MASSACHUSETTS | AQC

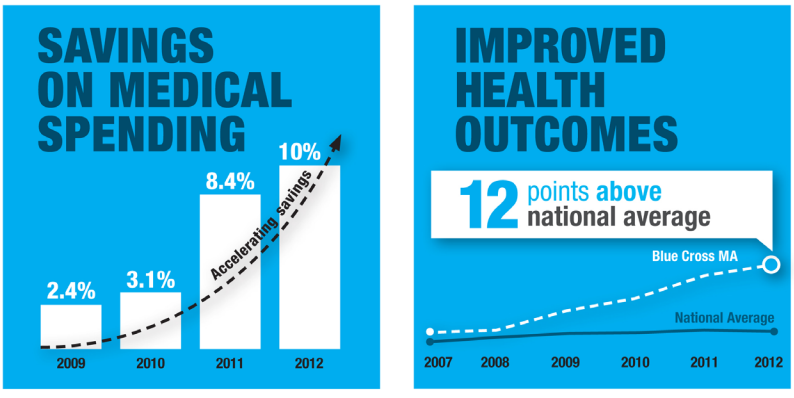
Harvard Study Shows Blue Cross Blue Shield of Massachusetts AQC Continues to Lower Medical Spending and Improve Quality

New findings by Harvard Medical School demonstrate that the Alternative Quality Contract (AQC) model is achieving its goals of improving the quality of patient care while slowing growth in medical spending, finding accelerating savings over four years of analysis. The AQC combines a global population-based budget with performance-incentive payments tied to nationally accepted, clinically important measures of quality, outcomes, and patient experience.

> "This rigorous evaluation of four years of data demonstrates that the AQC is achieving its twin goals of lower costs and better care for our members. These great results would not have been possible without the incredible effort, commitment and leadership of our physician and hospital partners."
>
> – Andrew Dreyfus, President and CEO,
> Blue Cross Blue Shield of Massachusetts

The Alternative Quality Contract (AQC), one of the largest private payment reform initiatives in the United States, is an innovative way to pay for care that focuses on promoting quality and rewards positive health outcomes. Introduced in 2008, it is a crucial component of our agenda to make quality health care affordable for our members and employer customers and is our predominant contract model with our network physicians and hospitals.

The *New England Journal of Medicine* study finds Blue Cross Blue Shield of Massachusetts' innovative payment model is improving patient care and lowering costs.



New Payment Model Redefining Health Care

The results from this multi-year study, published in The New England Journal of Medicine in October 2014, show even greater improvements in both cost and quality of patient care than was reported in the first years. Two earlier studies, conducted by the same Harvard team, found that, compared with a well-defined control group, AQC groups reduced medical spending by two percent in the first year and by more than three percent in the second. The 2014 study finds that the AQC gained even more momentum relative to a control group in years three and four, with savings accelerating to 10 percent by the last year (2012). The importance of the study design is that by having a control group, the study is able to isolate the effects that are uniquely due to the AQC from those that occurred in the environment overall. In other words, while trends locally and nationally were down, the AQC produced an additional effect—lower cost trends by an additional two percent in the first year and increasing to 10 percent in the fourth year. The study examined claims data from members whose primary care providers were in the AQC in Massachusetts compared to a control group of commercially-insured individuals across eight northeastern states (Connecticut, Maine, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont).

Highlights of the Harvard Medical School study include the following:

- Cost savings among AQC groups grew from 2.4 percent in the first year to 10 percent by year four.
- Savings were concentrated in the outpatient setting and explained by both providers' increased use of lower-cost settings and their reduced use of unneeded tests, procedures and imaging.
- AQC groups' performance on quality and outcome measures increased over the study period, even as national average scores stagnated.
- AQC groups showed particular success at achieving positive health outcomes for patients with three of the most prevalent chronic conditions—diabetes, cardiovascular disease, and hypertension.

On a Path Toward Success

As of December 2014, our total AQC membership participation is 680,000 (87 percent of instate HMO members) with total AQC doctor participation at 5,547 primary care providers (88 percent of the in-state network) and 15,810 (89 percent of the in-state network) specialists.

> "The AQC has been transformative. It has allowed us to innovate because it enables us to think like a system rather than as an individual doctor or a small individual practice. It allows us to do things more efficiently and gives us the resources to implement programs that would be very difficult for small practices to do."
>
> – Leslie Sebba, MD, Medical Director,
> Northeast Physician Hospital Organization

For more information or a copy of the study, visit **www.bluecrossma.com**.

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