BENECON

Rx Risk: Pharmacy's Fast-Growing Influence on Self-Funding

Today’s Learning Objectives

Healthcare costs have outpaced wages.

- Identify the major pharmacy cost drivers
- Understand where traditional Pharmacy Benefit Management falls short
- Match problems to targeted strategies
- Ask quality discovery questions with clients

Why Pharmacy Matters Now More Than Ever

Pharmacy is the fastest-growing component of healthcare spend.

- Trend drivers have shifted from traditional brands
  specialty + high volume
  non-specialty brands
- 2025–2026 Rx Trend Range: 8%–14% overall
- GLP-1s for weight loss alone can add upwards of 10% to total pharmacy trend

This is no longer a “manage at the margin” category.

Pharmacy is now a primary financial risk driver.

How Do Rising Drug Costs Impact Renewals?

Aggregate Spend

Utilization continues to increase, driven by non-specialty medication volume

- GLP-1 RAs are a key contributor

Pharmacy costs can be up to 30% of the overall healthcare spend.

- Predominantly specialty drug utilization (50%+ of Rx spend)

Reducing waste is key to mitigating risk

High-Cost Claimants

Medical specialty infusions are a key factor

- Oncology & Immunotherapy

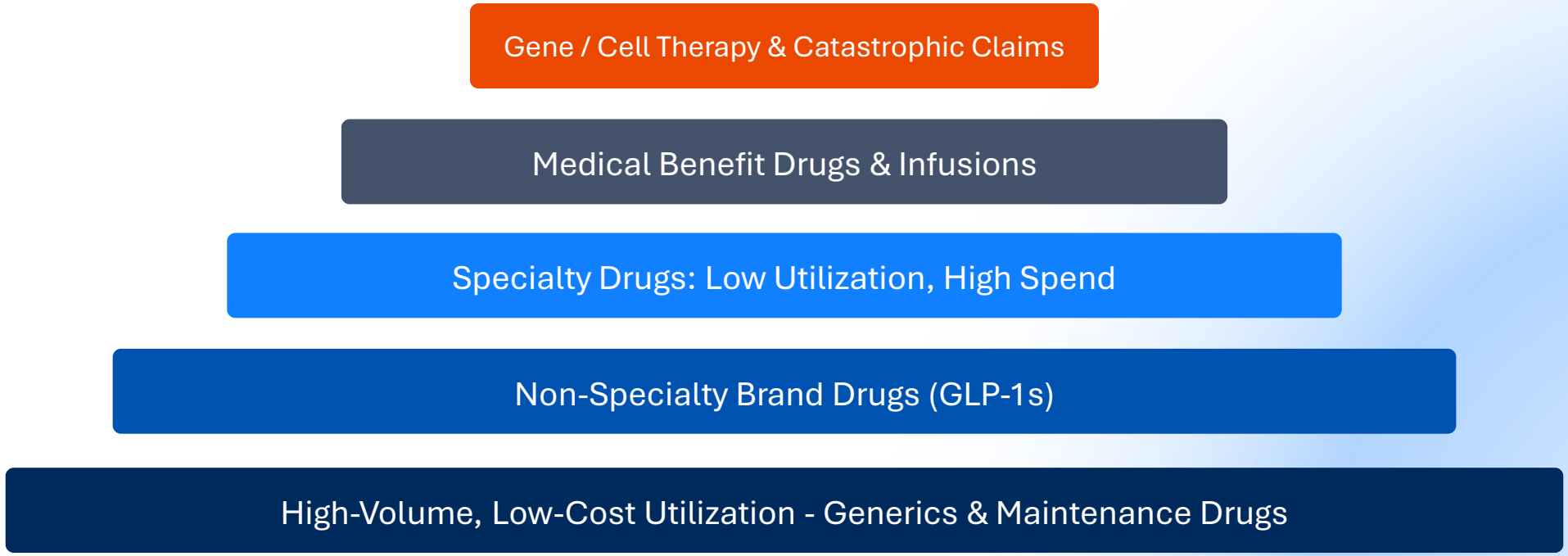
Gene & cell therapies are on the rise

- Innovation for rare diseases are important, but costly – high severity, low frequency

Several oral & self-administered injectables exceed $200k per year in spend

Pharmacy Spend Across Various Categories

Each cost driver behaves differently – & needs a different response



Three Major Payment Channels

The key to diagnosing the opportunity for cost containment

Retail/Mail Order

- High frequency
- Member/Consumer driven
- Common chronic conditions

Specialty Pharmacy

- Low frequency
- High severity
- Complex clinical conditions

Medical Benefit

- J-codes / infusions
- Site-of-care variability
- Often less visible

Increasing unit-cost, risk & complexity

What PBMs Are Built For

- Claims Processing
- Utilization Controls
- Retail Network Access
- Rebate Contracting/Aggregation
- Formulary Management
- Specialty Pharmacy Pathways

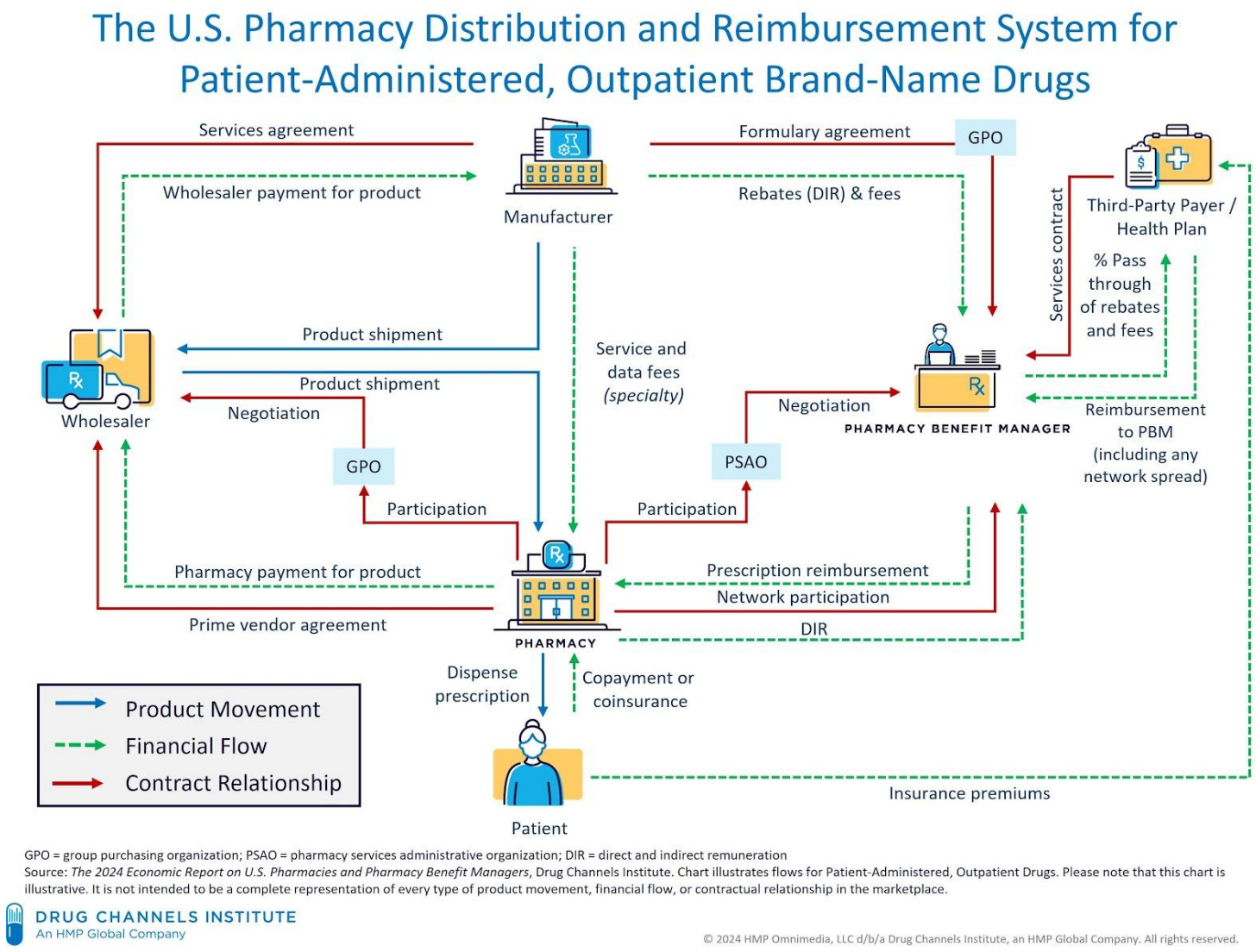
Optimize the PBM foundation first, then look for targeted overlays where the foundation is not enough.

Traditional PBM Blind Spots

- Medical Specialty
- Site-of-Care Decisions
- One-off Catastrophic Claims
- Medication Effectiveness
- Member Access & Adherence

The consultant's opportunity is to ***identify the blind spot***, then ***recommend the right intervention***.

Employer visibility often begins near the end of the chain – **after cost has already been established & settled.**



GPO = group purchasing organization; PSAO = pharmacy services administrative organization; DIR = direct and indirect remuneration

Source: *The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers*, Drug Channels Institute. Chart illustrates flows for Patient-Administered, Outpatient Drugs. Please note that this chart is illustrative. It is not intended to be a complete representation of every type of product movement, financial flow, or contractual relationship in the marketplace.

DRUG CHANNELS INSTITUTE
An HMP Global Company

PBM Management to Targeted Intervention

Benefit Foundation

- Formulary Management
- Pharmacy Network
- Utilization Controls
- PBM Contract Integrity

Strategic Overlays

- Medical Infusion Site of Care
- Alternative Sourcing
- Pharmacogenetics Weight
- Management Plan
- Enrollment Optimization

Measured Impact

- Net Spend
- Risk Reduction
- Member Experience
- Engagement

High Impact Change – Formulary Design

A core plan design lever that you can pull

OPEN

- Most flexibility for patient & physician choice
- No excluded drugs – just copay differentials
- Can layer on Utilization Management (UM) programs to tighten control

Less “Disruption” = Higher Cost

CLOSED

- Drug exclusions in therapeutic categories with several viable treatment options
- Can layer on Utilization Management programs
- Caution with strategy: high rebate or low net cost

More Plan Design Control = Lower Cost

Every medication approved by the FDA does not need to be covered by the benefit.
There are ***highly effective, lower cost options*** for most drug classes available.

Pharmacy Opportunity Decision Tree

If you see...	Ask...	Consider...
Rising specialty trend	Which drugs & members drive it?	Alternative sourcing model
Infusion / J-code claims	Where is care delivered?	Medical infusion site of care program
Catastrophic claims	Is this one-time, or ongoing/chronic therapy?	Plan enrollment optimizer
High utilization of non-preferred drugs	Does the formulary have meaningful cost share differentials &/or exclusions?	Formulary restriction or alternative sourcing model
GLP-1 demand	What clinical guardrails exist?	Weight loss exclusion or clinical support program

Questions You Should Be Asking

- What percentage of pharmacy spend are related to specialty drugs?
- What drug categories are driving trend?
- Is the PBM contract fair & aligned with the client?
- Are savings measured based on gross cost, net cost, or total cost of care?
- How are rebates aggregated & reported?
- How is care coordinated with other parts of the benefit?

  (Medical, Rx, overlays, pharmacy carve-out)
- Can I be notified of approved high-cost drugs in real-time?

Managing Rx Spending While Protecting Access

Cost Control

Control Avoidable Cost

- Optimize site of care
- Review specialty alternatives
- Measure net cost, not just rebates
- Use targeted interventions

Clinical Appropriateness

Support Better Use

- Establish clear coverage criteria
- Pair GLP-1 coverage with clinical expectations
- Address medication failure & duplication in real-time
- Measure outcomes where possible

Member Access

Preserve Appropriate Access

- Avoid surprise disruption
- Communicate plan rules clearly & stand behind them
- Support affordability where possible
- Escalate exceptions thoughtfully

Consulting North Star: “Can we defend this Rx strategy financially, clinically & from the employee experience perspective?”

BENECON

Thank you

K. Nick Miller, PharmD, CPBS

Senior Director, Pharmacy Services

Email
knmiller@benecon.com