

Reference Pricing Pharmaceuticals by Therapeutic Class

How it Works

There are approximately 70 therapeutic drug classes currently in use in the industry. Historical claims data analysis needs to be done to evaluate which therapeutic drug classes we should consider. The Reference Pricing model is based on synthesizing clinical research, as it pertains to drugs, into actionable comparative effectiveness data to enable employees or plan members and their physicians to reduce prescription drug costs for themselves, their employer, and other payers in the system.

The methodology for determining the therapeutic equivalent (same drug) or therapeutic alternative (similar drug) options begins by identifying an effectiveness goal for a drug category. A list of drugs and dosages is compiled to provide a similar effect or benefit by drug category. This list can then be used as a guideline to determine the most appropriate drug and dosage to treat the member's health condition. A reference price for each therapeutic drug class is established.

The plan payment is defined as one specific dollar amount for a set of drugs at specific dosages that have therapeutically equivalent outcomes. The plan benefit is based on the plan payment for the most cost-effective drug in each therapeutically equivalent drug set. The member payment is the difference between the defined plan benefit for each drug and the total allowed cost for that drug at a dispensing pharmacy.

Member Experience

Member experience with Reference Pricing is like CalPERS' current Member Pays the Difference benefit. If a member currently uses a prescription drug on the Reference Pricing List, the member can choose one of three options (one program's experience):

1. Ask their doctor to switch to lower cost prescriptions (85% of member switch)
2. Ask their doctor to request a program exception for medical necessity (1-3% of member obtain waivers)
3. Continue to use their current prescription and pay the cost difference (12% of member pays the difference)