Improving Health Care Quality While Slowing Spending Growth:
*The Alternative Quality Contract (AQC)*

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*Presented at:*
Federal Trade Commission & Department of Justice Workshop:
Alternatives to Traditional Fee-for-Service Payment Models Panel
25 February 2015
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.


The graph shows the BCBSMA Medical Trend, Workers’ Earnings, and General Economic Growth from 2000 to 2009. The graph indicates that the BCBSMA Medical Trend has been relatively stable, with a peak of 15.9% in 2001 and a recent trend towards stabilization. Workers’ Earnings have fluctuated, with a notable increase in 2008. General Economic Growth has shown a decreasing trend with a peak of 8.2% in 2001 and a recent decrease to 10.7% in 2009.

Sources: BCBSMA, Bureau of Labor Statistics.
**Key Components of the AQC Model**

**Unique contract model:**
- Accountability for quality and resource use across full care continuum
- Long-term (5-years)

**Controls cost growth:**
- Global population-based budget
- Shared risk: 2-sided symmetrical
- Health status adjusted
- Annual inflation targets set at baseline for each year of the contract and designed to significantly moderate cost growth

**Improved quality, safety & outcomes:**
- Robust performance measure set creates accountability for quality, safety & outcomes across continuum
- Substantial financial incentives for high performance and for improvement

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**Diagram Details:**
- **Performance on quality**
- **Inflation (cumulative)**
- **Identify savings within budget**

**Performance-based payment opportunities**
- **Initial global payment level**
- Year 1, Year 2, Year 3, Year 4, Year 5
AQC Physician Participation (Current as of January 2015)

PCPs

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<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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SCPs

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* All 2015 figures as of January
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.
AQC Results: Formal Evaluation Findings

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%).
Components of the AQC Support Model

Our four-pronged support model is designed to help provider groups succeed in the AQC.

- **Data and Actionable Reports**
- **Consultative Support**
- **Best Practice Sharing and Collaboration**
- **Training and Educational Programming**
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

- Expanding payment reform to include PPO presents unique challenges
  - Gaining strong employer buy-in & support will be important; and this means models must offer value from day-1

- Continued evolution of performance measures to fill priority gaps
  - Focus on outcomes, including patient reported outcomes (functional status, well being)

- Continued evolution of the delivery system:
  - Evolving the role of hospitals in the delivery system
  - Building deeper engagement of specialists
  - Bringing incentives (financial & non-financial) to front lines
  - Advancing innovations in virtual care

- Payment incentives to front line clinicians need continued attention
For More Information

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