



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

Medical Group Responses to Global Payment: Early Lessons from the “Alternative Quality Contract” in Massachusetts

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Synopsis

The Alternative Quality Contract, a new method of paying health care providers developed by Blue Cross Blue Shield of Massachusetts, has encouraged medical groups to focus on improving the quality of care, reducing the use of expensive sites of care, and coordinating services for high-risk patients. Intended to replace traditional fee-for-service payment, this global payment system has lowered the average rate of growth in health care spending by participating groups.

Background

In 2009, Blue Cross Blue Shield of Massachusetts began offering health care providers the choice to participate in the Alternative Quality Contract (AQC), which gives fixed payments for patient care, plus rewards based on their performance on 64 quality measures. The AQC offers provider groups a global budget to cover the cost of delivering care to a defined population of health maintenance organization members and allows those groups that control costs to recoup savings. The medical groups are also eligible for bonuses of up to 10 percent of their overall medical budget if they meet specified process of care, outcomes, and patient experience measures. In this study, authors interviewed members of eight medical groups that had signed the AQC, as well as two groups that Blue Cross approached but that chose not to participate.

“Most physicians today receive virtually no meaningful information on their performance. In contrast, the Massachusetts groups studied have been able to influence their physicians’ practice with relatively basic performance reports.”

Strategies for Success

- All eight medical groups placed a high priority on changing referral patterns by encouraging physicians to refer patients to less expensive sites of care and to provide routine care within the

group's core hospital and physician network. Some groups also established preferred relationships with hospitals willing to coordinate care and manage care transitions.

- The performance bonuses for quality improvement led the medical groups to identify patients in need of preventive or chronic care management services and to ensure that these patients received recommended care. Some of the groups paid the full ambulatory care quality bonuses to their primary care physicians, which could increase compensation by more than 50 percent above the existing Blue Cross fee schedule.
- The contract encouraged many of the medical groups to consider implementing new, multidisciplinary approaches to coordinating services for complex patients, including automatically contacting all patients discharged from hospitals or skilled nursing facilities to ensure they understood their discharge instructions and were able to take prescribed medications.
- The provider groups relied heavily on data supplied by the insurer on quality of care to engage physicians, but many also invested in infrastructure to produce physician-level data on spending and service use. For some groups, Blue Cross made temporary payments of up to 2 percent of their annual budget to build new data management systems and purchase analytical tools, such as risk-adjustment software.

Medical Group Performance

- The eight groups that signed the contract fell into two categories: experienced groups that had participated in global payment risk contracts for at least 15 years and groups that were new to such contracts. In the latter category, the rate of growth in health care spending was 6.3 percent less than the average of groups that did not participate in the contract. The rate of growth for more experienced groups was 1.9 percent less than the average rate of growth for nonparticipating groups.
- Groups that participated in the AQC saw a 2.6 percentage point increase in enrollees who met quality thresholds for chronic care management and a 0.7 percent increase in pediatric quality. However, AQC groups did not realize improvements in adult preventive care.
- Participating medical groups received quality bonuses of from 3 percent to 6 percent of their global budgets.

Moving Forward

Early results suggest that financial incentives that focus attention on quality improvement and efficiency help reduce growth in health care spending. However, such savings require a multiyear investment, as the initial years require insurers to provide substantial incentives and funding for technical resources and analytic tools. Provider groups also need strong leadership to build cultures that emphasize teamwork, patient-centered care, and effective stewardship of medical resources.

Citation

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