



**CATALYST
FOR
PAYMENT
REFORM**

Reference Pricing: An Emerging Strategy for Purchasers

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Who We Are and What We Do



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Who We Are

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.

- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- Bloomin' Brands
- The Boeing Company
- CalPERS
- Capital One
- Carlson
- Comcast
- Dow Chemical Company
- eBay, Inc.
- Equity Healthcare
- GE
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Ingersoll Rand
- IBM
- Marriott International, Inc.
- Ohio Medicaid
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Safeway, Inc.
- South Carolina Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Verizon Communications, Inc.
- The Walt Disney Company
- Wal-Mart Stores, Inc.
- Wells Fargo & Company

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

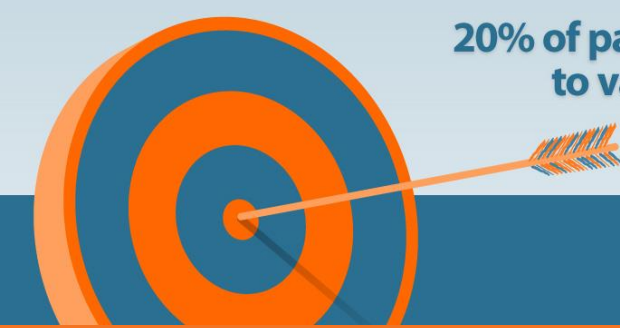
- Model RFI, contracts and plan user groups
- Alignment with public sector



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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



20% of payments tied to value by 2020

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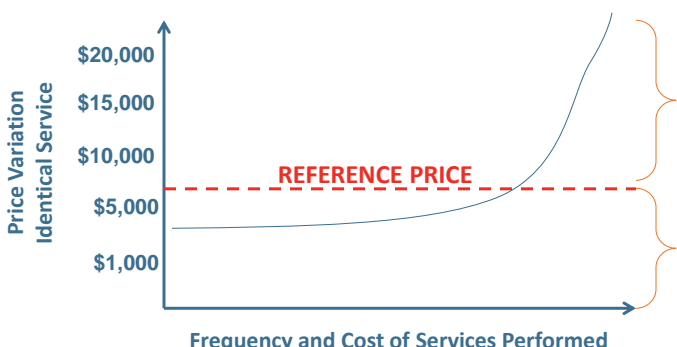
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What is Reference Pricing?

***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.*




Consumers seeking care from providers above the reference price may be subject to additional out-of-pocket financial liability

Consumers seeking care from providers at or below the reference price are typically responsible for normal or no cost-sharing

For illustration purposes only

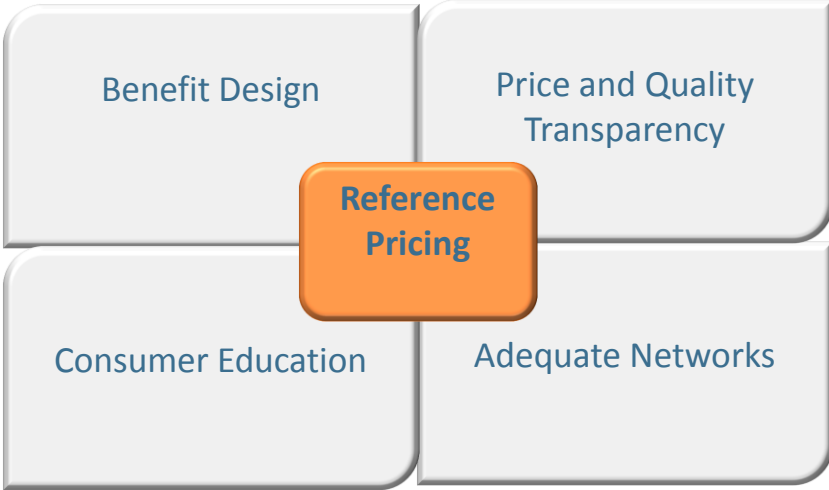
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Key Elements to Making Reference Pricing Work



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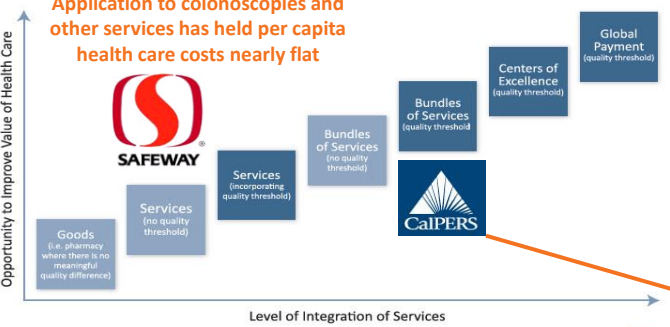


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From Reference to Value Pricing

Spectrum of Reference Pricing

Application to colonoscopies and other services has held per capita health care costs nearly flat



Level of Integration of Services

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


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

Growing in Popularity Among Purchasers Nationally: 5% in 2013; 15% in 2014*

*NBGH/Towers Watson

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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

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Contact information



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