



# In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

## Health Care Spending and Quality in Year 1 of the Alternative Quality Contract

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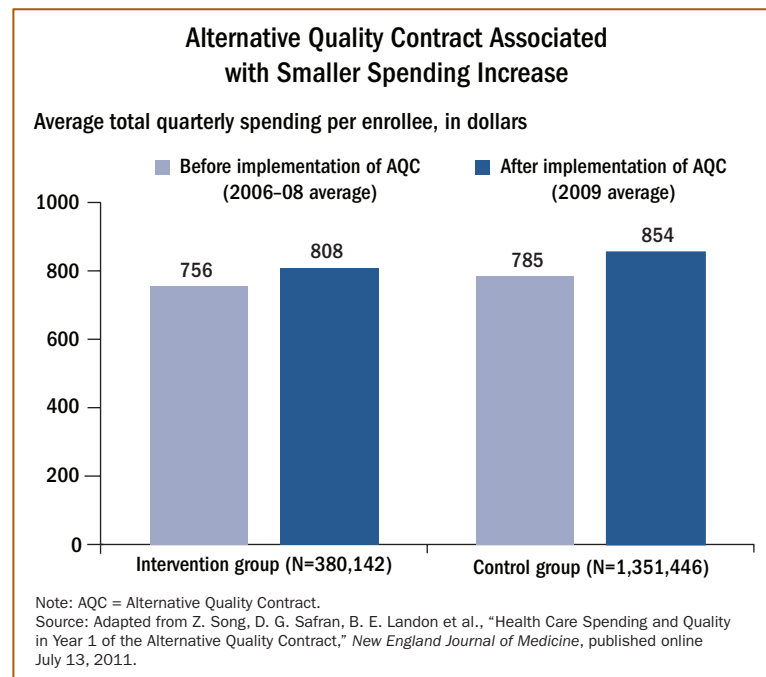
### Synopsis

The Alternative Quality Contract, a global payment system for providers developed by Blue Cross Blue Shield of Massachusetts to replace fee-for-service reimbursement, was associated with modestly lower medical spending and improved quality of care in its first year of use.

### The Issue

To contend with rising health care spending, in 2009 Blue Cross Blue Shield of Massachusetts (BCBS)—the state’s largest commercial payer—implemented a global payment model called the Alternative Quality Contract (AQC). Under the AQC, BCBS pays health care providers a comprehensive, global payment rather than reimbursing them on a fee-for-service basis. The global payment covers the entire continuum of a patient’s care, including inpatient, outpatient, rehabilitation, long-term care, and prescription drugs. In addition, providers are

eligible for a performance bonus if they meet certain quality targets. In this study, researchers looked at spending and quality improvement for BCBS patients whose primary care providers participated in the ACQ, and also for a control group of patients whose providers were not in the AQC. This study evaluated the first year of the five-year contract.



## Key Findings

- Health care spending increased for both ACQ and non-AQC enrollees. However, the quarterly increase was smaller for AQC enrollees—\$15.51 less per enrollee.
- Medical procedures, imaging, and testing accounted for more than 80 percent of the savings. Care utilization rates were not significantly different, however, leading researchers to conclude that the savings derived largely from shifting outpatient care to providers that charged lower fees.
- The AQC was associated with improved performance on measures of the quality of adult chronic care and pediatric care, but not of adult preventive care. Quality improvements were likely due to a combination of substantial financial incentives and data support from Blue Cross Blue Shield.
- All AQC groups met 2009 budget targets and were eligible to share in the savings that accrued.

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## Addressing the Problem

The AQC led to changes in physician referral patterns—that is, ACQ patients were referred to providers that charged lower fees. Such adjustments can have a broad overall impact, the authors say. “Changes in referral patterns can subsequently affect pricing in the health care market, as high-price facilities feel pressure from decreased volume,” they state. However, even with strong financial incentives, utilization patterns will not change rapidly. Slowing the growth of spending, say the researchers, will depend on future budget targets and providers’ abilities to improve efficiencies in practice.

**“Global payment can introduce greater price competition into the market, as referrals move from high-price to low-price facilities.”**

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## About the Study

The authors analyzed 2006–2009 claims for 380,142 Blue Cross Blue Shield of Massachusetts enrollees whose primary care physicians were in the ACQ system and for 1,351,446 enrollees whose primary care physicians were not in the ACQ system. They evaluated the effect of the AQC system on health care spending and on measures of ambulatory care quality.

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## The Bottom Line

The Blue Cross Blue Shield of Massachusetts Alternative Quality Contract was associated with modest slowing of spending growth and improved quality of care, with savings achieved through changes in referral patterns rather than reduced utilization.

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## Citation

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