

Reference payment initiative for colonoscopy associated with lower prices, savings

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The California Public Employees' Retirement System (CalPERS) saved \$7 million on spending for colonoscopy two years after it implemented a reference payment initiative that offered full insurance coverage at low-priced facilities but required substantial cost sharing if patients picked a high-priced alternative, according to an article published online by *JAMA Internal Medicine*.

Some employers are experimenting with payment methods that seek to counter high health care prices while upholding consumer access to valuable services. Employers, insurers and consumers face varying prices for the same procedures within the same local communities, including screening tests such as [colonoscopy](#).

James C. Robinson, Ph.D., of the University of California-Berkley, and coauthors obtained data on 21,644 CalPERS enrollees who underwent colonoscopy in the three years prior to implementation of the reference payment initiative in 2012 and data on 13,551 patients in the two years after implementation. Data for a control group were obtained on 258,616 Anthem Blue Cross enrollees who underwent colonoscopy and who were not subject to reference payment initiatives during the five-year period.

Under its reference payment initiative, CalPERS paid the facility's negotiated price, without consumer cost sharing, if the patient selected an ambulatory surgery center. However, it limited its payment contribution to \$1,500 for patients who selected hospital-based outpatient departments. Patients were exempt from the initiative if their

physician presented a clinical case for services at a hospital-based outpatient department or if a patient lived more than 30 miles from an [ambulatory surgery center](#), according to background information in the study.

The authors report that utilization of low-priced facilities for CalPERS members increased from 68.6 percent in 2009 to 90.5 percent in 2013 after the reference payment was implemented. The average price paid for colonoscopy in the CalPERS population increased from \$1,587 in 2009 to \$1,716 in 2011 and then decreased to \$1,508 in 2013 for patients subject to the reference payment. The reference payment also was associated with a small and statistically insignificant decline in procedural complications from 2.1 percent in 2009 to 2 percent in 2013, according to the results.

"As reported in this study, the implementation of reference payments for colonoscopy accelerated the shift in patient choice toward lower-priced facilities. This led to substantial reduction in the mean price paid for the procedure, without any observed reduction in safety. In the first two years after implementation, CalPERS saved \$7 million (28 percent) compared with what it would have spent on colonoscopy in the absence of a reference payment initiative," the authors conclude.

In a related commentary, David Lieberman, M.D., Oregon Health and Science University, Portland, and John Allen, M.D., Yale University School of Medicine, New Haven, Conn., write: "Although the findings of Robinson et al support the value of reference pricing for reducing costs of colonoscopy, several key issues require further study. ... Regardless of whether the discussion is about reference or bundled pricing for colonoscopy, knee or hip replacements or other procedures, public reporting of cost information, as well as meaningful quality benchmarks, should be required. Patients selecting lower-cost centers require assurances that they are receiving high-quality care."

"We are encouraged by the increasing evidence that new approaches to payment, such as bundling and reference pricing, can bend the cost curve for procedures such as colonoscopy, while maintaining access and quality. But there are many unknowns and continued study and monitoring is essential as these approaches become more widely used. We should continue to seek improved payment models that ensure that patients have incentives, not disincentives, to obtain important and high-quality preventive care."

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