Reference Pricing: An Emerging Strategy for Purchasers

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Who We Are and What We Do

Catalyst for Payment Reform (CPR) is an independent, non-profit corporation working on behalf of large employers and public health care purchasers to catalyze improvements in how we pay for health services and to promote higher-value care in the U.S.

Shared Agenda
Payments designed to cut waste or reflective of performance
• 20% by 2020
• National Scorecard

Implement Innovations
• Price transparency
• Reference/value pricing
• Maternity payment reform
• Pilots on high-impact areas
• Enhance provider competition

Leverage purchasers and create alignment
• Model RFI, contracts and plan user groups
• Alignment with public sector

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CPR’s Strategy

- Critical mass all asking for the same thing at the same time
- Shining a light on the urgency of payment reform

What is Reference Pricing?

Reference Pricing establishes a standard price for a drug, procedure, service or bundle of services, and generally requires that health plan members pay any allowed charges beyond this amount.

For illustration purposes only
Key Elements to Making Reference Pricing Work

Benefit Design
Price and Quality Transparency
Reference Pricing
Consumer Education
Adequate Networks

From Reference to Value Pricing

Spectrum of Reference Pricing
Application to colonoscopies and other services has held per capita health care costs nearly flat

Value Pricing is when quality is also taken into consideration in addition to the standard price.

Growing in Popularity Among Purchasers
Nationally: 5% in 2013; 15% in 2014*
*NBGH/Towers Watson

Over $3 million in savings in first year of hip/knee replacement program; some high-priced providers renegotiated

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Brings Visibility to Price Variation and Provider Market Power

- Market power drives costs and thus price does not reflect value
- Price is leading driver of health care cost growth today
- Reference pricing is a signal to providers that payment variation isn’t tolerable
- Engages Consumers

What’s Next for Reference and Value Pricing?

- Adoption is expected to grow
- Price transparency must support these approaches and it must grow with reference and value pricing
- Analyze most potent clinical and price opportunities
- Implement prohibitions on gag clauses
- Create easy-to-use consumer navigation tools that combine quality and price information
- Pair reference and value pricing with bundled payment
What’s Next for Reference and Value Pricing - continued?

Value-Oriented Payment + Benefit Design = Change in Behavior

- Reference Pricing coupled with Bundled Payment for an entire episode of care can create alignment among consumers, employers, and providers
  - Consumers: easier to understand and limits financial liability
  - Employers: improves cost predictability
  - Providers: accountability for outcomes creating a greater focus on high-quality, efficient care

Contact information

FOR MORE INFORMATION VISIT: www.catalyzepaymentreform.org

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