

# Blue Perspective



**BlueCross BlueShield  
Association**

An Association of Independent  
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## Blue System Changing Incentives to Promote Better Care

### Blue System Changing Incentives in the Delivery System to Promote Better Care

**Issue:** Ineffective, redundant and inappropriate care is estimated to account for as much as 30 percent of healthcare spending (Wennberg, 2003). Today, healthcare providers generally are paid based on the number of services they provide. More services, even if they are ineffective, result in higher payments. The current healthcare system also encourages patients to see multiple specialists and undergo multiple tests and procedures, often with little or no coordination of care, which can result in poor outcomes and increased costs.

**Position:** The Blue Cross and Blue Shield Association (BCBSA) and Blue Cross and Blue Shield Plans believe that incentives in the healthcare delivery system must be changed to promote better care for patients. The Blue System has developed a wide range of innovative initiatives to reward providers for delivering quality care with incentives to coordinate care, especially for the increasing number of Americans with chronic illnesses, including:

- **Blue Distinction Centers for Specialty Care<sup>®</sup>** identify facilities that meet evidence-based selection criteria and promote efficient, quality care.
- **Patient-Centered Medical Homes**, with models being tested by most Blue Plans, encourage evidence-based and coordinated care and provide incentives for quality outcomes and managing chronic illness.
- **Pay-for-Quality Programs**, initiated by many Blue Plans, reimburse providers based on outcomes and quality of care.
- **Prevention/Coordination of Chronic Illnesses** improve care through better coordination and management of care and with consumer education postings and programs.

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The Blue Cross and Blue Shield System has developed a wide range of innovative initiatives to change the incentives in our healthcare delivery system to promote the best care for patients:

#### **Blue Distinction Centers<sup>®</sup>**

Blue Cross and Blue Shield Plans have awarded more than 800 Blue Distinction<sup>®</sup> designations across 45 states and the District of Columbia. The designation gives Blue Plan members a credible, easily identifiable means of selecting quality facilities that meet their specialty care needs in four critical areas: transplants, cardiac care, bariatric surgery, and complex and rare cancers.

Each Blue Distinction Center is designated based on objective, evidence-based selection criteria developed in collaboration with expert physicians and medical organizations. The Blue Distinction designation enables consumers to make better-informed healthcare decisions. Individual Blue Plans may decide to include Blue Distinction as a factor in their own pay-for-quality programs, as an additional means to promote the delivery of quality care.

Although Blue Distinction's selection criteria focus exclusively on quality, data confirm that Blue Distinction Centers often achieve improved overall outcomes at lower costs. For example, a study by HealthCore, Inc., found that readmission rates for certain procedures performed at Blue Distinction Centers for Cardiac Care<sup>®</sup> were lower than at other hospitals. The study found:

- 26 percent lower readmission rates for bypass surgery and 37 percent lower for outpatient angioplasty, based on 30-day cardiac-related readmission rates.
- 21 percent lower readmission rates for bypass surgery and 32 percent lower for outpatient angioplasty based on 90-day cardiac-related readmission rates.

- Lower costs, five percent less for bypass procedures and 12 percent less for outpatient angioplasty, with a 90-day episode of care.

### Patient-Centered Medical Homes

To increase quality and promote better coordinated care, the Blue System is piloting the Patient-Centered Medical Home (PCMH) model. The PCMH model encourages a more “hands-on” primary care physician approach and offers incentives to primary care providers to improve access to care and to reward them for being the coordinator, facilitator and manager of patient health. The PCMH model also encourages care facilitated by information technology and health information exchange so that patients will receive the indicated care.

More than 75 percent of Blue Cross and Blue Shield Plans are participating with providers to implement the PCMH model and to test various payment methodologies to support practice transformation. Pilots have demonstrated these impressive results:

- **Horizon Blue Cross and Blue Shield of New Jersey** rewarded practice transformation through reimbursement of traditionally non-reimbursed care coordination activities (e.g., telephonic consultations, tracking down non-adherent patients, etc.). Using claims data to track patient care, Horizon is able to alert physicians when patients need routine tests and screenings. In just one year, HbA1c testing compliance rates for patients with diabetes jumped from 40 percent to over 90 percent. Screening rates for breast, cervical and colon cancer also saw significant increases, rising by 25 percent, 19 percent and 15 percent, respectively, from rates prior to the medical home pilot.
- **BlueCross BlueShield of North Dakota** partnered with providers to implement an innovative, patient-centered diabetes management program based on performance measures recommended by the American Diabetes Association. Physicians receive financial incentives for delivering coordinated patient care, and patients are assigned a disease management nurse through the medical practice that serves as their "medical home." In 2006, reduced emergency room visits and hospital admissions from the program resulted in savings of approximately \$1,200 per patient.

### Pay-for-Quality Programs

In lieu of simply paying for more services, individual Blue Cross and Blue Shield Plans opt increasingly to reimburse providers based on outcomes and quality of care. Most Blue Plans offer a Quality-Based Incentive Program (QBIP), which modifies reimbursements to hospitals and physicians based on quality standards designed by third-party experts such as the National Quality Forum and the Hospital Quality Alliance. For example:

- **Blue Cross and Blue Shield of Hawaii** developed the Hospital Quality Service and Recognition Program that offers financial incentives to top-performing facilities. After evaluating hospitals on clinical quality metrics and service satisfaction rates, the program provides tools to help facilities improve their performance, including software with patient-level information about complications. The program also distributes detailed performance reports with an executive summary that highlights key areas for improvement.

### Prevention/Coordination of Chronic Illness

Blue Cross and Blue Shield Plans are engaging with physicians and other caregivers to offer an array of prevention and chronic care management programs to improve care for those with chronic conditions, to provide support for those who could benefit from more specialized care and to encourage those who have not received recommended preventive care. For example:

- **Blue Shield of California's** Congestive Heart Failure Program coordinates personalized care through a collaborative effort of a team of physicians and nurses using special home monitoring equipment. The program reduced expected inpatient admissions and emergency room visits in 2005 by about 20 percent.

*The Blue Cross and Blue Shield Association is a national federation of 39 independent, community-based and locally operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for more than 102 million individuals – nearly one-in-three of all Americans. For more information on the Blue Cross and Blue Shield Association and its member companies, please visit [www.BCBS.com](http://www.BCBS.com).*