as measured by nationally accepted quality measures) means that the hospital will now be designated as a high-value option in the Western Mass. region. BCBSMA members with a Blue Options tiered network plan design, or a HMO or PPO plan that includes the Hospital Choice Cost-Sharing (HCCS) benefit feature, will now pay less out-of-pocket when they seek care at Cooley Dickinson Hospital as of January 1, 2012. Members in these types of plans pay less when they seek care from high-quality, lower-cost providers.

"Cooley Dickinson has always put our resources into keeping our community healthy, avoiding unnecessary hospitalizations, even though the historic fee-for-service payment systems penalized us for our prevention efforts. We are pleased to be moving to the *AQC* model of care so that Cooley Dickinson and our physicians can be rewarded, rather than penalized, for doing the right thing for patients," said Craig Melin, CDH's President and CEO. "We look forward to using this contract to further not just the quality of care at CDH, but also the affordability for Blue Cross members."

Recent independent studies conducted by Harvard Medical School, published in the New England Journal of Medicine, and Brandeis University, published in Health Affairs, found that the*AQC* is achieving its twin goals of improving care and slowing costs.

These studies 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.[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.[1] Groups identified coordination of care for high-risk patients as a top priority and implemented several different initiatives to help reduce avoidable hospital admissions, readmissions and emergency department visits.[2]

- All groups identified quality improvement for patients as a top priority because the*AQC* offers much greater financial rewards for high quality than typical pay-for-performance programs.[2]

- The first year of the *AQC* was a financial success for participating medical groups.[2]

Since January 2009, the following hospitals and physician groups have joined the *AQC*:
Cooley Dickinson Hospital and Cooley Dickinson Physician Hospital Organization; Partners HealthCare; Beth Israel Deaconess Physician Organization; Northeast Health Systems Physician Hospital Organization and Beverly and Addison Gilbert Hospitals; Accountable Care Associates, LLC (formerly Hampden County); Atrius Health; Lowell General Physician Hospital Organization and Lowell General Hospital; Mount Auburn Cambridge Independent Practice Association and Mount Auburn Hospital; New England Quality Care Alliance and Tufts Medical Center; Signature Healthcare Corporation and Brockton Hospital; South Shore Physician Hospital Organization and South Shore Hospital; Steward Health Care (formerly Caritas Christi) and St. Elizabeth's, St. Anne's, Holy Family, Norwood, Carney, and Good Samaritan Hospitals.

***AQC* Participation as of 2012[3]**

	AQC	**Totals**	***AQC* Participation Rate**
PCPs	3,750	6,200	60%
Specialists	11,200	15,000	75%
Members	622,000	913,000 (total in-state HMO / POS membership)	68%

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.

About Cooley Dickinson Hospital
Cooley Dickinson, a full-service community hospital, is ranked in the top 5 percent of all U.S. hospitals in patient safety by HealthGrades®, the country's leading independent health care ratings organization. It is the only hospital in the Springfield area to achieve the HealthGrades Patient Safety Excellence Award™ for three consecutive years. Cooley Dickinson's staff of 1,650 professionals and nearly 400 affiliated physicians comprise a network of emergency, surgical, clinical, rehabilitative, hospice and home care expertise that treats 40,000 emergency patients per year, delivers 800 babies, and collaborates with Massachusetts General Hospital to deliver comprehensive cancer care. Learn more at www.cooley-dickinson.org.

1 *New England Journal of Medicine*, "Health Care Spending and Quality in Year 1 of the Alternative Quality Contract," July 13, 2011.

2 *Health Affairs*, "Medical Group Responses to Global Payment: Early Lessons from the 'Alternative Quality Contract' in Massachusetts," September 2011

3 Includes contracts signed in 2011 that begin in 2012 (Cooley Dickinson Hospital and Cooley Dickinson Physician Hospital Organization and Partners HealthCare)

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