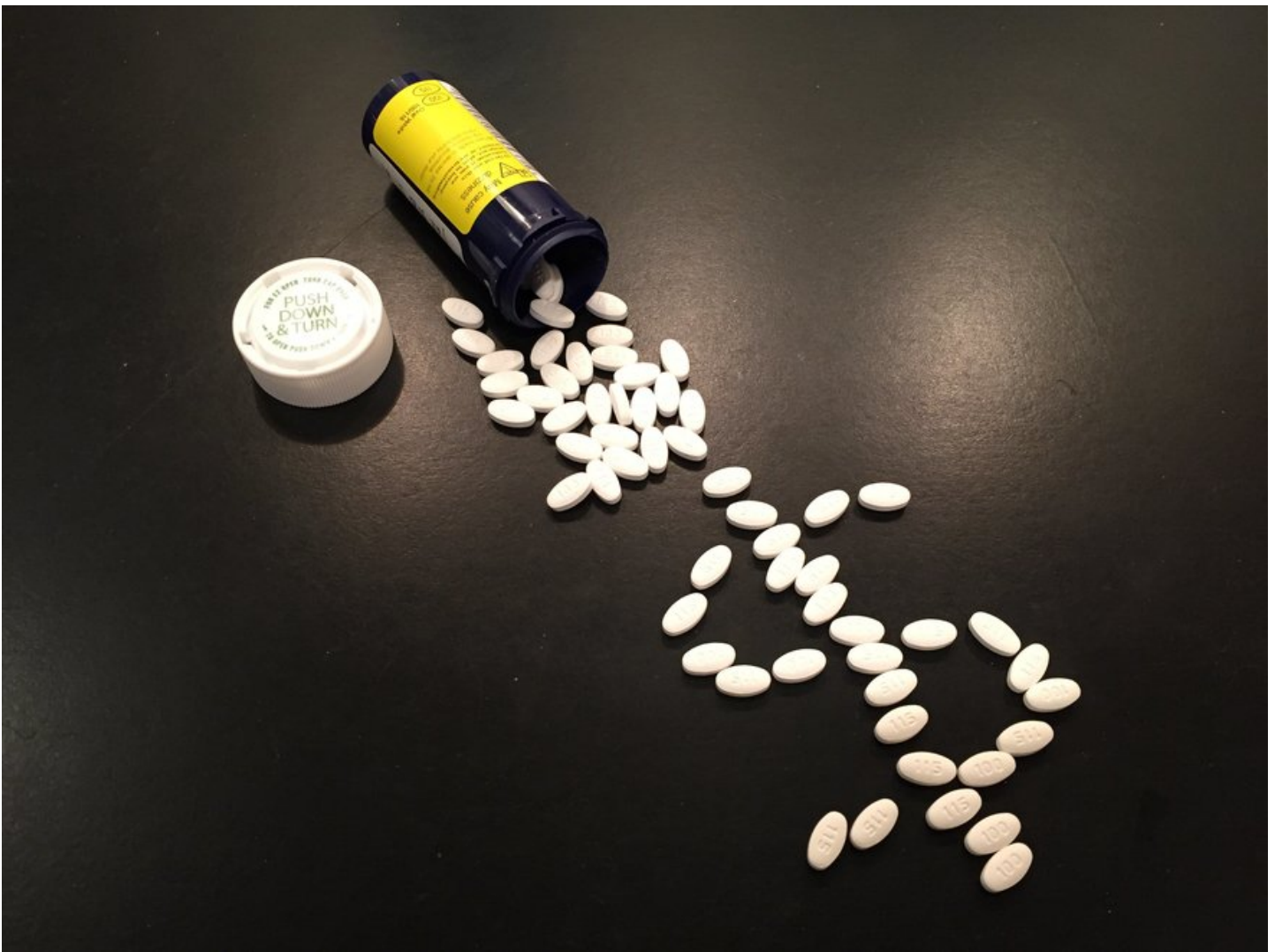


Payer

Study: Reference pricing can help insurers, employers cut prescription drug costs

by Leslie Small | Aug 24, 2017 12:20pm



A new study suggests that reference pricing can influence patients' choices and thus change how much employers and insurers pay for prescription drugs.

Insurers and employers take note: A new study has found that reference pricing is associated with “significant” changes in drug selection and spending for patients covered by employer-based insurance.

The **study**, led by researchers at the University of California, Berkeley, examined the effect of a reference pricing initiative for outpatient drugs implemented by the RETA Trust, a national association of 55 Catholic organizations that purchases healthcare for clergy, school teachers and other types of employees.

The trust—which is self-insured but contracts with private health plans and pharmacy benefit managers to pay claims and negotiate drug/device prices—switched from tiered pharmaceutical formularies to a reference-pricing program in 2013.

Here's how the program works: The trust grouped 1,302 drugs into 78 therapeutic categories, then limited payment to the price of the least costly drug in each category—except in cases where a physician offered a clinical justification for using a more expensive drug. Patients who chose a drug that was more expensive than the reference drug, absent a valid clinical reason, had to pay the difference in price.

In the first 18 months after the implementation of the program, the RETA Trust's spending on prescription drugs dropped by \$1.34 million. Employees' cost-sharing, on the other hand, increased by \$120,000. The study also found a 7% increase in prescriptions filled for the low-price reference drug within its therapeutic class.

"Reference pricing changes are what we refer to as the 'choice architecture' of healthcare," **said** lead study author James C. Robinson, director of the Berkeley Center for Health Technology at the School of Public Health. "Patients will have access to healthcare, but will need to pay attention to the price."

Robinson and his fellow study authors write that their findings suggest reference pricing can indeed influence patients' choices and thus change how much employers and insurers pay for drugs. However, further studies are needed to measure how such policies affect health outcomes.

Reference pricing is also being used to lower the costs of common healthcare procedures. The California Public Employees' Retirement System, for example, **saved** \$5.5 million between 2010 and 2012 as a result of a referencing pricing initiative it implemented for hip and knee replacement procedures.

Some experts have **cautioned**, though, that such policies should only be used on procedures that are "shoppable"—or those for which patients have the time and opportunity to seek out the best price.

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