

# New research indicates integrating pharmacy and medical benefits yields lower costs and better health.

Scientific study quantifies value of a carve-in pharmacy/medical benefits strategy.

## Introduction

Newly released results of a two-year study of 331,390 members' claims and health data demonstrate a potential benefit in cost savings and quality health outcomes for those employers offering integrated pharmacy and medical benefits to their employees.

The study, led by a cross-functional team of health research analysts, data scientists, pharmacists and clinicians, shows lower per-member-per-year (PMPY) costs, reduced hospitalizations and reduced odds of emergency room visits in members with access to integrated pharmacy and medical benefits.

“The results of this study indicate that offering integrated benefits from the same vendor, known as ‘carving in,’ delivers more significant long-term value over recent attempts to narrowly combat soaring pharmacy costs,” said Patrick Gleason, Pharm.D, assistant vice president of health outcomes for Prime Therapeutics.

While a “carve-out” strategy may yield selective short-term savings, studies have shown that carving out pharmacy benefits can have a negative impact on total long-term medical spend and, more importantly, on employee health and their overall experience.

In partnership with Prime Therapeutics, Regence commissioned a study to analyze carve-in versus carve-out groups and the impact on total health care costs and impacts on hospital and ER use. The results? Integrating pharmacy and medical benefits yielded impressive cost savings and improved utilization outcomes versus the alternative carve-out approach. Research findings were recently published in the peer-reviewed [Journal of Managed Care Pharmacy](#).

Regence has a long history of partnering with employers to deliver lower costs, improved health outcomes, and a better member experience through an integrated approach to pharmacy and medical benefits.



## Advantages of Integration for General Population Studied



**\$148**  
lower PMPY



Save  
**\$148,000** Based on this data, for every  
1,000 benefit plan members



**↓15%**  
Lower odds  
of hospitalization



**↓7%**  
Lower odds  
of ER visit

These results were more pronounced in members with chronic conditions as depicted below:

Chronic condition	Two-year hospitalization odds	P-value	Two-year ER visit odds	P-value	PMPY savings
Asthma	25% lower	<0.0001	17% lower	<0.0001	\$926
CAD	36% lower	<0.0001	16% lower	0.0116	\$4,351
COPD	22% lower	0.0213	20% lower	0.0089	\$3,177
Diabetes	26% lower	<0.0001	16% lower	<0.0001	\$1,363
Depression	34% lower	<0.0001	17% lower	<0.0001	\$1,708

### Why does integration lead to better results?

Integrated pharmacy coverage allows physicians and health plans to coordinate each patient's care holistically. More than half of Americans rely on prescription medications as part of their routine care. Health plans are in an ideal position to ensure that prescription coverage supports the overall treatment plan for each patient, which results in healthier outcomes and a better experience for the patients themselves.

There are also practical benefits of an integrated model. Having a comprehensive view of each patient's care helps a health plan's clinical care management team identify potential errors, duplicate bills and gaps in care which are not easily seen when data is incomplete or unavailable. This increased level of holistic care creates value in several ways, including:

- A streamlined, simplified patient experience
- Coordination of care for patients on multiple medications, especially when one or more treatments are received in a medical setting or infusion center
- Comprehensive safety reviews for the complete patient care plan
- Improved follow up after a significant medical event
- Reduced barriers to care such as cost and transportation
- Monitoring of care gaps which may expose a patient to greater risk of a serious medical setback
- Elimination of wasteful spending due to duplicative claims and/or treatments
- Better coordination of care with providers through aligned values incentives.

By opting for a carve-in approach to pharmacy benefits, employers ensure that their employees are receiving optimized care.

### Examining other potential upsides of integrated pharmacy and medical benefits

Other impacts on costs and medical waste, including avoidable ER and hospital stays, were also documented within carve-out populations.

One of the main drivers of increased overall medical spend may stem from siloed decision-making about pharmacy benefits by an external Pharmacy Benefits

Manager (PBM) whose main focus is only prescription spending. Many studies have shown that certain changes to prescription benefits, namely those that limit access to certain drugs, can drive up overall health care costs. One recent study from Blue Cross Blue Shield of Rhode Island found that in order to offset the increased claims costs driven by carve-out, an employer would have to achieve an astounding 26% savings on pharmacy costs<sup>1</sup>.

In addition, external PBMs may not offer the level of coordinated care and structured care management programs provided by an integrated health plan partner. A key piece of this equation is the robust data and insights that can be leveraged through an integrated approach.

This results in:

- More personalized, effective health management for at-risk members
- Identification and management of disease progression
- Prevention of avoidable utilization, ultimately reducing unnecessary and expensive care

### Advantages offered from a holistic view

Given all these factors, employers may be best served with an integrated, carve-in approach that tackles all key areas of utilization and medical waste, giving equal weight to all benefit, health management and employee engagement strategies.

With this option, employers have an opportunity to work with their health plan partner to address costs and health outcomes overall. For example, the insurer can actively support members to be sure they are getting the full benefits of their therapies via holistic health management programs designed to improve health outcomes.

There are also key benefits for employees as well, including an easier and more convenient member experience. For example, with an integrated benefits model, employees have access to a single ID card and member portal (eliminating the need to potentially navigate multiple passwords across multiple websites) as well as one dedicated customer service number. This streamlined approach simplifies navigation and helps employees better understand the cost and quality implications of their own health care decision-making.

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## The Study

### Objectives

Compare the PMPY cost differences within two groups—one with carve-in pharmacy benefits and the other with carve-out benefits. Additional analysis assessed this comparison without the impact of high-cost outliers (\$250,000+ in annual medical costs).

### Secondary objectives included:

- Identifying the odds of hospital and ER visits within these two groups.
- Determining PMPY costs and odds of hospitalization and ER visits among specific population segments with chronic conditions.



### The population

The study was based on Regence 2017 and 2018 medical claims from 331,390 members across four states—Idaho, Oregon, Utah and Washington. This dataset included information about administrative services only (ASO) members, which were identified as having either carve-in or carve-out pharmacy benefits.



### Adjusting for baseline characteristics

Statistical models were built to adjust for the following: age, gender, DxCG risk score, presence of chronic diseases, group size, ratio of plan paid to total paid, state and access to care management/disease management programs.



### Diving deeper into data about individuals with chronic conditions

Members with each chronic condition were independently identified, and their annual medical costs, as well as two-year odds of hospitalization and ER visits, were compared between the carve-in and carve-out groups. Results were then adjusted for the same baseline characteristics identified in the primary analysis.

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## Conclusion

In light of this report, employers should question the wisdom of carving out pharmacy benefits. While it may initially drive cost savings, the long-term implications of this choice will quickly outweigh the short-term advantages. At the same time, an integrated approach drives more holistic management of employee health, higher levels of satisfaction and more informed and effective pharmacy decisions.

Working directly with a single source for pharmacy and health care benefits, especially an organization that has broad health care domain knowledge like a Blue Cross Blue Shield plan, also provides stronger care coordination and more powerful health management and member engagement. Employers receive streamlined administration and a single point of contact for collaboration and joint decision making. This level of partnership can be critical for everything from supporting strategic benefit design to improving population health.

Finally, the employee experience is easier and more seamless within a single-point benefit solution (one ID card, member portal, etc.). This model can help

individuals better navigate the health care system and understand the cost and quality implications of their own health care decision making.

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Given all these advantages, it stands to reason that as the health care industry moves away from siloed care delivery, the same will happen within the benefits space. This study's findings support the assertion that an integrated model is the gold standard for delivering affordable, high-quality health and pharmacy benefits.

<sup>1</sup> *The importance of integration*, Blue Cross Blue Shield of Rhode Island, May 2018