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Delivering on Payment Reform: Lessons From The Alternative Quality Contract

Dana Gelb Safran, ScD
 Senior Vice President,
 Performance Measurement and Improvement
 Blue Cross Blue Shield of Massachusetts

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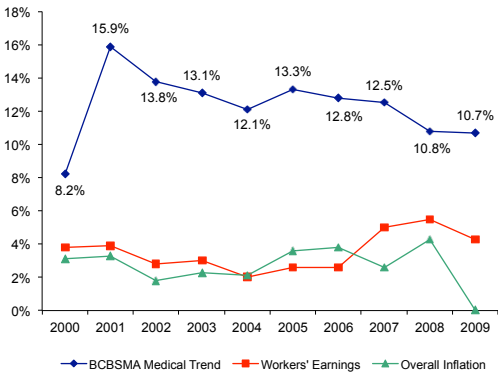
The Alternative Quality Contract: Twin goals of improving quality and slowing spending growth



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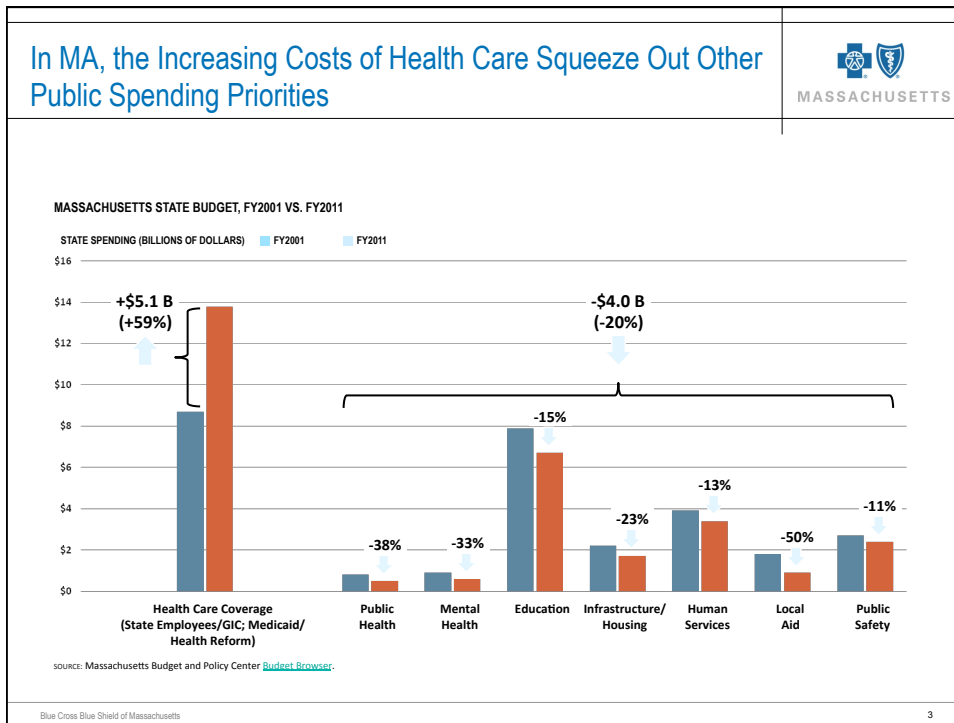
In 2007, leaders at BCBSMA challenged the company to develop a new contract model that would improve quality and outcomes while significantly slowing the rate of growth in health care spending.

The Massachusetts health reform law (2006) caused a bright light to shine on the issue of unrelenting double-digit increases in health care spending growth (Health Care Reform II).



Year	BCBSMA Medical Trend	Workers' Earnings	Overall Inflation
2000	8.2%	3.8%	3.2%
2001	15.9%	3.8%	3.2%
2002	13.8%	2.8%	2.2%
2003	13.1%	3.2%	2.2%
2004	12.1%	2.2%	2.2%
2005	13.3%	2.8%	3.8%
2006	12.8%	2.8%	3.8%
2007	12.5%	5.2%	2.8%
2008	10.8%	5.8%	4.2%
2009	10.7%	4.2%	0.2%

Sources: BCBSMA, Bureau of Labor Statistics.



The Alternative Quality Contract

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

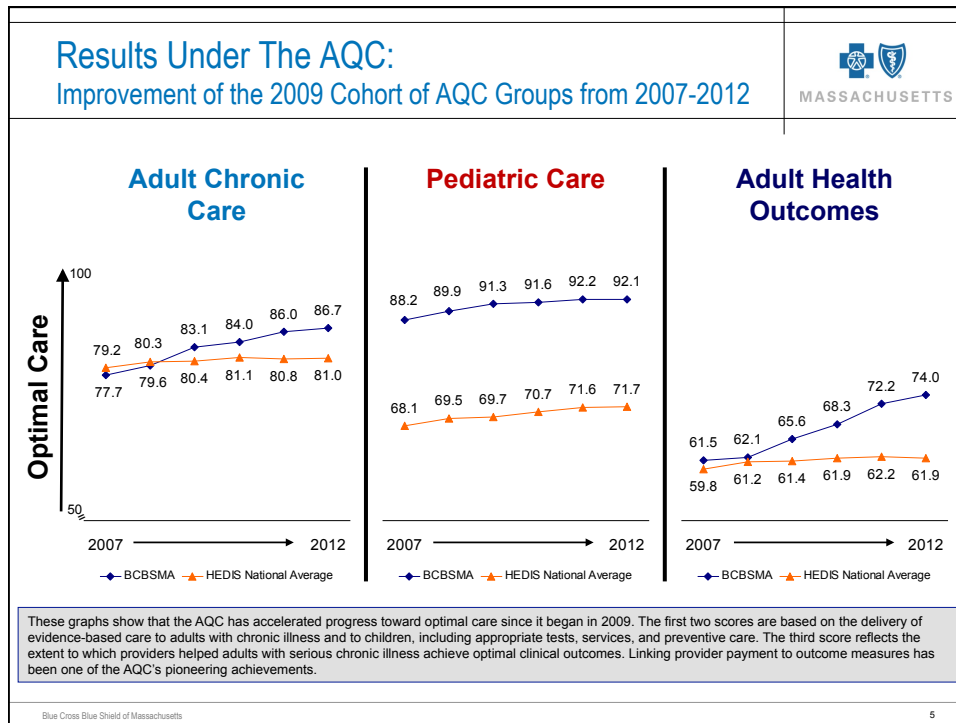
Quality Incentives

- 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

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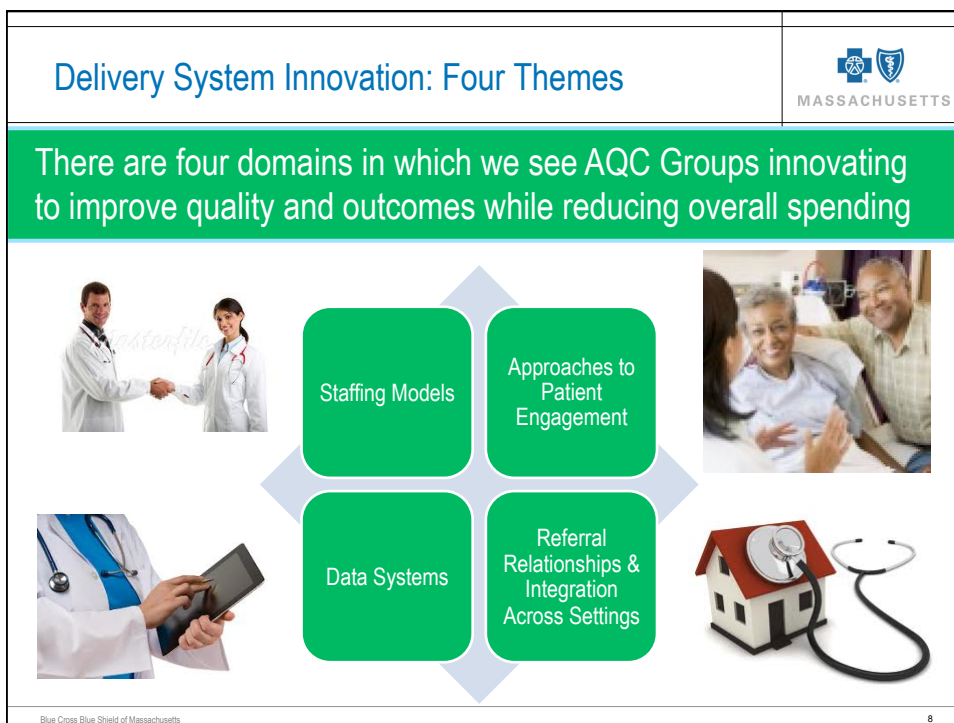
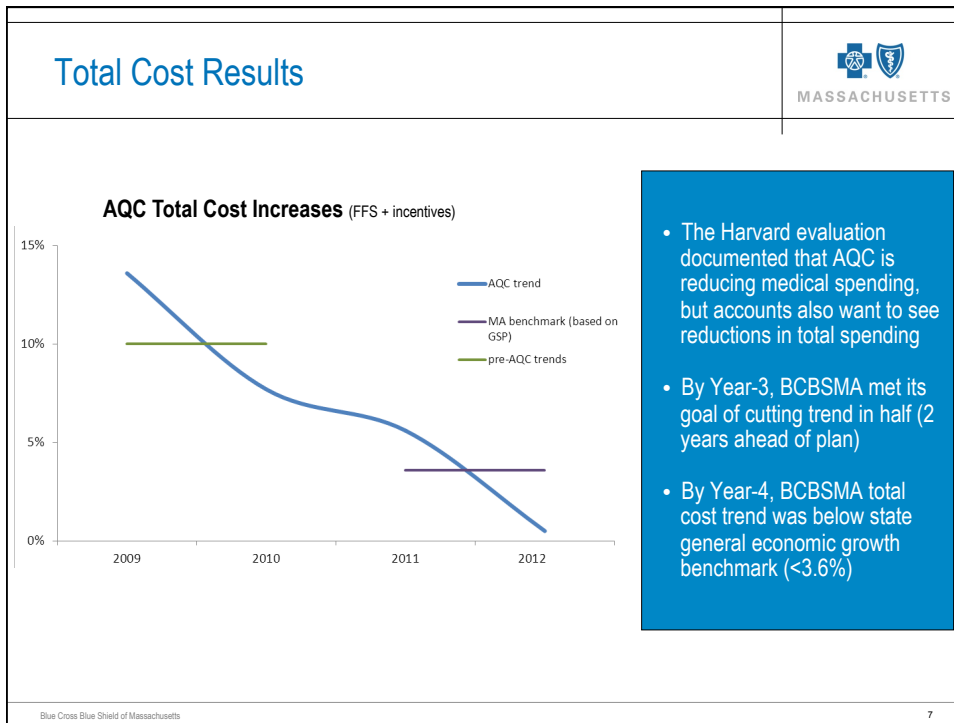
Results Under The AQC: Independent Evaluations Confirm Success


The NEW ENGLAND JOURNAL of MEDICINE
 SPECIAL ARTICLE
Health Care Spending and Quality in Year 1 of the Alternative Quality Contract
 Zirui Song, B.A., Dana Gelb Safran, Sc.D., Bruce E. Landon, M.D., Yulei He, Ph.D., Randall P. Ellis, Ph.D., Robert E. Mechanic, M.D., Matthew P. Day, F.S.A., M.A.A.A., and Michael E. Chernew, M.D.

JAMA The Journal of the American Medical Association
 Original Investigation
Changes in Health Care Spending and Quality for Medicare Beneficiaries Associated With a Commercial ACO Contract
 J. Michael McWilliams, MD, PhD; Bruce E. Landon, MD, MBA, MSc; Michael E. Chernew, PhD

HealthAffairs
 AT THE INTERSECTION OF HEALTH, HEALTH CARE, AND POLICY
WEB FIRST
 By Zirui Song, Dana Gelb Safran, Bruce E. Landon, Mary Beth Landrum, Yulei He, Robert E. Mechanic, Matthew P. Day, and Michael E. Chernew
The 'Alternative Quality Contract,' Based On A Global Budget, Lowered Medical Spending And Improved Quality

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Summary and Priority Issues Ahead		 MASSACHUSETTS
Summary	Priority Issues Ahead	
<ul style="list-style-type: none">▪ Payment reform gives rise to significant delivery system reform▪ Rapid and substantial performance improvements are possible in the context of:<ul style="list-style-type: none">▪ 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<ul style="list-style-type: none">▪ For national payers, remote provider relationships pose engagement challenges; member-facing incentives (benefit design) an attractive lever	<ul style="list-style-type: none">▪ Continued evolution of the delivery system:<ul style="list-style-type: none">▪ Managing consolidation▪ Hospital care▪ Advancing innovations in virtual care▪ Expanding payment reform to include PPO<ul style="list-style-type: none">▪ Requires attribution model▪ Requires national data exchange (multi-state accounts)▪ Payment incentives to front line clinicians need continued attention	
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