NIHCM 15th Anniversary Capitol Hill Briefing

“The Future of Health Care in America”

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Payment Reform
and the
Alternative Quality Contract
Payment Reform Commission

• Payment reform has become the key focus of the state in 2009.

• A Commission was formed this year to recommend a method for payment reform.

• It is expected to recommend moving away from fee-for-service to a system of Global Payments with Quality Incentives.

• BCBSMA’s Alternative Quality Contract has served as a model for these discussions.
Cornerstones of the Alternative QUALITY Contract

• The Alternative QUALITY Contract model is composed of key components that are standard across provider entities
  
  — Integration across the continuum of care

  — Accountability for performance measures (ambulatory and inpatient)

  — Global payment for all medical services (health status adjusted)

  — Sustained partnerships (5 year contract)
Key Components of the Alternative Quality Contract

- Providers receive a global payment - based on their current contract - to cover all services.

- Inflation factor derived from the Consumer Price Index (Yellow).

![Diagram showing initial global payment level and yearly increases with inflation factor.]
Key Components of the Alternative Quality Contract

- Offers providers incentives on top of their global payment which can increase their total payment by up to **10%**. (Green)

- Providers are credited in year 1 for quality achievement of our standards

![Chart showing performance and inflation over years](chart.png)
Key Components of the Alternative Quality Contract

- Providers have opportunity to achieve additional margin by reducing overuse and misuse (dark blue)

- New reporting tools:
  - Provides detailed reports on variation across providers for specific clinical conditions
  - Provides physicians with reasons for variation
  - Is highly actionable helping physician to drive out waste

INITIAL GLOBAL PAYMENT LEVEL

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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<tbody>
<tr>
<td>Savings Opportunity</td>
<td>Performance</td>
<td>Inflation - CPI</td>
<td>[Diagrams showing payment levels over years]</td>
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What is Covered by the Global Budget?

- All medical expenses including primary care, specialty care, hospital care, ancillary, behavioral health and pharmacy

- Provider infrastructure costs associated with performing under the contract

- Managing Financial Risk
  - Limiting provider risk
  - Reinsurance/Stop-Loss
How is this Different from Capitation?

- Initial payment level is derived from the historical experience of the provider group

- Payment is health status adjusted to adequately consider changes in patient morbidity

- Payment is adjusted annually in line with inflation
  - Global payment is not reset annually
  - Providers can retain margins derived from reduction of inefficiencies

- Includes a significant upside potential based on a sophisticated set of measures that address patient safety, appropriateness of care and patient satisfaction
Defining Performance Measures for the AQC

• Overarching goal: Measures should collectively advance care to the end-state vision of safe, affordable, effective, patient-centered care

• Clinical performance measures will include process, outcomes and patient care experiences; and will encompass inpatient and ambulatory care.

• AQC performance framework based on thresholds (“gates”) with the following attributes:
  — High performance defined in absolute terms (rather than high relative to competitors or the market)
  — Incentives structured to motivate both high performance and continued improvement
  — Use of gates affords “transparency” to providers regarding full scope of BCBSMA performance priorities and expectations
Performance Measures for The AQC

Hospital Quality and Safety

Clinical process measures
- Acute MI
- Heart Failure care
- Pneumonia care
- Surgical care

Clinical outcomes measures
- Hospital-acquired infections
- Complications after major surgery (AMI, PE/DVT, Pneumonia)
- Obstetric trauma

Patient Care Experiences
- Communication quality: physicians
- Communication quality: nurses
- Responsiveness
- Discharge support/planning

Developmental Measures
- Measure # 1
- Measure # 2

Ambulatory Care Quality

Clinical process measures
- Depression
- Diabetes
- Cardiovascular Disease
- Cancer Screening

Clinical outcomes measures (triple-weighted)
- Diabetes (HbA1c, LDL-c and BP control)
- Hypertension (blood pressure control)
- Cardiovascular Disease (BP control, LDL-c control)

Patient Care Experiences
- Quality of clinical interactions
- Integration of care
- Access to care

Developmental Measures
- Measure # 1
Our AQC Partners

(as of May 2009)

Mount Auburn Hospital

Mount Auburn Cambridge Independent Practice Association

Hampden County Physician Associates, LLC

Tufts Medical Center

New England Quality Care Alliance

LGH Lowell General Hospital

Signature Healthcare