

CALPERS REFERENCE PRICING HISTORY

CalPERS team members began discussing the referenced based pricing concept in May 2013 with the previous Pharmacy Benefit Manager (PBM). It was found it to be a complex concept but one worthy of discussion. CalPERS team members and the PBM discussed three pricing models:

1. Standard High Performance Generic Step Therapy program
2. Value-Based Generic (VBG) design
3. VBG design + standard formulary

At the May 16, 2017, PHBC meeting, CalPERS team members presented information on The United Food and Commercial Workers (UFCW) Trust Fund implementation of a reference price by therapeutic class design. This resulted in a total savings of \$30.25 per prescription for an annual savings of \$15.7 million and allowed the UFCW to continue offering a high value, low cost drug benefit to its membership.

In October 2017, CalPERS team members started working with UC Berkeley (UCB) to provide data related to Reference Pricing for drugs. Based on CalPERS' claims data, UCB furnished the "Top 10 saving classes" to CalPERS in February 2018. Subsequently, CalPERS team members conducted further research on how reference pricing works, including meeting with others who have done this before, specifically UCB, OptumRx, and RxTE. To help us identify the best drug classes for implementation:

1. CalPERS asked UCB to provide deeper analysis (additional top drug classes and subclass details)
2. CalPERS asked OptumRx for Reference Pricing analysis and recommendations
3. CalPERS ran supplemental internal data analysis for the 3 pilot drug classes

At the January 17, 2018, PHBC meeting, CalPERS team members along with a panel of experts in the field of pharmaceuticals discussed managing the affordability and value of the CalPERS pharmacy program. The challenges discussed were: Pricing, Formulary, Tiers, Pipeline Drugs, and Medical Pharmacy. The potential strategies for 2019 and beyond that were presented were:

1. Implement a reference pricing by therapeutic drug class
2. Evaluate Value-Based Insurance Designs for Pharmacy
3. Modify Prescription Drug Copayment Structure

At the February 13, 2018, PHBC meeting, CalPERS team members presented Reference Pricing Pharmaceuticals by Therapeutic Class (Reference Pricing) as one of the pharmacy pricing strategies.

At the April 17, 2018, PHBC meeting, CalPERS team members presented the RETA Trust Reference Pricing Initiative. This program was evaluated by James Robinson, Ph.D., at UCB and the results of that

evaluation were published in The New England Journal of Medicine.¹ In the first 18 months after the implementation of the program, the RETA Trust's spending on prescription drugs dropped by \$1.34 million of 144,520 prescriptions. CalPERS team members recommended 3 therapeutic classes most suited for Reference Pricing Pilot (nasal corticosteroids, thyroid medications, and oral estrogens).

At the June 19, 2018, PHBC meeting, the Committee approved for CalPERS team members to move forward with reference pricing pilot for three therapeutic classes to be serviced by a vendor or vendors to be selected by the team.

¹ Robinson JC, Whaley CM, Brown TT. Association of Reference Pricing with Drug Selection and Spending. N Engl J Med. 2017 Aug 17;377(7):658-665.