

Leveraging Pharmacy Data to Improve Total Cost of Care

By Yomi Ajao, Senior Vice President, and Elizabeth Boyer, Analyst

Earlier this year, the Centers for Medicare & Medicaid Services (CMS) announced a new payment model for the catastrophic phase of the Part D Medicare benefit. Under this new model, CMS aims to reduce total spend on prescription drugs by incentivizing health plans, patients, pharmacy benefit managers (PBMs) and providers to choose drugs with lower prices. The rising cost of prescription drugs has been a major concern; the public, government officials and health care leaders have emphasized the need for solutions that both combat the rising costs of prescription drugs and reduce the share covered by patients out-of-pocket.

CMS' decision to push prescription drugs toward value is an exciting and large step forward, presenting a compelling opportunity for organizations to leverage data to reduce the overall cost of care and improve patient outcomes. Value-based payment models are crucial for health care to increase quality while containing costs.

The Opportunity

Organizations across the industry that administer Part D benefits or provide services to Part D enrollees can benefit from this new model, including health plans, providers, pharmaceutical companies, pharmacy benefit managers and others.

As the health care industry moves towards value-based payment, the focus has been for providers to take on greater accountability in managing costs of medical care. However, the cost of prescription drugs has been carved from the costs of medical care in these value-based payment models. As the models evolve, prescriptions drugs will become an important component. This presents an opportunity for previously excluded stakeholders to take on risk and leverage pharmacy data to consider the downstream impact of prescription drugs on medical spend.

Health plans are increasingly embracing value-based payment models; this will only accelerate as they improve their data analytics capabilities. Analysis of claims data has allowed health plans to lower the cost of care while preserving or improving quality by identifying cost drivers, optimizing their provider networks and viewing their members holistically.

Provider organizations who have embraced the move towards value-based payment are uniquely qualified to succeed in reducing pharmacy spend while improving health outcomes. Providers are best able to manage all components of care – drug prescribing, total medical spend and member engagement in behavioral change required to improve wellness. Robust data analytics tools have highlighted the need to think of care with a holistic, “whole person” approach if providers were to achieve financial stability. This includes incorporating social determinants of health, prevalence of chronic conditions and total cost of care.



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The pharmaceutical industry should welcome this opportunity as a way to get involved in supporting providers' success in value-based payment models and to advocate for the cost-effectiveness of their Part D covered drugs. Pharmaceutical companies can leverage medication outcomes data to demonstrate their products' value in this new risk-based environment. Additionally, the move towards value-based payment for prescriptions drugs incentivizes pharmaceutical companies to develop products that bolster medication adherence, reduce the drug cost per member and improve patient outcomes.

The aim is for all participants to take an active role in engaging Part D enrollees and show their value in a value-based payment model. This includes promoting adherence, helping enrollees understand their medication and including alternatives that may be more cost-accessible or lead to better clinical outcomes. Part D payment incentives will rely heavily on leveraging pharmacy data in tandem with medical data. Aligning pharmacy and medical data presents an opportunity to target areas for improvement and develop novel interventions, care delivery methods or distribution channels to find success in this new model. All organizations should be preparing to demonstrate value in a risk-based environment and examining thoroughly their data analytics capabilities.

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For more information, please contact Yomi Ajao at yajao@copehealthsolutions.com or call 646-793-1873.