CARVE-IN OR CARVE-OUT?

Weighing the advantages and disadvantages of each approach.

When it comes to the underlying administration of their self-funded pharmacy benefit plan, employers and plan sponsors weigh their options between carving-in or carving-out from the medical carrier. While there are perceived advantages and disadvantages to both approaches, there are a few key factors that are worth highlighting and considering.

CARVE-IN: In a pharmacy carve-in plan, the employer or plan sponsor's contract for pharmacy benefits is bundled together as part of one singular agreement with the medical carrier. Subsequently, the medical carrier will utilize a preferred Pharmacy Benefit Manager (PBM) or their wholly owned PBM to administer the pharmacy benefit plan for the employer. Under a carve-in arrangement, there is no direct relationship or contractual arrangement between the employer and the PBM.

CARVE-OUT: In a pharmacy carve-out plan, the employer or plan sponsor removes the pharmacy benefit plan administration away from the medical carrier and contracts directly with a PBM.

VS.

CARVE-IN:

- Integrated medical and pharmacy contract, which places the administrative and management functions with one vendor.
- Opportunities for improved patient experience and coordination of care between the medical and pharmacy plans.
- Streamlined stop-loss insurance.

- Rigid, inflexible plan designs. One-size fits all.
- Integrated contracts which lack transparency and empowerment for the employer or plan sponsor.
  - You don't always own, or have access to, claims detail which hinders the ability to audit the plan's performance.
  - Significant penalties for carving-out the pharmacy benefits.

CARVE-OUT:

- Customizable and flexible plan designs that meet your particular needs.
- Optional clinical programs that can help mitigate or reduce cost trends.
- Direct contract with the PBM drives transparency and accountability.
  - Accessible utilization detail for claims and rebate audits.
  - Market check rights promote accountability with the contracted PBM, which ensures that the current "deal" remains competitive.
- Negotiable implementation credits and performance guarantees.

- Requires that the employer or plan sponsor contract with more than one vendor; medical and pharmacy.
- For plan designs that include combined medical/pharmacy accumulators, file integration is required between the medical carrier and the PBM.
  - Medical carriers are often times reluctant to integrate.

CONSIDERATIONS

If you are interested in switching from a carve-in pharmacy plan to a carve-out plan, here are some important questions to ask:

- Are you concerned with how much you currently spend on pharmacy benefits?
- Are you currently receiving rebates as part of your carve-in pharmacy plan?
- Do you have access to your current pharmacy contract?
- Is your claims detail readily accessible to you?
- When was your last market check/audit with regards to the pharmacy benefit?
- Does your medical carrier charge for carving-out your pharmacy plan?
- Do your current plan design and clinical programs meet your specific needs?

There is no magic bullet to achieve an optimal cost effective pharmacy benefit plan. ProAct, Inc., strives to leverage industry knowledge, trend management, and savings mechanisms to achieve the *Lowest Net Cost* for the client. Ultimately, empowered and well-informed clients make the best **Partners**.

It's your plan.
Take control today.