A PROVEN FORMULA FOR BETTER OUTCOMES

The value of pharmacy integration.

EXECUTIVE SUMMARY

At Cigna, we believe that the most effective way to control health care costs and improve overall health is to understand and manage health experiences in their entirety, not just certain aspects of them. Pharmacy benefit integration is a key driver in providing this holistic view.

Applying an integrated pharmacy approach, Cigna delivers an average medical cost savings of $77 per member per year. These savings were validated by a study using integrated medical and pharmacy plan data and a proven, reliable methodology.

Insights achieved from integrated pharmacy, medical, behavioral and disability benefits enable proactive identification of critical health engagement opportunities to optimize care coordination and help avoid unnecessary health care events. The result is better clinical outcomes and improved plan affordability.
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Background

Growing health care spend and the components driving it

There’s no denying the numbers. Health care cost pressures persist for employers.

› Medical costs for active and pre-65 retirees before employee cost-sharing are projected to increase 5% in 2016. Pharmacy costs alone are projected to increase 10% in 2016, driven largely by specialty medications.²

› 24% of total health care costs were attributed to pharmacy spend in 2015.³

› Specialty pharmacy is expected to be 40% of pharmacy spend by 2020⁴ (versus conventional drug spend for average employer).

These increases are driven by a variety of complex factors, including economic and socioeconomic forces, such as:

› An aging population

› Increased demand for health care services, as a result of health care reform

› Costly specialty medications used to treat complex medical conditions like cancer, multiple sclerosis and hepatitis C

Fragmented health care delivery and diverse delivery models add yet another layer of complexity in controlling these ever-rising costs. When health care benefits are segregated, cross-program health engagement opportunities are missed, and customer support is disjointed. Additionally, maximizing the information and the efforts of all stakeholders can’t be realized to their full potential.
UNCOVERING THE FINANCIAL VALUE OF INTEGRATION

Delivering results: A 2015 study proves value of an integrated medical and pharmacy plan

The advantages of integration are clear and so are the results: Cigna clients save an average of $77 per member per year (PMPY) in medical cost savings when plans are integrated. Medical cost savings were realized from chronic health coaching, specialty prescription management and overall utilization/medical case management.

$77 PMPY medical savings potential

<table>
<thead>
<tr>
<th>Chronic condition and health coaching</th>
<th>Customers with specialty conditions</th>
<th>Other (e.g., medical management)</th>
</tr>
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<tbody>
<tr>
<td>$24 PMPY saved(^1)</td>
<td>$31 PMPY saved(^2)</td>
<td>$22 PMPY saved(^3)</td>
</tr>
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Savings are greater for customers who need help the most.

<table>
<thead>
<tr>
<th>$320 PMPY for those with a chronic condition who interacted with a coach(^1)</th>
<th>$740 PMPY for those with diabetes who interacted with a coach(^1)</th>
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<tr>
<td>$740 PMPY for those with diabetes who interacted with a coach(^1)</td>
<td>$740 PMPY for those with diabetes who interacted with a coach(^1)</td>
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<tr>
<td>- 11.7% lower inpatient stays(^1)</td>
<td>- 4.7% lower ER visits(^1)</td>
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Study: Carving in pharmacy drives better cost-savings

To better understand the impact of an integrated pharmacy benefit on overall medical costs, Cigna conducted a reliable, repeatable study that leveraged a strong methodology. The study involved a retrospective, matched case-control evaluation, comparing medical costs in 2014 of 2.1 million Cigna medical and pharmacy customers versus those with Cigna medical and a carve-out, external pharmacy.¹

The sampling methodology is based on more than 30 years of research by Harvard and University of Pennsylvania professors, and approved by a prominent national consulting organization.⁵ To ensure that the study findings were not biased, the matching ran many iterations to validate the findings. We identified the carve-in population, then matched it to the carve-out population and accounted for demographic, geographic, cost, acuity and program differences in comparison groups.

This gave roughly a 1:4 ratio of Cigna medical and pharmacy customers to carve-out customers, increasing the odds of finding a match for more of the Cigna pharmacy population, and increasing the credibility and generalizability of the study findings.

All samples came back positive for the combined medical and pharmacy plans.¹

The results from 35 samples ranged from $48 to $118, with an average of $77 PMPY medical cost savings.¹

When clients adopt additional integrated programs such as disease, condition, and specialty medication management, greater engagement can be achieved which may result in greater medical cost savings – $77 PMPY is only the mean and median savings potential.

<table>
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<tr>
<th>Number of samples</th>
<th>PMPY savings</th>
<th>PMPY medical savings of 35 distinct samples</th>
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<tbody>
<tr>
<td>1</td>
<td>$40</td>
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<tr>
<td>3</td>
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<td>9</td>
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All of the 35 samples came back positive for combined medical and pharmacy plans. Findings ranged from $48 to $118, with $77 being the mean and median.¹
Engaging at the right times, in the right ways

Cigna focuses on engaging people with the most significant and immediate health care needs – right when they need it, and in ways they prefer. This is critical to improving outcomes and reducing costs. And this is what makes our approach to pharmacy benefit management different.

Cigna’s approach supports improved outcomes through connectivity and stakeholder collaboration – an approach that may not be attainable when pharmacy benefits are carved out, even if a pharmacy claim data feed is shared. We have millions of customer interactions driven by the pharmacy benefit. Interactions like pharmacy clinical counseling, filling home delivery prescriptions, and customer service calls create a significant opportunity to drive meaningful engagement in medical health and coaching programs.

When benefits are managed separately, crucial opportunities to engage customers are missed. Our connected care model connects the right people, processes and technology with alignment of incentives and allows us to maximize our interactions with our customers, when they need support the most.

Enabling results with tools that expand insights and turn integrated data into action

To understand a person’s health care needs, Cigna’s integrated technology and holistic health insights help ensure everyone involved in delivering health care has timely access to information that optimizes every customer interaction.

- Detailed, immediate claim data across medical, pharmacy and behavioral
- Lab results and values that provide insight to current health status
- Immediate insight into eligible health coaching programs, engagement opportunities, engagement status, interactions, correspondence received and call notes from previous interactions
- Information on interests, needs and preferences to guide relevant engagement that meets customers where they are
A person’s score is a composite measure of risk, cost, opportunity, avoidance, behavior change and engagement. The end result is an in-depth assessment of each person’s needs that weighs the most meaningful predictive values in determining the level and type of outreach. Data imported from a third-party (pharmacy benefit manager) PBM typically does not include drug list tiering and cost-share data that would enable identification and action on engagement opportunities as demonstrated by the Health Matters Score.

**HealthEview**

Cigna's HealthEview® clinical platform is used by a multidisciplinary team of 4,000 clinicians across medical, pharmacy and behavioral health. HealthEview is a single resource for immediate, personalized data enabling users to guide customers effectively and much more efficiently than transferring a customer to a third party. Customer interaction is streamlined and health coaching is coordinated so that their whole health journey is addressed.

**Cigna Health Matters Score**

Cigna leverages our proprietary comprehensive predictive modeling tool, the Cigna Health Matters™ Score, to identify health improvement opportunities. Our predictive modeling tool is different in that it incorporates insights about a customer’s personal behaviors and preferences to achieve effective engagement.
Integrated pharmacy engagement model

We capitalize on every interaction with our customers when an opportunity for health coaching exists. We're able to leverage customer touchpoints to create meaningful, personalized interactions when customers are most receptive. We've found that people who are unresponsive to traditional methods of engagement, like by mail or phone, are more receptive to discussing management of their chronic conditions or cost-saving opportunities when they call into our pharmacy customer service for a routine inquiry.⁸ We leverage this moment to engage the customer in opportunities that are specific to them - a conversation that does not exist when pharmacy and medical benefits are not combined. This is yet another example of how our integrated benefit takes customer engagement further than a disjointed benefit plan.

What may appear to be a simple, transactional pharmacy or medical inquiry, Cigna sees as an opportunity to leverage for meaningful engagement and measurable health outcomes. This is an opportunity for an intervention and a personalized conversation about manageable, relevant actions customers can take immediately, like saving money on prescriptions and/or health improvement with one-on-one support from a health coach through lifestyle or chronic condition management programs.

The results are significant.

70% spoke in real time with a health coach about working toward health improvement or health maintenance goals.⁹

91% enrolled in TheraCare⁸ services to help them better understand their specialty condition, medications, side effects and the importance of adherence.⁹
Understanding why integration is imperative for effective specialty pharmacy management

Nowhere is an integrated pharmacy benefit more important than for those customers with medical conditions treated with specialty medications. Specialty conditions are complex and customers with a specialty condition may also have other chronic medical conditions treated with non-specialty drugs. These customers require holistic, connected support – not fragmented, disjointed resources. And because Cigna focuses on total health care costs – site of care, utilization management across benefits and integrated care coordination – we can support better outcomes while we optimize affordability.

Cigna Specialty Pharmacy Services℠ delivers more clinical value and affordability than stand-alone specialty and retail pharmacies

- 21% lower specialty condition-specific medical cost
- 15% lower medical costs (all conditions)
- 9% higher adherence (proportion of days covered)
- 6%-15% higher engagement in medical case management, disease management and specialty pharmacy TheraCare support

Optimal discounts: Our book of business analysis of 2015 claim data shows that the most affordable channel by far is the physician’s office, due to industry-wide buy-and-bill discount advantages. Our national medical specialty drug-contracting approach optimizes these discounts and creates savings for clients and customers.

- National physician fee schedule average medical discount of AWP – 30%

Optimal site of care: Our specialty care options team includes dedicated medical directors and case managers who encourage customers to choose a site of administration that is less expensive when clinically appropriate, while helping them access quality care. We collaborate with treating physicians to evaluate all clinical options, including home care and physician office infusion, and tailor the solution for each customer’s specific needs.

- We helped clients save $51.3M by guiding 788 customers with 65% doctor agreement by changing site of care

Optimal access: Physicians have access to Cigna Specialty Pharmacy Services when they do not stock a medication, and to the entire team of Cigna care management professionals across both pharmacy and medical benefit programs.

Optimal claim cost management: We review claims for dosage and unit accuracy. Our prior authorization processes considers the customer across pharmacy and medical. Specialty pharmacy coverage and clinical guidance is provided by a cross-functional team of medical and pharmacy clinicians.

Optimal engagement: Specialty customers may have multiple health concerns. Our integrated support services and technology allow us to use pharmacy interactions to support customers who have chronic and complex conditions. Specialty pharmacy and medical clinical resources use a single platform (HealthEview) and work together in real time to address a customer’s needs, whether those needs are related to a specialty condition or other comorbidities and risks.

Optimal reporting: Clients get one view into all specialty spend (medical and pharmacy benefit) and receive the expert consultative services to pinpoint opportunities to manage the total cost of care across medical and pharmacy benefits.
Transforming the historical Pharmacy Benefit Manager view through key stakeholder incentive alignment

Cigna is taking a transformative approach to pharmacy benefit management to unlock better health and affordability by realigning reimbursement incentives from volume to value across all stakeholders: Doctors, hospitals, pharmaceutical manufacturers and pharmacies.

**Cigna Collaborative Care**

Cigna Collaborative Care (CCC) value-based contracts with doctors and hospitals focus on improving the quality of care delivered to our customers while reducing total medical costs. Approximately 40% of the evidence based metrics used to measure our CCC large physician group’s quality performance are drug related. Our ability to share integrated, actionable data, delivered via comprehensive reporting and a patient dashboard, makes our collaborative care relationships critical to comprehensive customer engagement. Embedded care coordinators, nurses within the practices, use this data to connect the customer to our health improvement programs with doctor and hospital resources. This combination delivers a streamlined, coordinated care experience to Cigna customers – helping to improve engagement and health outcomes.

- Overall, large physician CCC groups with one or more years of experience have delivered a return on investment (ROI) greater than 2:1 – helping to lower total medical cost for all stakeholders.
- One third of our large physician CCC groups active at least one year achieved a trend of 3% or better than market.
- Our top performing group achieved 9% better than market in evidence-based quality performance.
Additional ways we work with doctors to help control potential high-cost claims

Our close relationships and connections with doctors drive additional cost containment programs, including:

- **Complex Psychiatric Case Management**, which provides physicians and psychiatrists with an integrated solution for customers taking multiple psychotropic drugs. The program leverages the integration between Cigna Pharmacy Management® and Cigna Behavioral Health programs, and uses six months of retrospective pharmacy and medical claims data to help identify individuals, and screens for prescription drugs filled in multiple therapeutic classes of psychotropic medications and multiple drugs within a specific class.

  Delivered a 21% total medical cost reduction\(^{15}\)

- **Well Informed Gaps In Care Program**, Cigna’s health care gap closure program, which uses medical, pharmacy, and lab claims data to identify gaps and trigger physician and customer outreach. When benefits and coverage data are leveraged in real time, speed-to-closure is improved as are overall closure rates.

  Resulted in 8.5% greater rate of gaps in care closure for integrated customers\(^{16}\)

- **Narcotics Therapy Management** uses pharmacy claims to notify physicians when there is a risk of overuse of narcotic medications. Physicians are notified based on real-time medical and pharmacy claims data, which provides the full view of a customer’s utilization behavior and potential high risks associated with taking more than one medication.

  Because we have access to medical diagnosis information, we can identify customers who necessitate a physician notification. For example, we do not notify physicians about customers who, for clinical reasons, should be on multiple narcotic medications. Also, when medical and pharmacy benefits are integrated, we can measure the reduction in hospital ER admits as a result of proactive outreach of this program (43% reduction in average costs for ER visits\(^{13}\)).

  Our experience managing behavioral health is leveraged to educate physicians and supply guidance on how to speak to customers about potential drug abuse issues. Our Narcotic Therapy Management program is part of our broader work to combat the opioid epidemic. In addition to close monitoring of integrated data to flag potential misuse issues and alerting physicians, Cigna is exploring new ways to address opioid abuse. We are examining new analytical techniques of integrated claim data to identify customers at greatest risk and increasing communications to prescribing physicians about Cigna pharmacy, medical and/or behavioral resources available.

  Delivered 30% total medical cost reduction\(^{13}\)
Value-based contracts with drug manufacturers

Cigna is working to transform reimbursement from “volume” to “value” with doctors, hospitals, pharmacies and pharmaceutical manufacturers to help lower drug costs and total health care costs. Given the large price tag of certain new biologics and other medications, we are driving to shift the paradigm with pharmaceutical manufacturers by focusing on strategies and contracts that help ensure value is being delivered – in other words, how well the drug improves the relative health of Cigna’s customers.

We negotiate with pharmaceutical manufacturers aggressively on unit cost. We entered into select value-based agreements with certain pharmaceutical manufacturers where we hold the pharmaceutical manufacturers accountable for their drugs’ performance in the real world against the product claims they make. A goal of these contracts is to ensure that if a drug does not perform as claimed the manufacturer must provide additional discounts to reflect the drug’s delivery of value against those claims. These contracts also drive more comprehensive insights on clinical and financial outcomes to improve future decision making on formulary, utilization management and contracting strategies.

This change in approach with pharmaceutical manufacturers is long overdue. Our contracts are forged on the shared belief that the real-world performance of drugs should improve outcomes and control cost in the long term. These contracts help ensure drugs offer a cost and/or outcome value for Cigna customers.

› Merck - Januvia®/Janumet® (diabetes)
› EMD Serono - Rebif® (multiple sclerosis)
› Gilead Sciences - Harvoni® (hepatitis C)
› Novartis - Entresto™ (heart failure)
› Amgen - Repatha™ (high cholesterol)
› Sanofi/Regeneron - Praluent® (high cholesterol)
CONCLUSION

Optimal engagement cannot be achieved through a third-party’s pharmacy claim data feed. When Cigna’s programs and services are working together, the result is more opportunities for engagement. Here’s why a data feed just isn’t enough.

**You don’t get:** Holistic risk identification and coaching for medical, pharmacy and/or behavioral opportunities

- Medication gap coaching where cost is the barrier – through a carve-out PBM’s feed, we cannot recommend medication alternatives because we have limited data on the customer’s pharmacy benefit structure and formulary
- Connected pharmacy and medical touchpoints “catch” at-risk customers when they call pharmacy customer service. With integration, we can address a customer’s pharmacy need and refer them to medical health coaching (which can include behavioral coaching) and TheraCare if needed (11–12 times higher engagement than traditional outbound calls9)
- Specialty therapy management services’ care management approach connects Cigna’s medical coaches, specialty pharmacy fulfillment teams and TheraCare coaches so that everyone involved in care delivery has a complete view of medications used by the customer under both the medical and pharmacy benefits
- Disability case managers who connect to our pharmacy resources for medication coaching, resulting in shorter duration in disability absence (10% shorter for those in integrated plans16)

**You don’t get:** Cohesive, seamless, service for customers

- Integrated clinical operations and service teams who use one clinical platform (HealthEview) to guide customers to medical services and personalized coaching quickly
- Less frustration for the patient and doctor because with combined medical and pharmacy data we can evaluate patient medical history during pharmacy claim adjudication, and process prior authorizations at point of sale and provide quicker access to medications

**You don’t get:** Insight into savings opportunities for the customer

- Insight into financial or benefit data to enable real-time medication savings discussions and assistance during clinical health coaching
- Patient-specific data feed to physician portal to alert physicians about covered, lower cost medication alternatives for our customers within a collaborative care setting
The advantages of pharmacy integration go well beyond the convenience of a combined ID card, one online resource and a single point of contact. As valuable as these efficiencies are to plan sponsors and customers, the most meaningful value lies in the strategic use of a comprehensive understanding of the customer’s health journey.

Cigna focuses on what causes the demand for drugs, not just the unit cost of drugs. This is proven in our continued strategies to connect closely with doctors and pharmaceutical manufacturers, as well as our innovative approach to clinical management and close monitoring of a customer’s health goals and progress through HealthEview.

From personalized customer engagement at the best time for the most critical needs, to real-time care management that breaks down old benefit barriers, to insights that extend engagement opportunities to networks and pharmaceutical manufacturers, the most important aspect of integration is the power of understanding that comes when the full picture of a person’s health is considered. This understanding fuels strategies that focus on total outcome improvement as the optimal result – not simply drug-specific results.

Cigna has a proven approach to deliver the value of an integrated, connected benefit to our clients and customers alike. We have the right people, right solutions and right timing to support our customers, wherever they are in their health care journey.

To learn more about the value of pharmacy integration, contact your Cigna sales representative.
Sources:

1. 2015 Cigna National Study of Value of Integration, analysis of clients with a combined medical and pharmacy plan vs. clients with Cigna medical and outside Pharmacy Benefit Manager using full year 2014 book of business average medical savings. Individual client/customer results will vary and are not guaranteed.


7. Cigna’s employed clinicians across pharmacy and medical business, 2015. Subject to change.

8. Based on a Cigna 2015 study of a large national account showing 86% of the total savings opportunity of customers calling Cigna Home Delivery Pharmacy in Q2 2014 was associated with the customer’s medical plan costs. Results may vary by client and based on benefit structure.


10. Aggregate book of business analysis of discount of AWP, -30%, under the medical benefit achieved through the national injectable and immunization fee schedule (NIIFS), full-year 2015.


13. Cigna internal analysis of Cigna Collaborative Care, Large Group annual results for 2014 (2015). ROI Methodology = (Total Savings-Total CCF Costs)/Total CCF Costs. Reflects performance since inception of groups, with experience of one or more years.

14. Cigna Collaborative Care, Large Group annual results for 2014 versus market average (2015). Comparisons to “market” are established using Cigna internal claims data. “Quality” is based on compliance with evidence-based medicine guidelines.

15. 2015 Cigna National Book of Business, control group study of integrated versus carve-out clients. Closure rate of 42.2% for customers with Cigna Pharmacy versus 38.9% for those without Cigna Pharmacy.

16. Cigna nationwide analysis, 56.3 days versus 62.1 days — clients with Cigna disability, medical and pharmacy versus clients with a carve-out PBM, 2013.

Together, all the way.

All statistics are used for illustrative purposes only; individual customer/client results will vary and are not guaranteed. Product availability may vary by location and plan type and is subject to change. All group health insurance policies and health benefit plans contain exclusions and limitations. For costs and complete details of coverage, contact your Cigna sales representative.