Delivering on Payment Reform: Lessons From The Alternative Quality Contract

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The Alternative Quality Contract:
Twin goals of improving quality and slowing spending growth

In 2007, leaders at BCBSMA challenged the company to develop a new contract model that would improve quality and outcomes while significantly slowing the rate of growth in health care spending.


Sources: BCBSMA, Bureau of Labor Statistics.
In MA, the Increasing Costs of Health Care Squeeze Out Other Public Spending Priorities

MASSACHUSETTS STATE BUDGET, FY2001 VS. FY2011

STATE SPENDING (BILLIONS OF DOLLARS)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2001</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care Coverage (State Employees/GIC/Medicare/Health Reform)</td>
<td>$5.1B</td>
<td>$4.0B</td>
</tr>
<tr>
<td>Public Health</td>
<td>-38%</td>
<td>-23%</td>
</tr>
<tr>
<td>Mental Health</td>
<td>-33%</td>
<td>-13%</td>
</tr>
<tr>
<td>Education</td>
<td>-15%</td>
<td>-13%</td>
</tr>
<tr>
<td>Infrastructure/Housing</td>
<td>-50%</td>
<td>-50%</td>
</tr>
<tr>
<td>Human Services</td>
<td>-11%</td>
<td>-0%</td>
</tr>
<tr>
<td>Local Aid</td>
<td>-23%</td>
<td>-0%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>-33%</td>
<td>-20%</td>
</tr>
</tbody>
</table>

SOURCE: Massachusetts Budget and Policy Center Budget Browser

Global Budget
- Population-based budget covers full care continuum
- Health status adjusted
- Based on historical claims
- Shared risk (2-sided)
- Trend targets set at baseline for multi-year

Quality Incentives
- Ambulatory and hospital
- Significant earning potential
- Nationally accepted measures
- Continuum of performance targets for each measure (good to great)

Long-Term Contract
- 5-year agreement
- Sustained partnership
- Supports ongoing investment and commitment to improvement

The Alternative Quality Contract

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Results Under The AQC:
Improvement of the 2009 Cohort of AQC Groups from 2007-2012

These graphs show that the AQC has accelerated progress toward optimal care since it began in 2009. The first two scores are based on the delivery of evidence-based care to adults with chronic illness and to children, including appropriate tests, services, and preventive care. The third score reflects the extent to which providers helped adults with serious chronic illness achieve optimal clinical outcomes. Linking provider payment to outcome measures has been one of the AQC’s pioneering achievements.

Blue Cross Blue Shield of Massachusetts

Results Under The AQC:
Independent Evaluations Confirm Success

The New England Journal of Medicine

Changes in Health Care Spending and Quality for Medicare Beneficiaries Associated With a Commercial ACO Contract

Health Affairs

The ‘Alternative Quality Contract’, Based On A Global Budget, Lowered Medical Spending And Improved Quality
**Total Cost Results**

- The Harvard evaluation documented that AQC is reducing medical spending, but accounts also want to see reductions in total spending.
- By Year-3, BCBSMA met its goal of cutting trend in half (2 years ahead of plan).
- By Year-4, BCBSMA total cost trend was below state general economic growth benchmark (<3.6%).

**Delivery System Innovation: Four Themes**

There are four domains in which we see AQC Groups innovating to improve quality and outcomes while reducing overall spending:

- Staffing Models
- Approaches to Patient Engagement
- Data Systems
- Referral Relationships & Integration Across Settings
**Summary and Priority Issues Ahead**

### Summary
- Payment reform gives rise to significant delivery system reform
- Rapid and substantial performance improvements are possible in the context of:
  - Meaningful financial incentives
  - Rigorously validated measures & methods
  - Ongoing and timely data sharing and engagement
  - Committed leadership
- For payment reform, deep provider relationships and significant market share are advantageous
  - For national payers, remote provider relationships pose engagement challenges; member-facing incentives (benefit design) an attractive lever

### Priority Issues Ahead
- Continued evolution of the delivery system:
  - Managing consolidation
  - Hospital care
  - Advancing innovations in virtual care
- Expanding payment reform to include PPO
  - Requires attribution model
  - Requires national data exchange (multi-state accounts)
- Payment incentives to front line clinicians need continued attention