

Reference-Based Pricing For Public Employees

States can use reference-based pricing to help public employees receive the care they need at a price they can afford.

THE PROBLEM



State Employees Pay Too Much for Healthcare

Prices vary greatly for identical services so many public employees pay too much and taxpayers spend more, too. For example, knee replacement prices in Tennessee varied by 1600%. This price variation can be found everywhere and means states like Texas have seen spending for employee benefits increase by 69 percent (\$1.2 billion to 2.1 billion) over the last 10 years.



Expensive Care Isn't Higher Quality Care

Studies consistently find that high healthcare prices do not mean better outcomes. In fact, some of the highest priced options have low quality rankings with the federal government. Reference based-pricing sets a benchmark rate for services and then connects patients to the highest quality service at the most affordable rate.



States that Implement Reference Based Pricing for Employees Save at Least 10%

Several studies document meaningful reduction in healthcare spending for public employees and state plans. Reference-based pricing could save states an estimated \$4 billion a year. States like California and Arkansas currently use reference-based pricing. In the first year, California reported \$2.8 million in savings on knee replacements alone, while Arkansas saved \$20 million on prescription drug spending.

SOLUTION

States can save state employees and taxpayers money by incentivizing state employees to seek out more affordable providers through reference-based pricing.

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THE BENEFITS

The optimizing state employee health coverage act will save taxpayer money, encourages patients to shop for their healthcare, and rewards providers with more patients when they offer services for an affordable reference based rate.

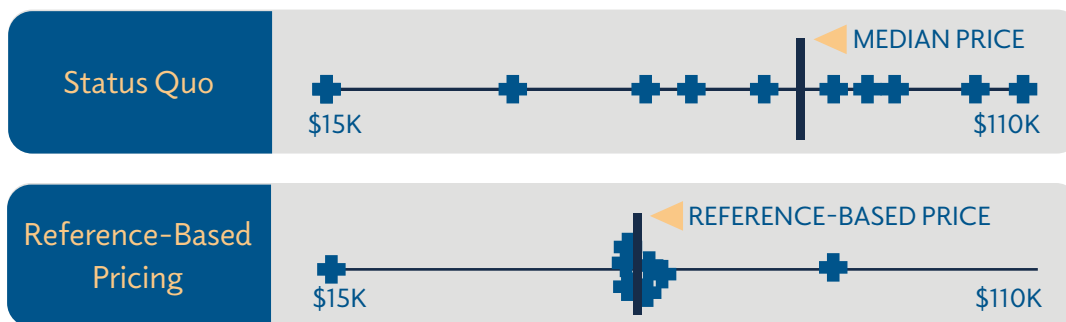


Reference-Based Pricing is customizable for states. It sets a benchmark price that reflects the local market in different parts of the state.



In California, 78% of the savings under reference based-pricing was realized by private individuals and small businesses that benefited from the lower prices for public employees.

IMPACT OF REFERENCE-BASED PRICING ON KNEE AND HIP REPLACEMENT PRICE



Prices vary widely right now. Reference-based pricing lets systems adjust their price for a knee replacement in order to continue to serve public employees. Otherwise, patients vote with their feet to more affordable options.

BOTTOM LINE

Public employees need more tools like reference based-pricing to get the care they need at a price they can afford.