

The importance of integration



Integrating medical benefits with pharmacy coverage
can reduce cost, save time, and enhance the
care your employees receive

The integration of pharmacy and medical benefits delivers a comprehensive and holistic understanding of your employees' overall health. Integration combines data gathered from a wide variety of sources across the medical and pharmacy areas to provide real-world insights that result in higher quality care, delivered in a cost-effective manner, with an ease of administration.

Employers can be overwhelmed with information from consultants and pharmacy benefit managers (PBMs) about the advantages of “carving out,” or purchasing pharmacy benefits separately from core medical benefits. Pricing in the PBM industry can be complex, even confusing, and so it becomes challenging to determine quoted price versus the true cost of pharmacy benefits. In the end, the reality of carving out is not always in line with an employer’s strategic healthcare objectives.

Integrating medical and pharmacy benefits can help to reduce costs, while ensuring a focus on improving patient outcomes, aiming for healthier, more productive employees. In this brochure you will learn more about the value of integrating medical and pharmacy benefits, including how integration can help to reduce costs, improve the quality of care, and streamline administration.



INTEGRATION CAN LOWER MEDICAL COSTS

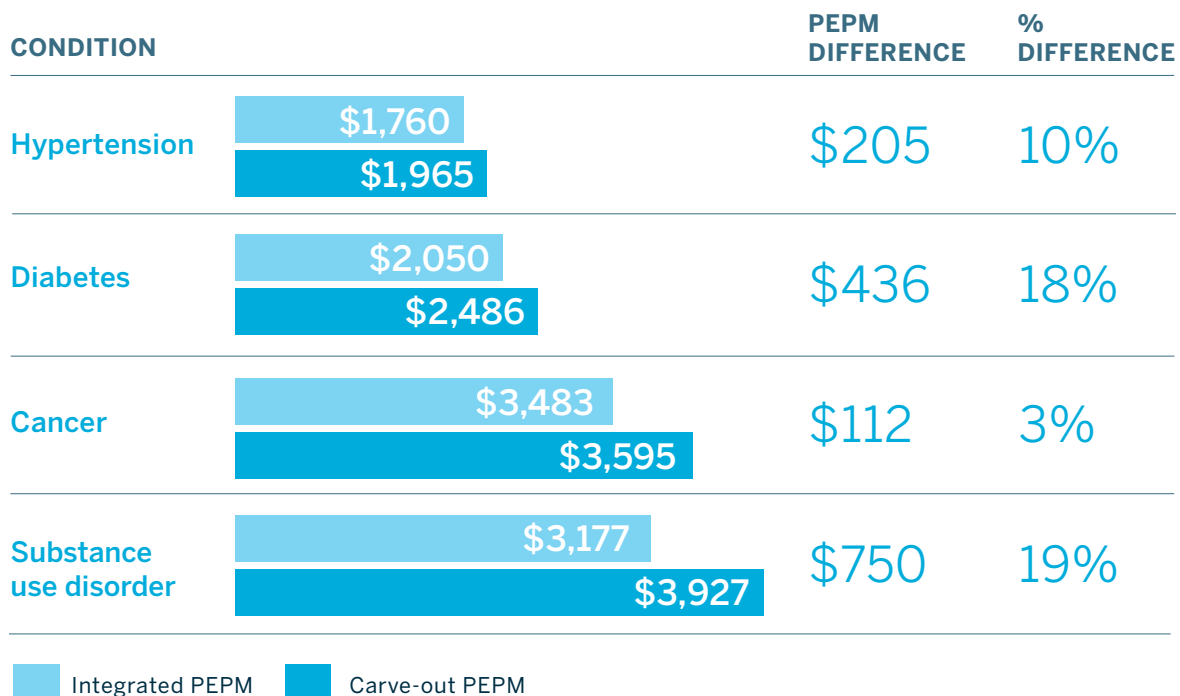
We understand the challenges that organizations like yours face, and the importance of financial predictability in planning for major expenses like healthcare. Drug prices in the U.S. can be prohibitively high, and they continue to rise. This puts pressure on the healthcare system, and on patients, employers, and providers alike. Employers might be tempted to carve out pharmacy benefits in the face of this pressure, but that approach can worsen the problem.

Integration does make a difference

The differences that we've seen between groups that carve out and groups that integrate is clear. Our experience shows that when carving out, the average employer group would need to achieve a 26% savings on pharmacy costs to offset the value that integrated pharmacy has on medical costs¹. This can be difficult to achieve in a carve-out situation.

CLAIMS EXPENSE FOR KEY CONDITIONS

BCBSRI data from 2017 shows that companies with integrated pharmacy and medical benefits saw lower medical claims expense for several chronic conditions²:



¹ Assuming a typical pharmacy PEPM of \$220 per month. Based on a cohort matching study comparing CY2017 medical claims for demographically similar populations with and without pharmacy benefits administered by BCBSRI.

² Based on a comparison of CY2017 medical costs for all BCBSRI large groups with pharmacy coverage through BCBSRI versus all large groups that carve out pharmacy coverage.

HOW WE ENHANCE THE QUALITY OF OUR CARE AT BCBSRI

Our approach to ensuring quality health care for BCBSRI members reaches into every area of our company, as well as our extensive network of doctors and hospitals, the employer community, and local and national policymakers. With innovation, plan design, analytics, and collaboration, we are striving to improve the health of all the members we serve, and that includes our emphasis and progress in the area of pharmacy integration.

Because it involves a more holistic approach to health and well-being, integration can be an effective way to enhance the quality of care. It can:

- Provide a greater opportunity for effective interventions by identifying over- and underutilization of medications based on medical data
- Help identify and close gaps in care more completely compared to carve-out PBMs

THE REALITY OF CARVING OUT

The first year after carving out³, groups had a:



▲ 19% higher trend in inpatient hospital stays



▲ 5% higher trend in ER visits



▲ 3% higher trend in PCP visits



▲ 2% higher trend in specialist visits

³ Based on a comparison of 2017 over 2016 trends for some BCBSRI clients that carved out pharmacy to demographically similar clients that maintained pharmacy coverage through BCBSRI.

THE PATIENT-CENTERED PHARMACY PROGRAM: INTEGRATION & OUTCOMES

BCBSRI developed the Patient-Centered Pharmacy Program (PCPP) as an interdisciplinary team approach – with pharmacists, providers, and caregivers on-site within medical practices working in close collaboration. These PCPP arrangements translate to more effective care strategies for individual patients that address overall health goals and medication-related issues to optimize patients' medication therapies. The PCPP serves as a transition from a traditional, transaction-based service, such as filling prescriptions, to a more personal, holistic approach to pharmacy, which strives for optimal delivery not only of medications but also of patient-focused care.

This effective approach, for which **BCBSRI has won an innovation award**, emphasizes pharmacist collaboration and communication with other care team members on behalf of a patient to ensure safe, effective, and coordinated care.

Not only have we seen better outcomes in care, but since 2014, BCBSRI's Patient-Centered Pharmacy Program has created **\$23 million** in total healthcare savings,⁴ and BCBSRI studies show that members with access to a patient-centered pharmacist have better outcomes⁵ with:

12%

lower pharmacy costs

9%

fewer ER visits

6%

fewer inpatient hospital stays

While much of the analysis of integration is focused on cost synergies, the bigger story is how that integration will transform models of care.



⁴Based on direct costs of reduced or avoided drug costs annualized and on indirect costs supported by an actuarial model estimating the cost of a medical intervention (i.e. hospitalization).

⁵Based on a comparison of claims for members with access to a patient-centered pharmacist versus those without that access

THE PATIENT-CENTERED PHARMACY PROGRAM AT WORK

Here is a sampling of a few pharmacy integration success stories.

Teamwork Results in Improved Health and Cost Savings

An employee at a large company suffered from a chronic condition that would flare up several times a week, even with medicine to treat the condition. She was in such pain so frequently that she moved closer to a fire station so that the ambulance arrived faster.

After a nurse case manager contacted her, she met with a pharmacist and her doctor, all part of Rhode Island Primary Care Physicians Corporation. The doctor, the specialists, and her pharmacist convened to develop a new medication regimen and taught her to avoid certain attack triggers. Attacks now occur much less frequently and the employee feels more confident about taking control of her health.

In addition to her improved health and overall well-being, the new regimen costs much less. Because her condition was rare, medications were expensive and not easily available. Both the old and the new medications cost more than **\$100,000** a month. But the new regimen has reduced the annual cost by **\$720,000**. Her pharmacist has taken charge of ordering medications, and instructs the patient on how to best use them, even working with local hospitals to make sure they stock the emergency medications the patient needs in order to stop an attack.



Avoiding a Hospital Admission

A pharmacist in one of our PCPPs learned that a patient with diabetes was not taking a cholesterol medication as recommended. While off the medication, his cholesterol levels increased. The pharmacist recognized the importance of cholesterol-lowering medication to reduce the risk of a heart attack or stroke, and with the patient's permission, contacted his physician and recommended the medication be reinstated at a lower dose. The physician agreed and a challenging health risk was avoided.



A Simple Fix

A pharmacist noted a patient was not taking his blood pressure medication as prescribed, so he contacted him to discuss barriers to adherence. During the consultation, the pharmacist suggested using a medication box to help the patient manage his prescriptions. Because of our PCPP arrangement, the pharmacist was able to step in quickly with a simple fix that made a big difference.

THE CASE FOR INTEGRATED ADMINISTRATION

Integrating medical and pharmacy makes administration easier, and more cost-effective, for most organizations to manage their health plan. They only have to work with one vendor, which streamlines responsibilities. Typically, employees have one ID card and a single online experience to access their health benefits.

Pharmacy integration also fosters a coordinated approach to managing employee health, with a consistent, holistic strategy for coordination of care management with doctors, hospitals and pharmacies.

Strategic alignment

In addition to streamlining the administrative process, integration of medical and pharmacy services also more closely aligns the partnership that employers have with BCBSRI. One of the benefits of this alignment is the ability to create goals together, as both organizations forge a path towards a shared vision. Here are a few things that can arise from this strategic alignment:

- BCBSRI helps employers identify opportunities for trend improvement and to address drug safety concerns
- Consultative pharmacy analytics help employers budget and design plans, and control costs
- BCBSRI can work in collaboration with employers to engage employees that are at risk, and help drive actions that can result in healthier behaviors

Claims servicing

Once you dis-integrate, or carve out, it becomes more difficult to replicate the seamlessness of integration. In terms of claims, for example, there can be a significant lag time for processing as well as for assimilating useful data in company trends. Companies that carve out will discover that file transfers between medical provider and pharmacy benefit manager take time, which is a problem when actionable health matters require expedience. When employers integrate medical and pharmacy benefits with BCBSRI, certain prescriptions can alert us to specific member conditions, and carving out prevents this discovery from happening in real time.

Data and analytics are invaluable in terms of healthcare, and specifically, pharmacy integration. BCBSRI is at the leading edge of this movement, and we've found that the skilled consideration and application of data, especially as it relates to cost-savings and pharmacy trends, can quickly provide us with valuable insights. Here are a few ways analytics can complement integration:

- In-depth analysis of Rx metrics/trends for each employer
- Comprehensive, real-time updates on claims data and utilization
- Expert consultative analysis—helps employers budget and design plans
- Specialty pharmacy pipeline alerts—identifies high-cost treatments to allow for case management interventions

Administrative advantages

Companies that carve out often discover there's significant added administrative burden on their human resources (HR) staff. Who will handle oversight of the pharmacy benefit management function? Is there time and expertise available in your HR group to allocate responsibility for this? Administering pharmacy benefits in a carve out situation is a complex, even overwhelming challenge—in terms of policies, service, pricing, formularies, etc.—that seem opaque to those without experience. With pharmacy integration, **BCBSRI handles all of that**. We've got the experience and knowledge to manage pharmacy benefits on your behalf. We speak the language and handle pharmacy challenges as part and parcel of the business relationship we have with our clients.

EMPLOYER-BASED REPORTING AND INSIGHTS

Some of the benefits that come with integrated administration include:



Interactive employer
reporting



Quicker access
to claims



Customized
dashboards



High-cost
claim alerts



SOME HARD TRUTHS ABOUT PHARMACY INTEGRATION

Many companies explore the possibility of carving out their pharmacy benefits, mostly as a way to mitigate increasing healthcare costs. But carving out does not guarantee savings, and that approach can run counter to employers' overall healthcare strategies, providing less insight into utilization trends and conditions that impact and drive costs. Employers that are looking into carving out pharmacy benefits should consider some important questions:

1. How can carving out pharmacy benefits impact my company administratively?

Pharmacy integration is, almost by definition, a more simplified experience. A contract with a single vendor eases the burden on HR departments, eliminating the need for an employer to act as the sole liaison with an independent pharmacy benefit manager. It also streamlines and centralizes benefits management for employees, with one card to carry, one number to call, and, essentially, a single point of contact.

2. If my company carves out pharmacy benefits, won't BCBSRI get the same access to pharmacy claims data from our third-party PBM?

Unfortunately, when a company carves its pharmacy out, the data exchange becomes less seamless. This results in missed opportunities in terms of the ability to identify trends, target potential disease states or other benefits that arise from real-time data analysis.

3. Will our medical health plan vendor increase our fees if we carve out?

Contracting for medical and pharmacy with multiple vendors can increase the administrative burden on your company. Healthcare companies often charge administrative fees to companies that carve out, and PBMs charge their own fees. Combine that with often confusing pricing tactics and you're beginning to understand some of the problems that arise when carving out.

4. Aren't the drug formularies issued by PBMs the same as those of BCBSRI?

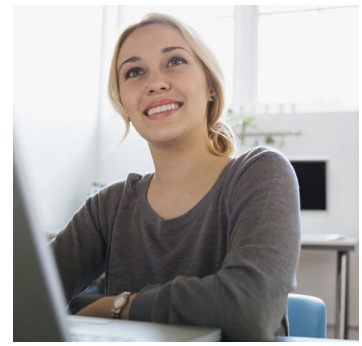
This is rarely the case. PBM and medical providers rarely use the same criteria for their formularies, so you need to ask plenty of questions and pay attention to the fine print. When a PBM quotes a price, you are advised to make sure important, frequently used drugs are covered. Your members' benefits depend on it.

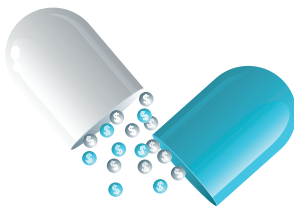
5. What else should employers keep in mind when contemplating a carve-out arrangement?

It's most important to compare apples to apples. Many PBMs offer different drug coverages that can, on the surface, look the same as the arrangement you currently have with your medical benefits provider. But on closer inspection the arrangement may exclude important drugs that will add significant cost. Always read the fine print with your consultant and ask questions if you feel the information presented is unclear or potentially misleading.

PHARMACY INTEGRATION: REDUCING COST, SAVING TIME, ENHANCING CARE

The clear value of pharmacy and medical integration is the ability to have a comprehensive understanding of an individual's health journey. At BCBSRI, the view of the patient journey created by integration is 360 degrees, care gaps are addressed, cost often decreases, and administrative efficiencies are realized. These abilities, as well as the closely aligned relationship with our own pharmacy benefit manager, can also result in significantly lower costs, making integration the smart, and, in our opinion, the only choice for employers.





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Blue Cross & Blue Shield of Rhode Island is an independent licensee of the Blue Cross and Blue Shield Association.