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Blue Cross's approach to paying doctors based on quality of care shows results, Harvard study finds

By Priyanka Dayal McCluskey | GLOBE STAFF | JULY 19, 2019

A decade-old experiment to put a dent in Massachusetts health care costs by changing the way doctors are paid appears to be working — offering a potential strategy to combat one of the most vexing problems in today's economy.

In a new study, researchers at Harvard Medical School found that a payment plan from Blue Cross Blue Shield of Massachusetts that rewards doctors who control costs is linked to smaller increases in health care spending and better-quality care.

Blue Cross's payment program gives doctors a fixed amount of money to take care of their patients. When doctors stay on budget and improve care, they can earn bonuses. If not, they can be penalized.

The study published Thursday in the New England Journal of Medicine is the longest evaluation to date of this type of payment model. With eight years of data, it adds to the body of evidence that suggests changing incentives for doctors and hospitals could moderate costs.

Rising health care costs are a perpetual concern in Massachusetts and across the country, and many experts believe spending growth will not let up unless the payment system changes.

"This contributes to a growing sense that smarter ways of paying for health care are going be to an important part of the solution to rising health care costs," said Katherine Baicker, dean of the University of Chicago Harris School of Public Policy, who was not involved in the study.

Doctors and hospitals traditionally have been rewarded for every test, procedure, and service they provide, regardless of whether those things help patients get healthier.

Blue Cross's payment program, called the Alternative Quality Contract, has been closely watched since it began in 2009. Other insurers, including Harvard Pilgrim Health Care and Tufts Health Plan, have since launched similar programs.

The federal government has also pushed new payment plans in Medicare through accountable care organizations: groups of doctors and hospitals that work together to coordinate care for patients. And in Massachusetts, the Medicaid program for low-income individuals is in the midst of similar changes.

The programs all share two lofty goals: improve patient health and slash costs.

The Harvard study shows that spending increased for patients in the experimental Blue Cross program — but it grew more gradually than spending for other patients. The savings may be too modest for patients to notice in their health care premiums, which generally ontinue to rise.

The program was linked to an average 12 percent savings on medical claims over eight years. Some of the savings came when patients shifted their medical care to less expensive facilities. Costs also moderated because patients used fewer services; for example, they received fewer expensive MRIs and visited hospital emergency departments less frequently.

At the same time, the quality of care they received stayed steady or improved, said Dr. Zirui Song, the study's lead author. Quality was calculated through a variety of measures, including whether patients received the proper cancer screenings, and whether they maintained a healthy blood pressure.

Song said his analysis shows that alternative payment programs are sustainable over several years. But he cautioned, "Behavior change is difficult, and sustaining behavior change is even more difficult."

The study, funded by the National Institutes of Health, was welcomed by executives at Blue Cross, Massachusetts' largest private health insurer.

"For so many years, the health care field was really paralyzed by the belief that controlling costs would actually harm quality," Blue Cross chief executive Andrew Dreyfus said. "What this study again reinforces is with the proper incentives, you can control costs and improve quality."

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The Blue Cross program and others like it differ from earlier experiments in payment reform because of their emphasis on quality measures. Blue Cross requires doctors to score well on dozens of different measures before they can earn bonuses.

In the 1980s and 1990s, "there were concerns about doing too few things — like people would not do a cardiac bypass procedure because it would be too expensive," said Dr. Steven Strongwater, chief executive of the physician group Atrius Health. "What these measures have done is erase that risk, by virtue of the fact that you're measuring outcomes."

The Blue Cross program gives doctors special funds to invest in care management. Atrius — among the first medical groups to join the Blue Cross program — used some of that money to hire new care managers who worked with patients to control their blood pressure. In 2009, 65 percent of Atrius patients had blood pressure in a healthy range. A decade later, that has grown to 85 percent.

Meanwhile, Atrius — which includes Harvard Vanguard and other physician practices — is also working to save money by moving common surgeries, such as joint replacements, from hospitals to ambulatory surgery centers.

Alternative payment programs account for about 41 percent of patients with private insurance in Massachusetts, according to state data. The popularity of these programs varies in other states, and nationally, the traditional fee-for-service payment system remains the norm.

Massachusetts has been more aggressive than other states in taking on health care costs. It set a target — 3.6 percent — for controlling annual increases in total statewide health spending. It also created a new watchdog agency, the Health Policy Commission.

In 2017, the most recent year for which figures are available, total health care spending in Massachusetts increased 1.6 percent — the lowest level in five years — even though costs remained a burden for many patients.

Dr. David Blumenthal, president of the New York-based Commonwealth Fund, a nonprofit that does health policy research, said the Harvard study demonstrates that payment reform is a critical piece of the strategy to control costs.

“We generally don’t give experiments in health system reform enough time to prove themselves,” Blumenthal added. “This is an eight-year study, which is unusually long for a social experiment. It shows we may have to wait a certain amount of time to reach judgment in the experiments we launch.”

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