

Accountable Care Organizations: (a) Alternative Quality Contract

Health Care: Health Care System Efficiency

Literature review updated November 2015.

As part of WSIPP's research approach to identifying evidence-based programs and policies, WSIPP determines "what works" (and what does not work) to improve outcomes using an approach called meta-analysis. For detail on our methods, see our [Technical Documentation](#). At this time, WSIPP has not yet calculated benefits and costs for this topic.

Program Description: Evaluations of health care policies and programs often measure two broad types of outcomes: (1) those that reflect the health status of people (e.g., disease incidence) and (2) those that reflect health care system costs and utilization. Cost and utilization measures may or may not be an indication of health status or well-being.

An Accountable Care Organization (ACO) is a provider group that is responsible for the cost and quality of medical care for a patient population. ACO contracts provide financial incentives for providers to reduce costs and improve the quality of care.

The Alternative Quality Contract (AQC) is an ACO model implemented in 2009 by Blue Cross Blue Shield (BCBS) of Massachusetts with providers in their commercial health plans. These ACOs cover general patient populations of children and adults under the age of 65.

Providers are paid a global budget (a fixed payment for expected patient costs), a share of savings relative to spending targets, and incentive payments for meeting quality thresholds. BCBS also provides technical support. Providers are required to absorb some of the costs if spending exceeds targets.

AQC contracts last for five years. Studies have examined provider performance during the first four contract years. The reductions in medical costs reported below do not represent net savings to BCBS. These estimates do not account for BCBS costs from shared savings payments, quality incentive payments, and other support costs.

Meta-Analysis of Program Effects

Outcomes measured	No. of effect sizes	Treatment N	Adjusted effect size and standard error			Unadjusted effect size (random effects model)	
			ES	SE	Age	ES	p-value
Health care costs*	4	1348235	-0.075	0.013	34	-0.075	0.001
Emergency department visits*	1	380142	0.007	0.013	34	0.007	0.607
Prescription drug costs*	1	332624	-0.002	0.019	34	-0.002	0.923

*The effect size for this outcome indicates percentage change, not a standardized mean difference effect size.

Meta-analysis is a statistical method to combine the results from separate studies on a program, policy, or topic in order to estimate its effect on an outcome. WSIPP systematically evaluates all credible evaluations we can locate on each topic. The outcomes measured are the types of program impacts that were measured in the research literature (for example, crime or educational attainment). Treatment N represents the total number of individuals or units in the treatment group across the included studies.

An effect size (ES) is a standard metric that summarizes the degree to which a program or policy affects a measured outcome. If the effect size is positive, the outcome increases. If the effect size is negative, the outcome decreases.

Adjusted effect sizes are used to calculate the benefits from our benefit cost model. WSIPP may adjust effect sizes based on methodological characteristics of the study. For example, we may adjust effect sizes when a study has a weak research design or when the program developer is involved in the research. The magnitude of these adjustments varies depending on the topic area.

WSIPP may also adjust the second ES measurement. Research shows the magnitude of some effect sizes decrease over time. For those effect sizes, we estimate outcome-based adjustments which we apply between the first time ES is estimated and the second time ES is estimated. We also report the unadjusted effect size to show the effect sizes before any adjustments have been made. More details about these adjustments can be found in our [Technical Documentation](#).

Citations Used in the Meta-Analysis

- Afendulis, C.C., Fendrick, A.M., Song, Z., Landon, B.E., Safran, D.G., Mechanic, R.E., & Chernew, M.E. (2014). The impact of global budgets on pharmaceutical spending and utilization: early experience from the alternative quality contract. *Inquiry: a Journal of Medical Care Organization, Provision and Financing*, 51.
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- Song, Z., Rose, S., Safran, D.G., Landon, B.E., Day, M.P., & Chernew, M.E. (2014). Changes in health care spending and quality 4 years into global payment. *The New England Journal of Medicine*, 371(18), 1704-14.

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