

CalPERS Reference Pricing Program for Hip or Knee Replacement

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Background

- Health plan benefits for 1.38 million members
 - Active and retired state of California and more than 1,200 public agencies and schools
- Spends \$7.5 billion annually
 - About 1/3rd of Basic Health Plan members in one of three self-funded Preferred Provider Organizations
- Various in-house studies conducted
 - Osteoarthritis is a cost driver for CalPERS
 - Wide treatment cost variations within regions
- In-house studies and literature suggest hospital cost and utilization are not linked to quality or evidence-based outcomes



Description of program

- Reference based purchasing program for total knee replacement or total hip replacement
 - CalPERS and Anthem Blue Cross of California
 - Started January 1, 2011
 - 46 facilities met quality, cost and geographic requirements
 - Threshold facility payment of \$30,000 for routine single knee and hip joint replacement hospital stays
- Implementation
 - Providers and orthopedists outreach
 - Member outreach & pre-notification
 - Travel benefit
 - Medical exceptions for non-routine



EVALUATION RESULTS OF PROGRAM



Volume of knee or hip replacement surgery by insurance and facility type, 2008-2012

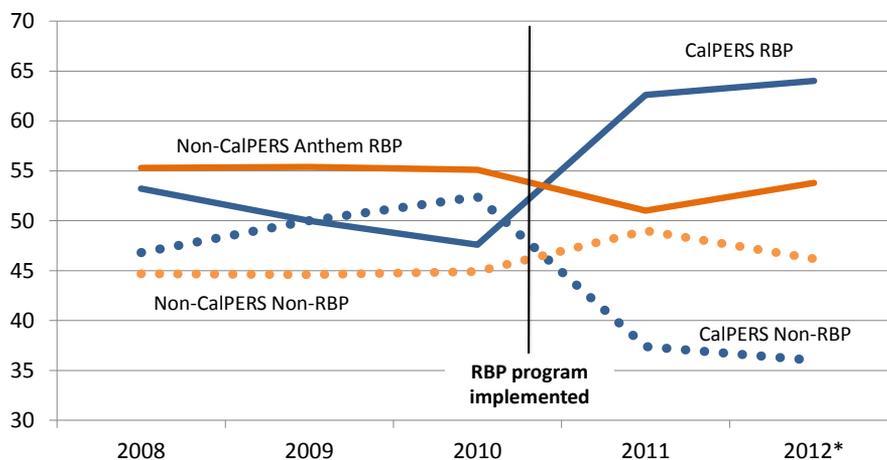
	2008	2009	2010	2011	2012*
CalPERS Anthem Enrollees					
Total number of patients	402	428	485	447	278
Percentage of patients in RBP facilities	53.2	50.0	47.6	62.6	64.0
Percentage of patients in non-RBP facilities	46.8	50.0	52.4	37.4	36.0
Non-CalPERS Anthem Enrollees					
Total number of patients	815	751	802	882	512
Percentage of Patients in RBP facilities	55.3	55.4	55.1	51.0	53.8
Percentage of Patients in non-RBP facilities	44.7	44.6	44.9	49.0	46.2



*Through September 2012 only. RBP: Reference based pricing
Source: University of California, Berkeley analysis, June 2013.

Reference based pricing program starts

Percentage of patients choosing a reference based pricing facility for knee or hip replacement surgery, 2008-2012



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Source: University of California, Berkeley analysis, June 2013.

Prices charged for knee or hip replacement surgery by insurance and facility type, 2008-2012

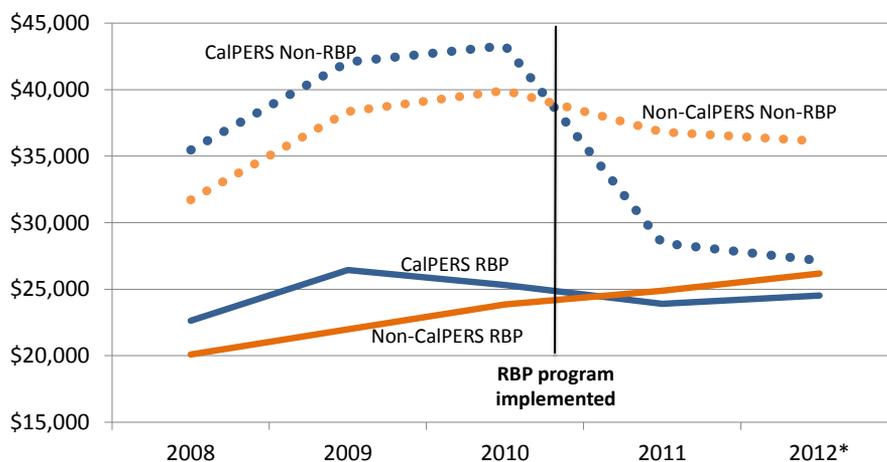
	2008	2009	2010	2011	2012*
CalPERS Anthem Enrollees					
All facilities	28,636	34,260	34,742	25,611	25,471
RBP facilities	22,640	26,449	25,324	23,910	24,528
Non-RBP facilities	35,461	42,072	43,308	28,465	27,149
Non-CalPERS Anthem Enrollees					
All facilities	25,295	29,280	31,072	30,739	30,783
RBP facilities	20,102	21,984	23,858	24,897	26,192
Non-RBP facilities	31,724	38,354	39,923	36,826	36,127



*Through September 2012 only. RBP: Reference based pricing
Source: University of California, Berkeley analysis, June 2013.

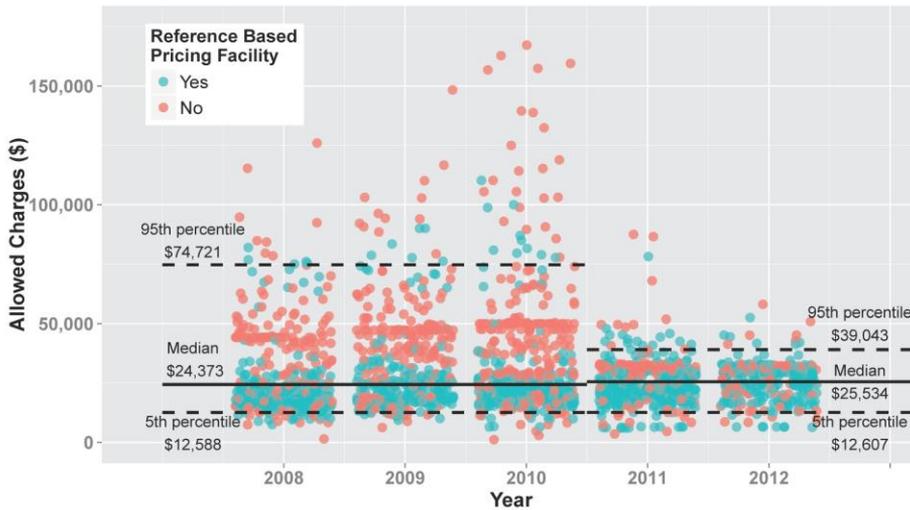
Reference based pricing program starts

Average prices charged for knee or hip replacement surgery by facility type, 2008-2012



*Through September 2012 only. RBP: Reference based pricing
Source: University of California, Berkeley analysis, June 2013.

Allowed charges for knee or hip replacement surgery by facility type for CalPERS enrollees, 2008-2012



Reference based pricing program implemented January 1, 2011. Allowed charges adjusted to 2011 dollars. 2012 data through September only.
 Source: University of California, Berkeley analysis, June 2013.

RESULTS, CONCLUSION AND CONSIDERATIONS



Quality and cost savings

- Program credited with cumulative savings of \$5.5M over first two years
 - Average hip/knee replacement price charged declined 26% or over \$9,000 per procedure
- Value based purchasing design facilities had:
 - A significantly lower general complication rate in 30 days
 - A significantly lower 30-day general infection rate
 - Similar follow-up admission rates
- Patient experience study being conducted



Conclusions and implications

- A hospital market story and a consumer enrollee story
 - Reference pricing induced enrollees to use lower-priced facilities but bigger effect occurred on hospital prices
 - 14% of savings due to market share growth and 86% due to reduction in prices
- Expansion of participating hospitals from 46 to 61
- Clinical quality improved for members overall



Reference pricing expansion

- CalPERS and Anthem have expanded reference to inpatient procedures for cataract surgery, colonoscopy, arthroscopy in 2012
- Key consideration checklist to consider a reference-based pricing services
 - ✓ Cost variation within region
 - ✓ Volume and focus may increase quality
 - ✓ Can be scheduled
 - ✓ Substantial cost
- Improve consumer education/engagement
 - Targeted information

