

Integration is the answer



Evidence shows integrating pharmacy with medical leads to durable cost containment and improved engagement

Harvard validated study looks at most prevalent and costly chronic conditions

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There are many challenges to containing health care costs

Health care costs outpace inflation year after year. It gets more and more expensive for companies to provide benefits to their workforce. And as costs shift to consumers, they feel the financial burden as well with higher out-of-pocket expenses.

Companies that provide health care coverage for their employees are on a quest for solutions that address rising costs and keep their members healthy and productive.

Benefit consultants often propose taking a unit cost approach to achieve savings, which means separating benefits, like pharmacy coverage, between different carriers. While this strategy may appear to be an effective solution for controlling spending, it only tells part of the story.

Pursuit of unit cost discounts often comes at a sacrifice to the **total cost of care** and leads to increased medical spending. A benefit carve-out offer may look compelling, but unless the savings are significant, companies will ultimately pay more.

Separating medical and pharmacy benefits impacts patients too, leaving them to navigate care on their own. When patients are managing multiple carriers, they often don't get the support they need to understand and manage their conditions and that can impact the likelihood that they'll take their medications as prescribed.

Research continues to show that engaged patients have better outcomes:¹



Nearly half of Americans take at least one daily medication, a quarter take three or more.²



More than **75 percent** of doctors' office visits involve a drug therapy.²



Annual costs related to non-adherence to medications is now a **\$213 billion** problem nationally.³



Traditional cost containment strategies have been widely adopted and are now seeing **diminishing returns**.⁴

¹ Health Affairs, Patient Engagement, April 2013. Available at <https://www.healthaffairs.org/doi/10.1377/hpb20130214.898775/full/> Accessed November 2018

² National Center for Health Statistics, Therapeutic Drug Use, May 3, 2017 <https://www.cdc.gov/nchs/fastats/drug-use-therapeutic.htm>, Accessed November 2018

³ IMS Institute for Healthcare Informatics, "Avoidable Costs in US Healthcare: The \$200 Billion Opportunity from Using Medicines More Responsibly," Published June 2013

⁴ PBMI 2017 Trends in Drug Benefit Design Report

Integration can help meet these challenges

An integrated medical and pharmacy offering is the key to success

Real time information shared across medical and pharmacy benefits is key to rapidly identifying patients who need support, especially those managing multiple chronic conditions.

When information is shared between two different carriers, there may be delays in data file sharing, inconsistencies in files formats and gaps in data. It often fails to give a complete health picture.

Evidence supports the value of integration

In this paper, we are pleased to share evidence not only showing the positive effects of integration on patient and provider engagement, but also on cost containment over time.

Previous studies have reported reduced medical costs and utilization when medical and pharmacy benefits were integrated with one health plan. However, these studies analyzed data for one year only.⁵ We have now extended research to look at cost trends over four years.

Research published by Aetna in June 2017 shows that integrated medical and pharmacy plans produce durable cost containment.

The findings were validated by [**Michael Chernew, PhD**](#), the Leonard D. Schaeffer Professor of Health Care Policy and the director of the [**Healthcare Markets and Regulation \(HMR\) Lab**](#) in the Department of Health Care Policy at Harvard Medical School. Dr. Chernew has expertise in payment reform and the evaluation of population-based and episode-based payment models. His research is focused on containing health care spending, while improving quality.

⁵OptumRx: Measuring the financial advantage", OptumRx white paper, 2016; "A proven formula for better outcomes", Cigna white paper, 2016; "Pharmacy Carve-In: The Benefit of Integrated Benefits", Premera white paper, Washington Healthcare News, 2017

Medical cost trends study

Integrating pharmacy shows significant opportunity for total cost savings

We looked at large and mid-sized plan sponsors that had stable membership throughout the four-year study period (2012-2015) and compared cost data from plan sponsors who had integrated medical and pharmacy with those who had medical only.

Findings include data from:

Plan sponsors

156

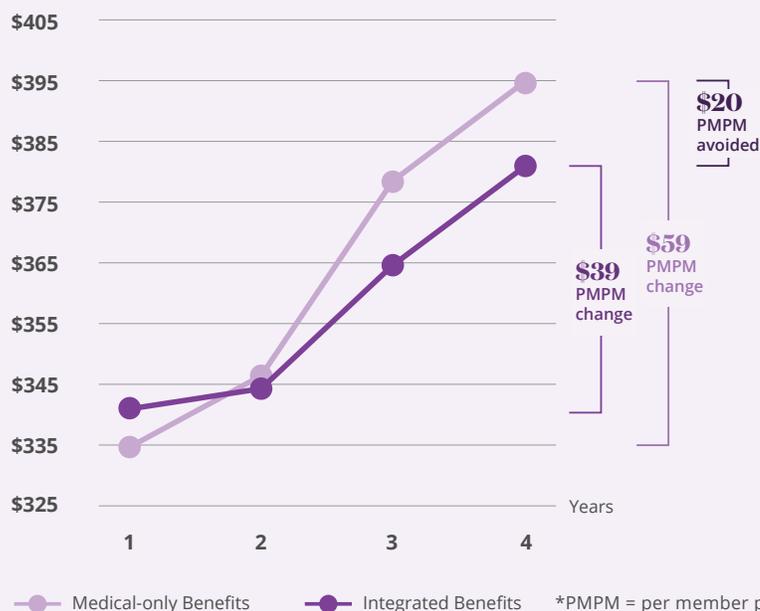
Members

585,725

Analysts examined costs for both groups across:

- Ambulatory facilities
- Inpatient facilities
- Emergency department usage
- Radiology and lab usage
- Home health care
- Mental health
- Medical pharmacy

After adjusting for age, gender, risk, locality, distribution and percent of member cost share, the integrated group showed a significantly lower trend in cost increase than the medical only group – 11.4 percent growth rate for integrated vs. 17.6 percent growth rate for medical only. That's a 34 percent reduction in medical cost growth over four years.



Combining medical and pharmacy is an opportunity for cost containment over time

Medical cost growth slowed by
34% over 4 years

Integrating pharmacy saves most for high-cost chronic conditions

The study examined cost trends across five of the most common and most costly chronic conditions. We hypothesized that much of the cost savings related to integrating pharmacy with medical plans would be gained through the ability to better manage patients with chronic diseases.

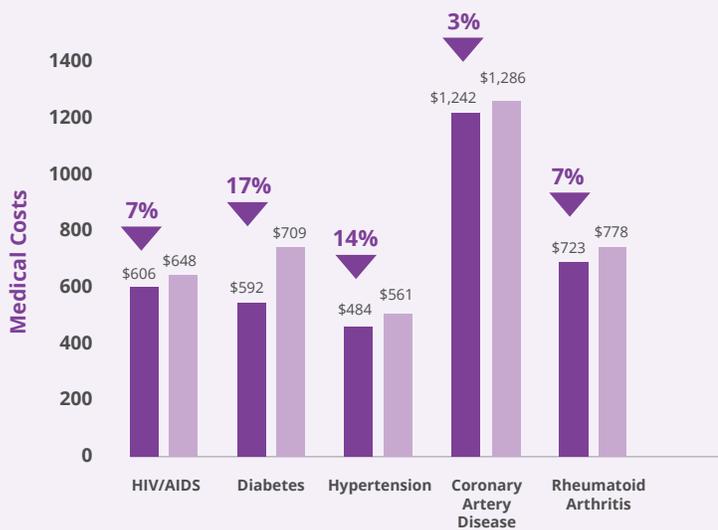
The study examined these conditions:

1. HIV/AIDS
2. Diabetes
3. Hypertension
4. Coronary Artery Disease
5. Rheumatoid Arthritis

The medical costs for plan members with integrated coverage throughout the study period were compared against those with medical coverage only.

We found, among other things, that members with integrated plans required less acute care. They ended up in the emergency room less often, were admitted to the hospital less often and, when they were admitted, spent fewer days in the hospital.

After adjusting for age, gender, locality and comorbidity, the costs per member per month (PMPM) for the chronic conditions studied were significantly lower for members who had integrated plans — by as much as \$117 PMPM depending on condition.



Optimizing pharmacy care can lead to decreased medical spend for members with chronic conditions

UP TO \$117 less PMPM

■ Integrated Benefits ■ Medical-only Benefits

*PMPM = per member per month

What is the potential value of integration?

Consider that nearly 10% of Americans have diabetes and approximately 84 million American adults – more than 1 out of 3 – have prediabetes.⁶

⁶ CDC, National Diabetes Statistics Report, <https://www.cdc.gov/diabetes/data/statistics-report/index.html>, March 2018, Accessed November 2018

And it leads to better targeting and engagement

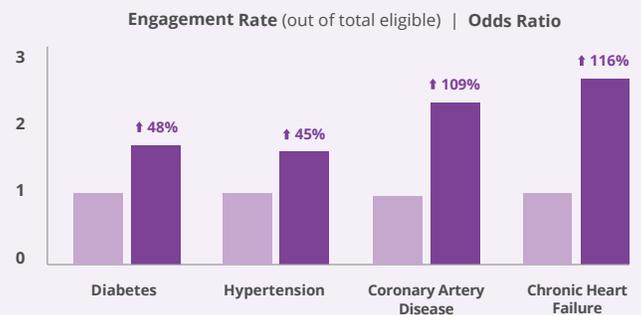
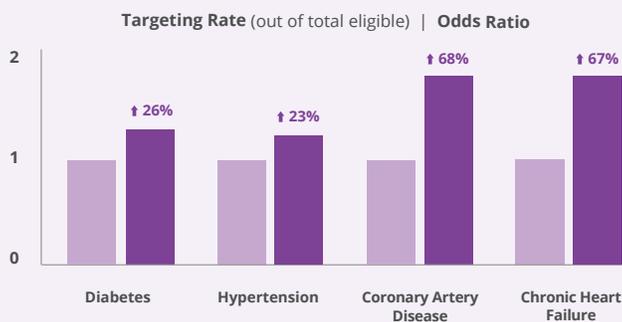
A meaningful drawback of separate medical and pharmacy plans is a lag in data availability and sharing. Integrated plans offer nearly real time reporting, allowing case managers to more rapidly target and engage high-risk members with tailored case management programs.

The study showed that members with integrated plans who have diabetes, hypertension, coronary artery disease or chronic heart failure were 22-67 percent more likely to be targeted with case management and 45-116 percent more likely to be engaged in care through case management.

The value to members

Members with integrated plans may experience better care coordination, have a better understanding of the treatment plan, be more likely to fill prescriptions and take their medicines as prescribed. As a result, it's likely they'll be in better control of symptoms and reduce the likelihood of needing emergency care or more frequent doctor visits.

Integrated pharmacy helps target and engage members who need it most



■ Integrated Benefits ■ Medical-only Benefits

UP TO 116%

Members with integrated benefits are up to 116% more likely to participate in care management programs

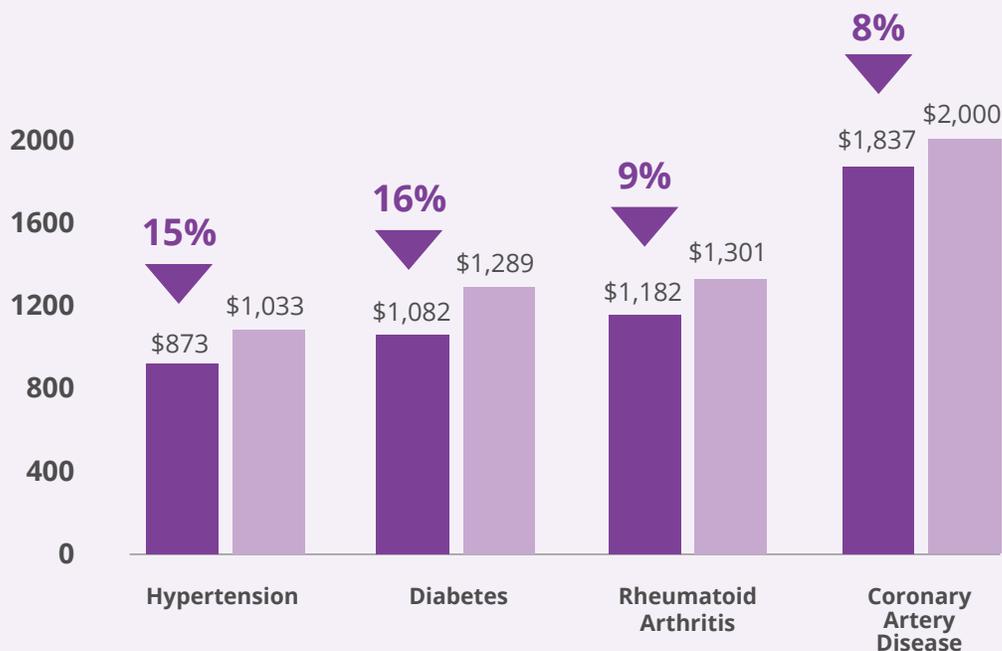
Cost savings are more striking with a comorbidity of depression

National Institutes of Health research suggests that Americans with chronic diseases are nearly three times as likely to also be diagnosed with depression. And a diagnosis of a chronic condition paired with depression is associated with increased medical symptoms, poor adherence to self-care treatments and higher costs.⁷

However, when we looked at costs for members with a dual diagnosis of a chronic condition and depression, the data suggested that integrated benefits may help offset cost increases. This is

likely related to the data sharing available with integrated plans, which allows clinicians to identify at-risk patients and provide behavioral health screenings. With this measure in place, the savings per member per month of those with integrated pharmacy benefits were even higher for four of the five studied conditions, with as much as \$207 saved per member per month.

For some conditions, the impact is even greater when paired with a diagnosis of depression



UP TO **\$207 less PMPM**

■ Integrated Benefits

■ Medical-only Benefits

*PMPM = per member per month

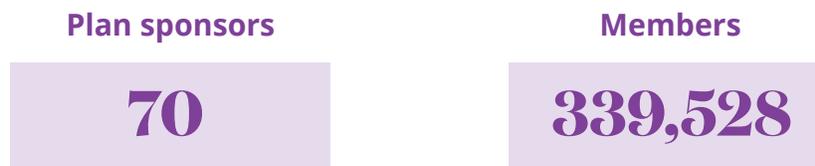
⁷ Comorbidity of Depression with Physical Disorders: Research and Clinical Implications <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4406996/>, Published April 2015, Accessed November 2018

Integrated pharmacy cost savings are immediate

In addition to looking at cost trends over time, we examined the immediate effect of switching from medical only to a benefits carrier with integrated pharmacy.

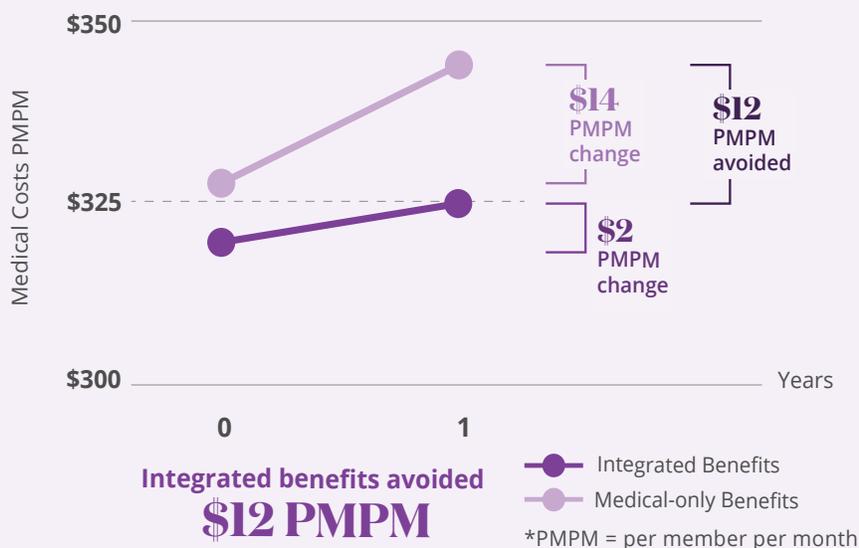
To do this, our analysts identified a group of plan sponsors who added pharmacy to their medical plan for at least one year following at least one year without integrated pharmacy. We compared this group to plan sponsors who had medical only during the study period.

Findings include data from:



After adjusting for age, gender, locality, retrospective risk and percentage of member cost share, the group that added pharmacy showed significant cost savings in the first year. The integrated group experienced cost growth at a rate of 0.6 percent compared with 4.2 percent for the medical only group.

Cost savings are immediate in the first year after adding pharmacy





Putting the power of integration into perspective

The data sharing available with integrating pharmacy and medical provides the opportunity to rapidly identify at-risk members and engage them in care management. Our evidence shows that helping these members better manage their chronic conditions has a significant impact on the total cost of care over time. To put that into perspective, plan sponsors who opt to separate medical and pharmacy coverage would need to receive a 22 percent reduction in pharmacy costs to achieve the cost containment of an integrated plan.

“ Integrated medical and pharmacy plans provide great value in understanding total health in real time. A trusted integrated provider is better positioned to impact holistic well-being, advocate for members, and coordinate a clear path to care. The result is safer, higher quality care and cost containment. ”

- Harold L. Paz, M.D., M.S., Aetna Executive Vice President and Chief Medical Officer

Aetna is a leader in the industry in outcomes-based contracting for pharmacy. As we look to the future, we're already anticipating the integration of wearable devices and other advances that will shape care delivery and enhance our ability to improve health and contain costs.



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