

Four years in, payment model lowers medical spending, improves care

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A new study suggests that a plan that uses global budgets for health care, an alternative to the traditional fee-for-service model of reimbursement, has improved the quality of patient care and lowered costs during the four years since it was first implemented.

Researchers from Harvard Medical School's Department of Health Care Policy have analyzed claims data from the first four years of Blue Cross Blue Shield of Massachusetts' Alternative Quality Contract (AQC), a global budget program in which [health care](#) provider organizations were given a budget to care for patients insured under the [health care plan](#). Such a model contrasts with widely used fee-for-service systems, where providers are reimbursed for each medical service they deliver.

"These results are encouraging, because, throughout our health care system, spending is growing at an unsustainable rate and our quality of health care is not as high as it should be," said study author Zirui Song, HMS clinical fellow in medicine and resident at Massachusetts General Hospital. "Global budgets and other payment reform initiatives provide incentives for physicians and hospitals to think collectively about population health and to focus on coordination of care."

The study compares Blue Cross members who have a [primary care physician](#) (PCP) as part of an AQC contract 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) who also have designated

PCPs in their health plans.

Comparing the financial and quality results of the AQC with this control group was important, the researchers said, because it accounts for more general trends locally and nationally—showing that the AQC achieved savings over and above what was happening in similar health care environments.

Though trends were similar prior to the AQC, from 2009-2012 Massachusetts AQC enrollees had smaller increases in medical spending over the first four years of the contract than similar individuals in other states, researchers said. Patients who received care under the AQC also experienced larger improvements in measures of quality of care such as the percentage of diabetes patients who received eye exams or blood sugar monitoring, or measures of how well patients controlled their blood pressure or cholesterol, the researchers said.

"The health care system is transforming as we move to new payment models," said Michael Chernew, Leonard D. Schaeffer Professor of Health Care Policy at HMS. "While there's certainly more to learn, preliminary results suggest that this transformation may improve quality and at least in some settings reduce spending."

The financial savings—a 6.8 percent lower increase in spending under the AQC than in the other groups over four years—arose from a reduction in use of services, some of which may be overused in the first place, such as certain lab tests, imaging tests, and procedures, and from a change in referral patterns, with patients being directed toward settings and organizations that were lower priced.

The study also demonstrates significant quality improvements achieved under the AQC. While the quality of care plan members received was on par with local and national averages before the AQC contract, the

dramatic improvements in quality over the course of the contract show that members now receive quality of care that is significantly higher than national and New England averages. These improvements include preventive care for adults and healthy children as well as improvements in the management of serious chronic illnesses.

"One of the pioneering features of the AQC was providers' willingness to accept accountability for the outcomes of care and not just for the quality of what occurs in the office setting," said Dana Safran, senior vice president for performance and improvement at Blue Cross.

"The results led to remarkable gains for individual patients and in population health—with thousands of patients with serious chronic illness now under good control, thereby avoiding the terrible and even deadly consequences that can occur when these conditions are not well controlled."

Provided by Harvard Medical School

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