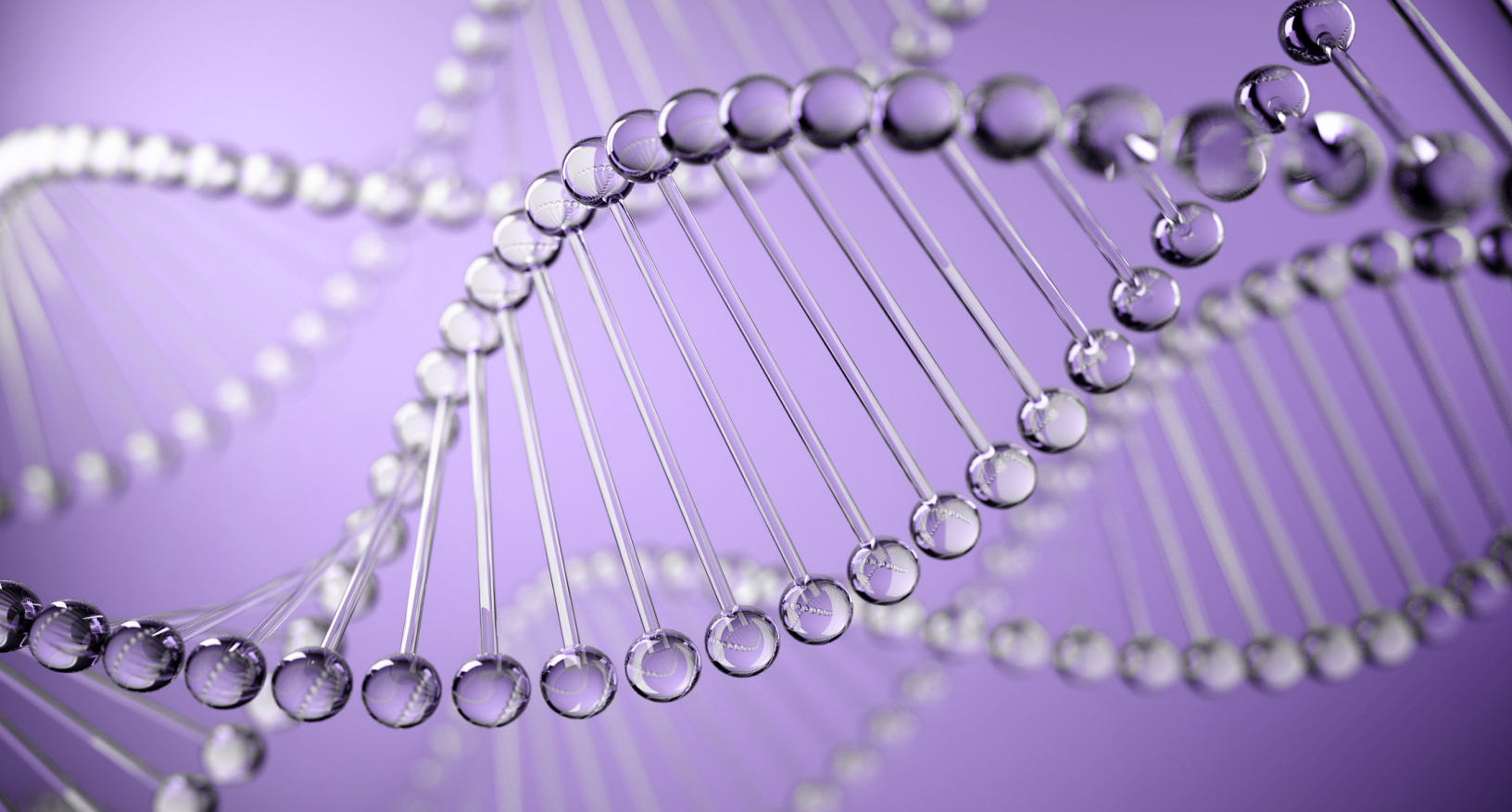




How medical and pharmacy benefit integration drives savings

A study from CarelonRx focused on members with specialty conditions¹





Rising specialty drug trends and the components driving them

Thanks to advancements in technology, specialty drugs can offer the most effective — and sometimes only — treatment for complex, chronic illnesses such as cancer, rheumatoid arthritis, and multiple sclerosis. CarelonRx recently conducted a specialty value of integration study, to better understand how our integrated approach to specialty drug management can enhance existing medical and pharmacy benefits for better whole-health care, improved clinical outcomes, and controlled costs.

From Crohn's disease to cancer, there is a vast amount of new specialty drugs in the development pipeline that will remain a focus as health plans continue to look for ways to manage costs.

Though members taking specialty medications make up a small percentage of our overall member population, they account for the highest spend because of the cost of the treatments and management they need. These members account for an ever-growing share of drug cost and trend.

3.2%

of members on a specialty medication²

60.2%

of total drug spend is specialty medication²
(medical + pharmacy)

Taking a holistic approach

By integrating medical and pharmacy benefits with our whole-health approach we can positively impact a person's quality of life. Benefits include:

- Reduction in utilization of drugs at high cost setting
- Reduction in treatment costs, such as lower costs for chronic conditions
- A higher percentage of care gaps closed
- Clinical alignment across medical and pharmacy, allowing us to better manage our members' total benefits
- Improved member and provider experiences
- Better outcomes driven by member advocacy tools and clinical programs

The long-term effects of *not* integrating benefits

Members with specialty conditions typically have high drug costs. In addition, approximately 83%² of members who take specialty medications have other conditions they are managing, also known as comorbid conditions. This may affect their whole health with the worsening of their other chronic and complex medical conditions. That's why it is so important to focus on the long-term, whole-health needs of our members who take specialty medications across medical and pharmacy benefits.

While it may seem financially beneficial for clients to not integrate medical, pharmacy, and specifically specialty pharmacy benefits in the short term, it can be more costly in the long run. That's because there are long-term financial impacts in other areas, such as:

- **Comorbidities** — Among the most prevalent costly chronic medical conditions, those with integrated benefits experienced medical savings compared to those who did not for several conditions, such as:
 - Hypertension – \$3.50 per member per month²
 - Diabetes – \$5 per member per month²
 - Obesity – \$8.83 per member per month²
- **Fragmented patient care** — Having multiple providers may be necessary to treat complex specialty conditions, making the coordination between medical and pharmacy benefits even more important for the member. By creating a more seamless, integrated member experience, we can enhance outcomes and provide savings opportunities, as seen in the value of integration study.
- **The magnitude of increased hospitalizations, ER visits, and urgent care claims** — Inpatient services make up the highest cost for healthcare expenditures. If left unmanaged, this will result in:
 - \$434 billion spent on inpatient expenditures.³
 - \$47.3 billion spent on ER expenditures, with 18.5 million ER visits resulting in hospital admissions.³



The value of integration study

We recently conducted a study to measure cost savings and clinical outcomes for members with integrated benefits. The goal was to compare:

- Cost per member in total
- Cost per member by treatment setting
- Utilization across sites of care
- Key quality performance indicators, such as gap in care closure between members with at least one specialty condition

This allowed us to closely examine the differences for members with a specialty condition(s) who have integrated medical and pharmacy benefits versus members with a specialty condition(s) with medical-only benefits.

Our study included more than 40,000 commercial members⁴ with 24 months of continuous enrollment from January 2020 to December 2021. These members had at least one specialty medical condition.⁵

Members in each group were equally matched for the following characteristics:

- Age and gender
- Risk score
- Specialty conditions
- Most frequent or most costly chronic (non-specialty) conditions
- Plan type
- Participation in Site of Care programs (Y/N)
- Use of specialty condition-related service on the medical side (Y/N)
- Residence in one of the states we serve (Y/N) to normalize demographic and comorbidity differences

These characteristics were compiled to reduce bias and to make the groups as equivalent as possible. A baseline period (2020) was used to identify the members in the two groups, and medical outcomes were determined during an evaluation period (2021).



Key findings

The data shows significant improvement for the integrated group. The numbers below indicate major reductions in overall medical costs, inpatient costs, and outpatient costs. This includes:

Cost savings — By integrating benefits, our clients can save:

Over \$100

in all-cause medical spending, per member per month.

Over \$66

in inpatient spending, per member per month.

Over \$50

in outpatient spending, per member per month.

Inpatient utilization reduction — our clients can save:

6%

which is driven by greater adherence, disease management, case management, and participation in clinical programs.

Results of the study

The study was comprised of two groups of members with specialty conditions — those with integrated benefits and those with the medical benefit only. Each group had 41,224 members with an average age of 49 years and a risk score of 4.8. Members with a specialty condition, and utilizing specialty drugs under the medical benefit, were also evaluated for Site of Care utilization.

Members with integrated benefits taking specialty drugs under the pharmacy benefit had:

Reduction in inpatient utilization	- 6.3%
Shorter inpatient length of stay	- 13.1%
Overall lower medical costs	-\$105 per member per month
Lower hospitalization costs	-\$70 per member per month
Lower outpatient costs	-\$53 per member per month

For members with integrated benefits taking specialty drugs under the medical benefit, we saw:



Strategies that drive the value of integration

Specialty care is complicated. Members taking specialty drugs need support and options for their ever-changing conditions and lifestyle. That's why we provide integrated, whole-health solutions that can make members' lives a little bit easier. Our strategies to drive value include:

- **Management strategies that start with a clinical-first approach** — Our formulary strategy includes a single pharmacy and therapeutics (P&T) committee that works across both medical and pharmacy to align drug choices. We use evidence-based literature to guide decisions on formulary and management design, which ensures clinically appropriate, cost-effective choices for both medical and pharmacy benefit medications.
- **Robust prior authorization strategies** — Supported by evidence-based treatment guidelines, these strategies align across medical and pharmacy to better streamline the required documentation from providers, which ensures the right labs, as well as diagnoses, and step therapy approaches are being followed. We also offer smart edits that only apply in targeted instances to reduce provider abrasion and deliver value.
- **Fraud, waste, and abuse avoidance programs** — We use these programs to curb high costs, eliminate duplication, and reduce the risk of error.

• **Specialty Condition Management Enhanced** — Complex health conditions often require expensive medications that drive up costs. Our Specialty Condition Management Enhanced solution reaches members who need more support. It provides comprehensive, personalized care for 22 rare conditions, including comorbidity management. Specialty Condition Management Enhanced provides value with:

- High-touch, 1:1 disease-specific nurse engagement.
- Specialized consultation from a medical doctor and advisory board for complex needs.
- Access to a case management nurse for more complex needs.
- Whole-health support, including counseling, financial resources, and respite care.

Cost management

At CarelonRx, we continually look for new opportunities to help manage specialty costs for our members and clients. We make it easy for clients to access customizable, integrated medical and pharmacy reporting tools to optimize cost-saving opportunities. We are equally focused on enhancing our predictive analytics capabilities to improve health outcomes and provide savings. We are also designing a high-touch, targeted, pharmacist-led intervention that will address opportunities for cost management.

Cost Relief

With Cost Relief, our members can access available manufacturer copay assistance program funds through a high-touch enrollment experience. When members enroll in this program, they may pay significantly less for their specialty medicines. This allows us to reduce overall costs for members and clients for certain specialty drugs.

Cost Relief focuses on cost management and member advocacy while ensuring members have access to the medications they need for their whole health.

With Cost Relief:

- Members pay **\$0 out of pocket** once enrolled for virtually all specialty drugs.
- Clients realize **up to \$13 per member per month** on their total specialty pharmacy drug spend.⁷

Integrated savings spotlight: Crohn's disease

We studied the costs of members with Crohn's disease who have integrated medical and pharmacy benefits compared to those without.

The results:

Over **\$200** per member per month savings in medical spending.

The cause:

4.4% lower ER visits and **19.4%** fewer hospital admissions.⁶

The effect:

Being better managed and more controlled with their condition, through an integrated, whole-health approach.

Site of Care

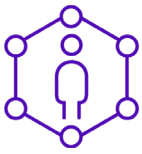
Our Site of Care program steers members to the appropriate site of care, which may include lower-cost sites such as at home, in an infusion center, or at a doctor's office. This helps us ensure members are receiving the right access to quality care at the lowest possible cost setting.

Right drug, right channel

We want our members to get the most improved health and quality of life from these drugs, which is why cost management has to be balanced with ensuring the member has access to the right drug at the right time. This starts with covering treatments under the most clinically appropriate benefit — medical or pharmacy — to help our members achieve optimal health outcomes at the lowest possible cost. This helps avoid unnecessary administration costs, which can come when a treatment is billed under the wrong benefit.

Integrated benefits are more than a convenience

As our findings suggest, integrated medical and pharmacy benefits help create a seamless member experience that is associated with lower medical costs, fewer hospitalizations and gaps in care, reduced adverse events, and improved quality of life for members.



It is also widely suggested that combined medical and pharmacy data can increase the accuracy of a disease diagnosis by reducing false negatives and more accurately compiling risk scores used to identify members with care gaps. This allows for earlier targeting and interventions to close these gaps.

At CarelonRx, we're passionate about benefits that improve the whole health of members, which is why our integrated approach is unmatched in the industry. We want to help members and clients think differently, keep members at the center of decision-making, and maximize the value of personalized pharmacy care. Integration and closing care gaps are the first steps to controlling pharmacy costs, while also lowering both hospitalizations and medical costs for everyone.

1 CarelonRx Specialty Conditions Value of Integration (VOI) Study 2022 (formerly known as IngenioRx).

2 CarelonRx Internal Data, 2023 (formerly known as IngenioRx).

3 The Centers for Disease Control and Prevention (CDC): *National Center for Health Statistics – Health Care and Insurance* (accessed December 2022): <https://www.cdc.gov/nchs/fastats/health-care-and-insurance.htm>.

4 The study included 40,000 commercial integrated Anthem and Empire medical and CarelonRx (formerly known as IngenioRx) pharmacy members.

5 Specialty conditions are defined by those indications listed in CarelonRx's Specialty Drug List.

6 CarelonRx internal data, 2021 (formerly known as IngenioRx). Medical savings include primary diagnosis and comorbidities; outcomes are compared to carve-out pharmacy benefit.

7 Net savings after fees for ASO clients. CarelonRx internal data, 2022.