



## News Release

### Cigna and Safeway Reference-Based Pricing Study Shows Employee Education and Online Shopping Tools Can Help Control Lab Costs

- Study published in December issue of American Journal of Managed Care
- First published reference-based pricing study focused on lab services

BLOOMFIELD, Conn. & PLEASANTON, Calif.--(BUSINESS WIRE)--Dec. 15, 2014-- A study conducted by Cigna (NYSE: CI) and Safeway Inc. (NYSE: SWY), published in the December issue of the American Journal of Managed Care, shows that reference-based pricing can help control lab costs when individuals are supported with education and an online shopping tool.

The study, "*Reference-based Pricing: An Evidenced-based Solution for Lab Services Shopping*," is the first published reference-based study to focus on lab services. Previous published studies have focused on the application of reference-based pricing to pharmaceuticals.

Reference-based pricing is a benefit design that sets a maximum contribution (reference price) from the health plan to pay for a particular service; in this case, lab services such as a lipid panel, comprehensive metabolic panel or prostate-specific antigen test. Employers see this type of benefit design as a way to incent employees to consider the price of services when making care decisions. Employees reap a savings when they choose services at or below the reference price. If they choose services above the reference price, they are responsible for the additional cost.

Only services that are considered appropriate for a benefit of this type were included in this pilot. For example, emergency care, sensitive diagnoses such as cancer and mental health, and services best performed during office visits such as a rapid strep test were excluded.

"The goal of reference-based pricing is to help individuals become smarter health care consumers by giving them the opportunity to choose health care services at the best price, without compromising quality," said Jackie Aube, Cigna's vice president for Product. "Ultimately, it's up to individuals to make choices that are right for them, but the education and online tools that health plans and employers offer can help individuals make more informed decisions. Individuals make these types of choices every day when they purchase other consumer goods and services, evaluating the information they have about quality and cost."

"We already had strong evidence through our RxTE™ program that reference-based pricing in the pharmaceutical space could dramatically increase selection of therapeutically equivalent lower cost options. Now we see that reference-based pricing has promise in doing the same for certain medical services," said Dr. Kent L. Bradley, senior vice president and chief medical officer of Safeway Inc.

The study involved two groups of employees enrolled in a Cigna health plan so that the researchers could draw credible conclusions about the effectiveness of the benefit design. The first group comprised Safeway employees who had a reference-based pricing benefit for lab services. The second group comprised employees of various employers who did not have this benefit but lived in the same community and received the same lab services as the Safeway employees.

Members of the first group had access to an online shopping tool that showed information about the cost, location and type of lab services in their geographic area based on the application of the reference-based pricing benefit. They also received educational information about this benefit. The result: Individuals with the reference-based pricing benefit demonstrated a 20% increase in selection of lab services below the reference price compared to those without the benefit (69% vs. 57%).

"This study is an important first step, but we can't conclude from it that the benefit alone drives the greatest behavior change," Cigna's Aube said. "Though not specifically demonstrated through this study, we do know that communication and education are essential to all of Cigna's consumer-directed efforts. Our hypothesis is

that it is a combination of benefit structure, with effective education and messaging, that presents the greatest opportunity to change behavior.”

“We looked at very early data for this analysis,” said Safeway’s Dr. Bradley. “The understanding of reference pricing along with adoption of online tools to inform the consumer has increased significantly since the early days of 2011. Thoughtful application of reference pricing warrants consideration as a mechanism to improve value in health care and help individuals reduce their costs for certain services.”

Authors of the study from Cigna include Doug Melton, Ph.D., MPH; Raegan Armata, MBA; and James B. Parr. Authors of the study from Safeway include Kent Bradley, M.D., MPH, MBA; and Patricia Lin Fu, MPH. Carole Alison Chrvala, Ph.D., of Health Matters, Inc., prepared the manuscript.

### **About Cigna**

Cigna Corporation (NYSE: CI) is a global health service company dedicated to helping people improve their health, well-being and sense of security. All products and services are provided exclusively by or through operating subsidiaries of Cigna Corporation, including Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Life Insurance Company of North America and Cigna Life Insurance Company of New York. Such products and services include an integrated suite of health services, such as medical, dental, behavioral health, pharmacy, vision, supplemental benefits, and other related products including group life, accident and disability insurance. Cigna maintains sales capability in 30 countries and jurisdictions, and has approximately 85 million customer relationships throughout the world. To learn more about Cigna®, including links to follow us on Facebook or Twitter, visit [www.cigna.com](http://www.cigna.com).

### **About Safeway Inc.**

Safeway Inc., which operates Safeway, Vons, Pavilions, Randalls, Tom Thumb, and Carrs stores, is a Fortune 100 company and one of the largest food and drug retailers in the United States with sales of \$36.1 billion in 2013. The company operates 1,331 stores in 20 states and the District of Columbia, 13 distribution centers and 19 manufacturing plants, and employs approximately 138,000 employees. The company's common stock is traded on the New York Stock Exchange under the symbol "SWY." For more information, please visit [www.Safeway.com](http://www.Safeway.com).

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