Pharmacy Trends, Influencers and Strategies

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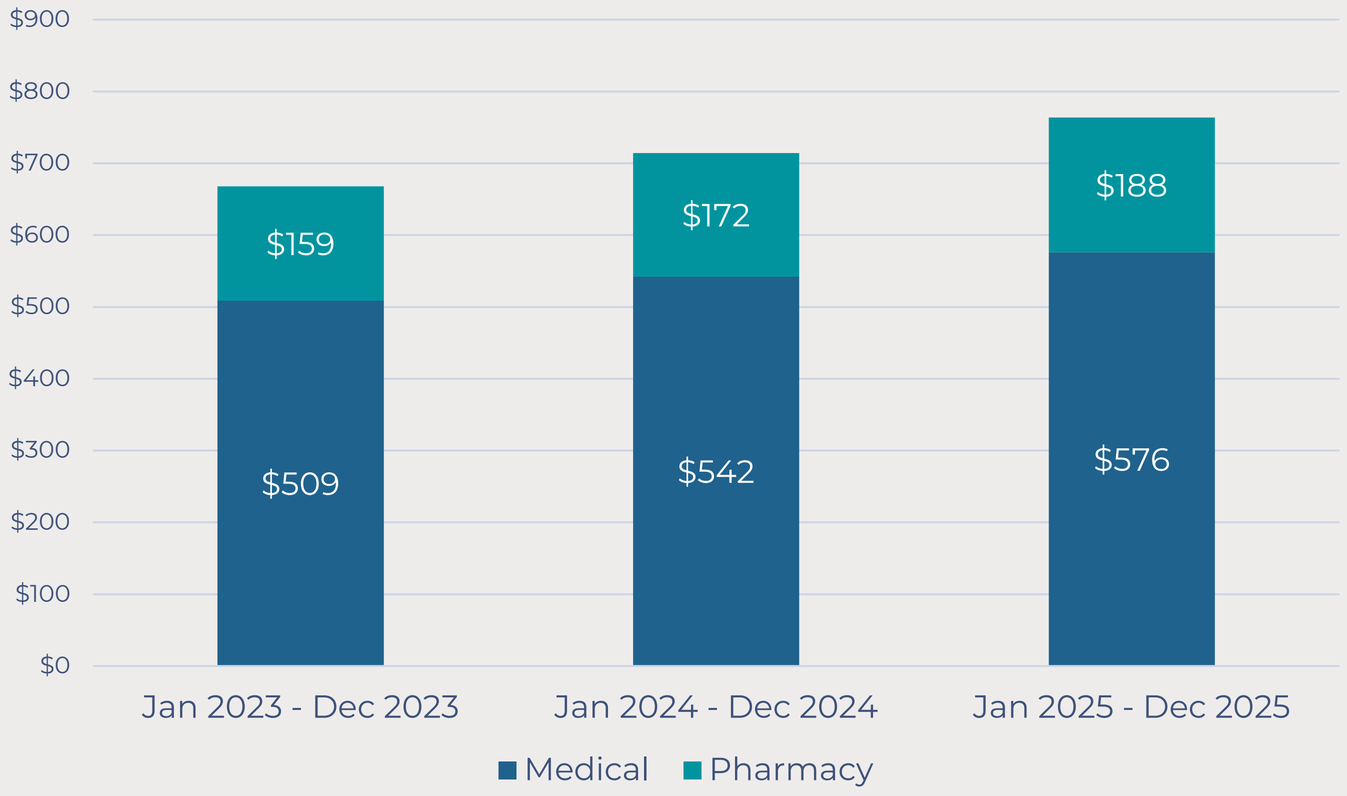
Overall Spend

TOTAL COST PMPM YEAR OVER YEAR



2023 to 2025 trends

- Medical +13%
- Pharmacy +18%

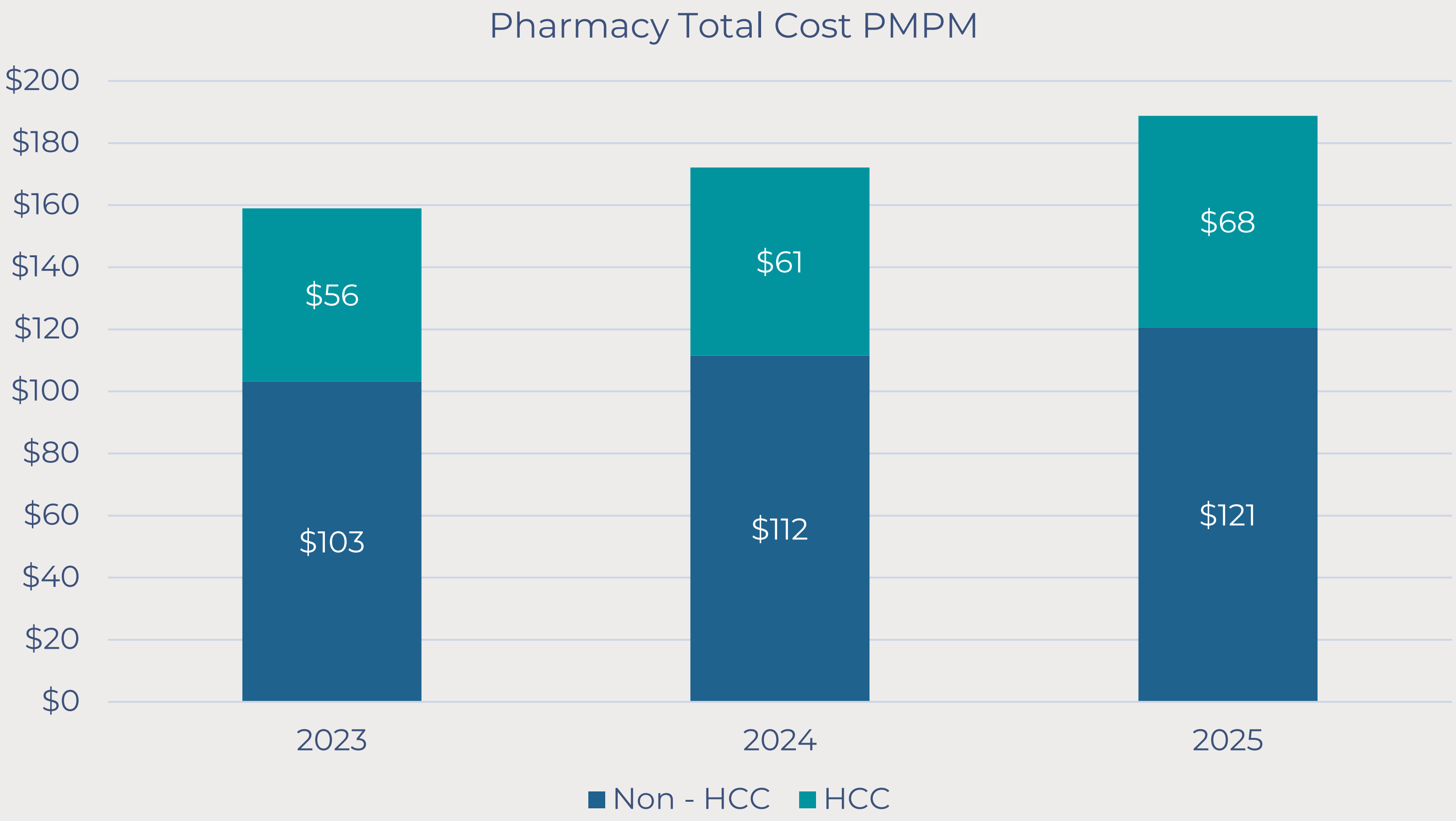
2024 to 2025 trends

- Medical +6%
- Pharmacy +9%

Agenda

- Impact of pharmacy spend on overall healthcare costs
- Trends by brand, generic, and specialty and key cost drivers
- Significant GLP-1 Trends
- PBM comparison
- Medical vs Pharmacy and the Challenge with Jcodes
- Pharmacy Landscape Outlook
- Effective Pharmacy Benefit Manager Oversight
- Long Term Considerations and Strategies

Pharmacy Detail



2023 to 2025 trends

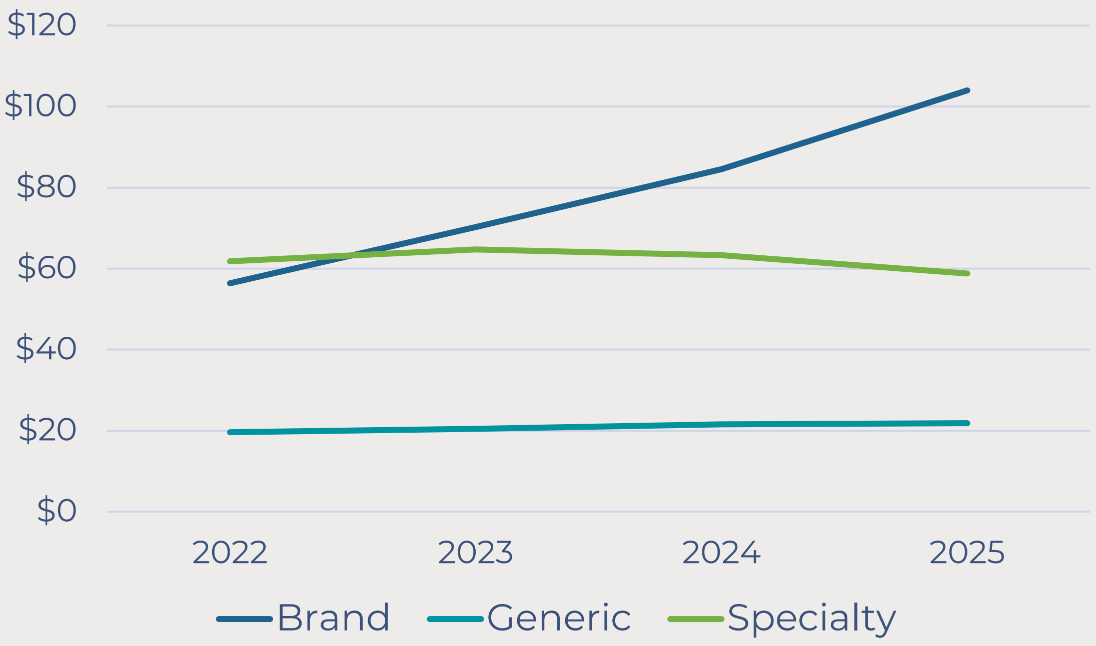
- **Non-HCC spend increased 17%**
- **HCC spend increased 21%**

2024 to 2025 trends

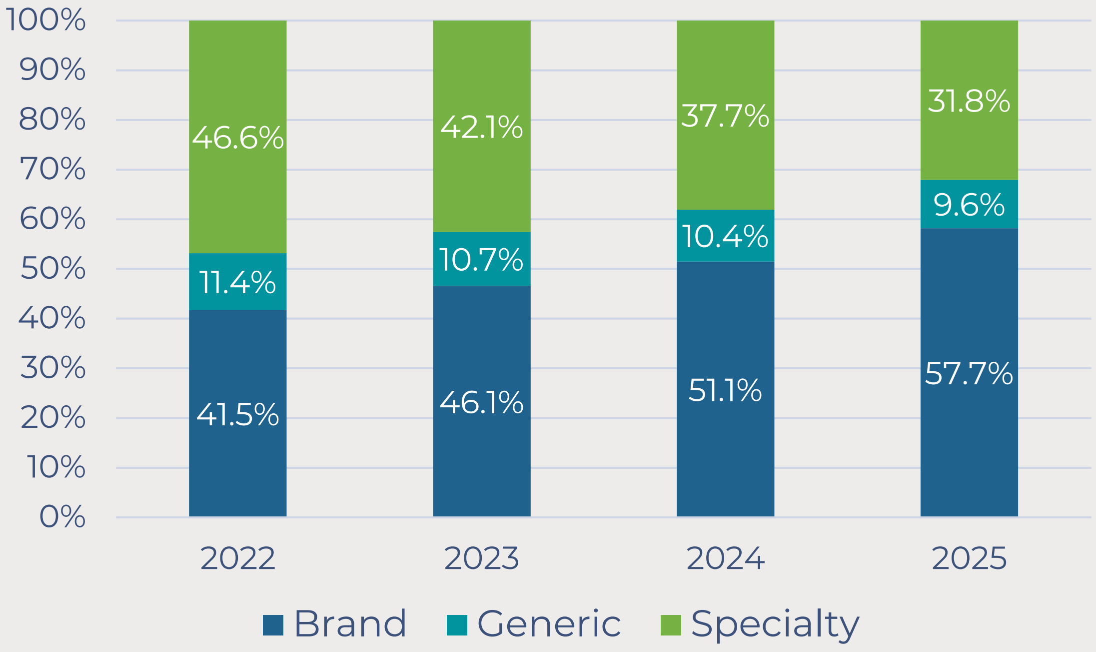
- **Non-HCC spend increased 8%**
- **HCC spend increased 11%**

Drug Type

TOTAL COST PMPM BY DRUG TYPE

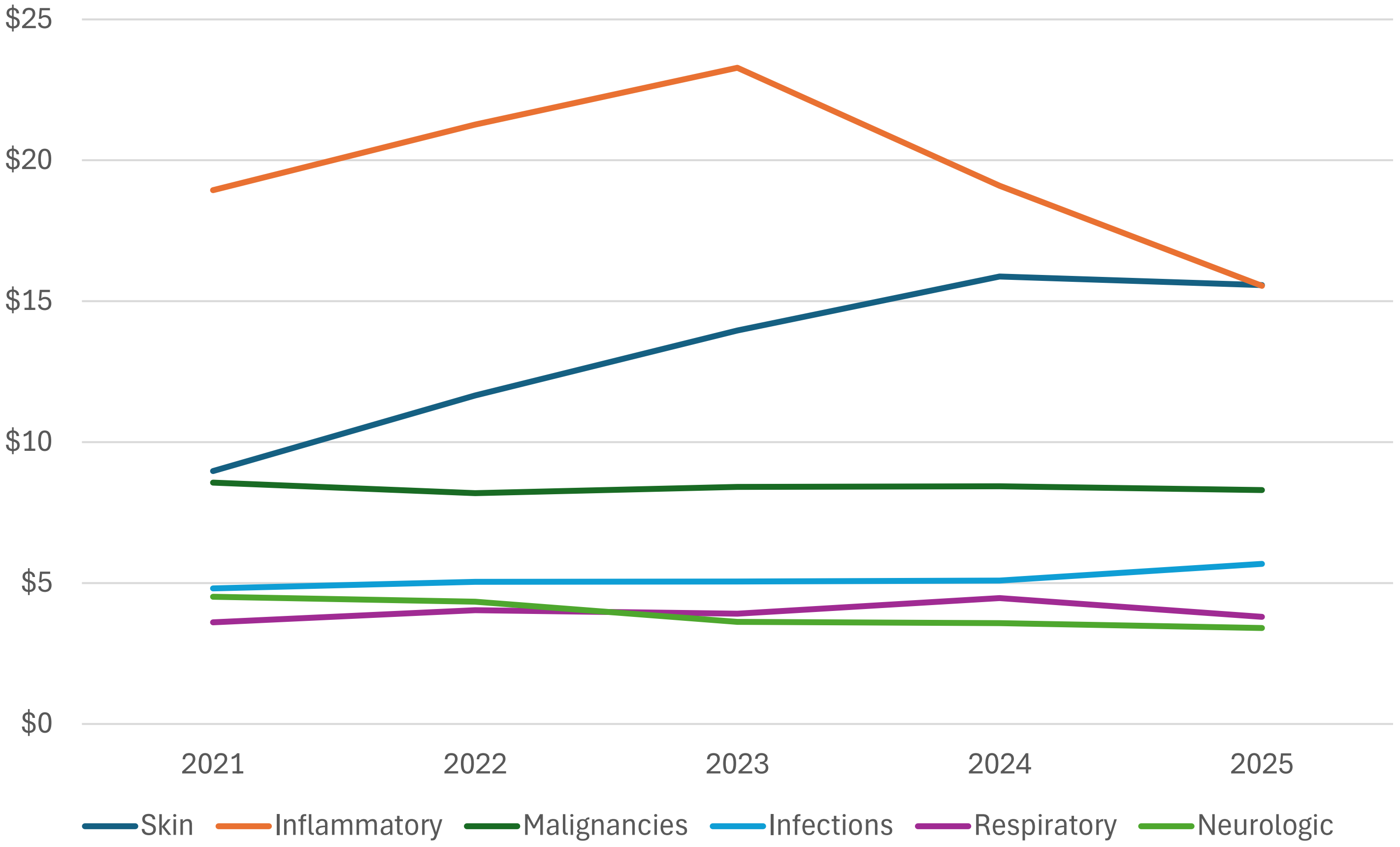


PERCENTAGE OF RX SPEND OVER TIME



Specialty Drug Categories

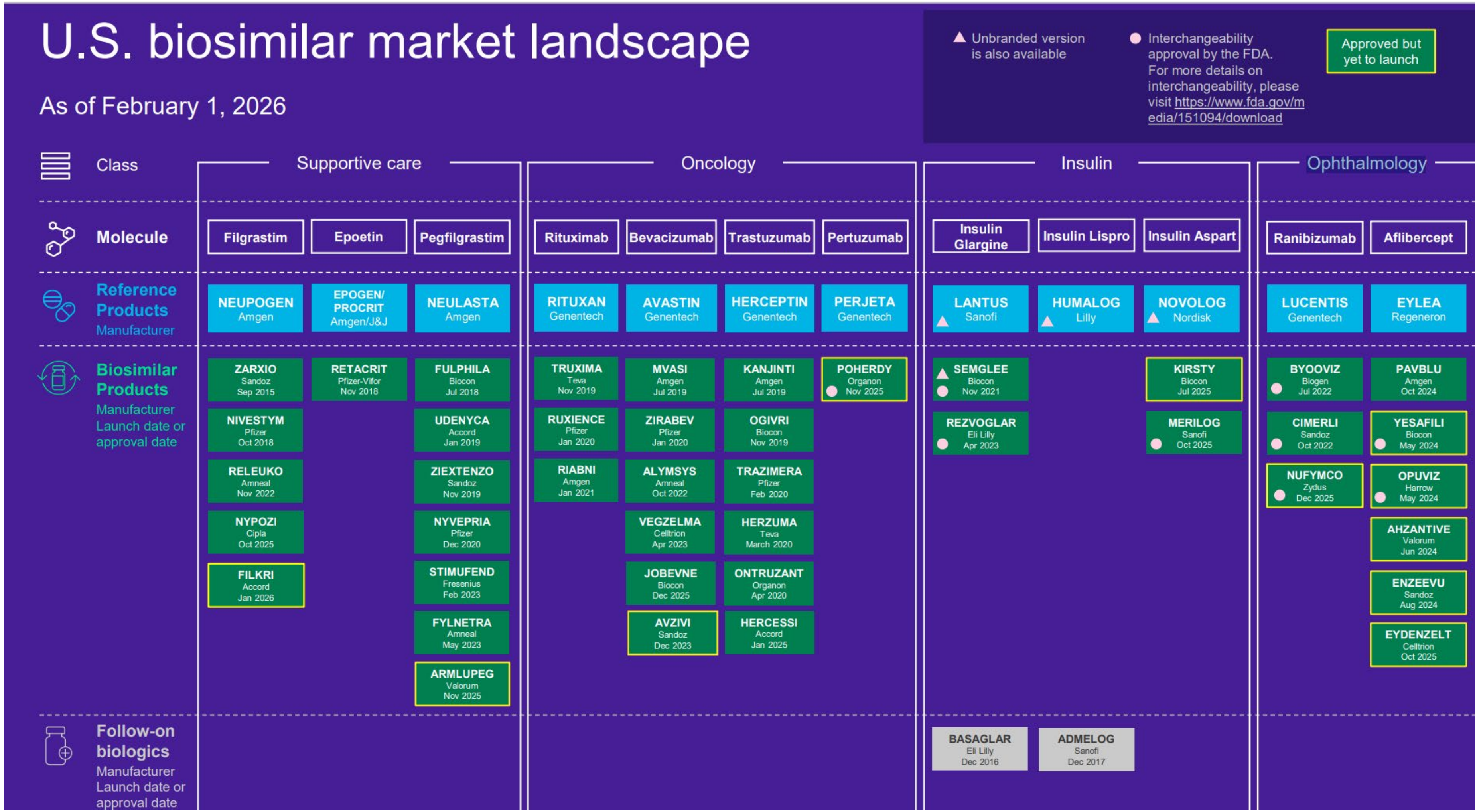
TOP 5 DRUG CATEGORIES BY TOTAL COST PMPM 2025 YEAR OVER YEAR



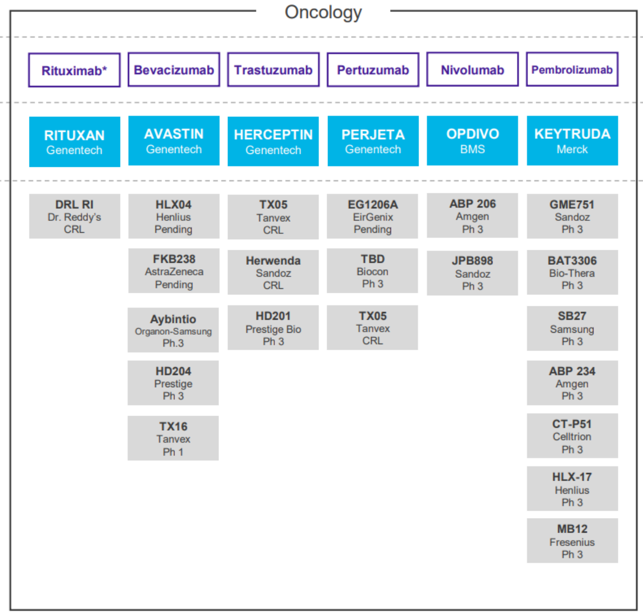
Drivers in Specialty Drug Categories

- **Rheumatoid Arthritis and Other Inflammatory Conditions**
- **Oncology**
- **HIV**
- **Pulmonary**
- **Rare Diseases/Orphan Drugs**

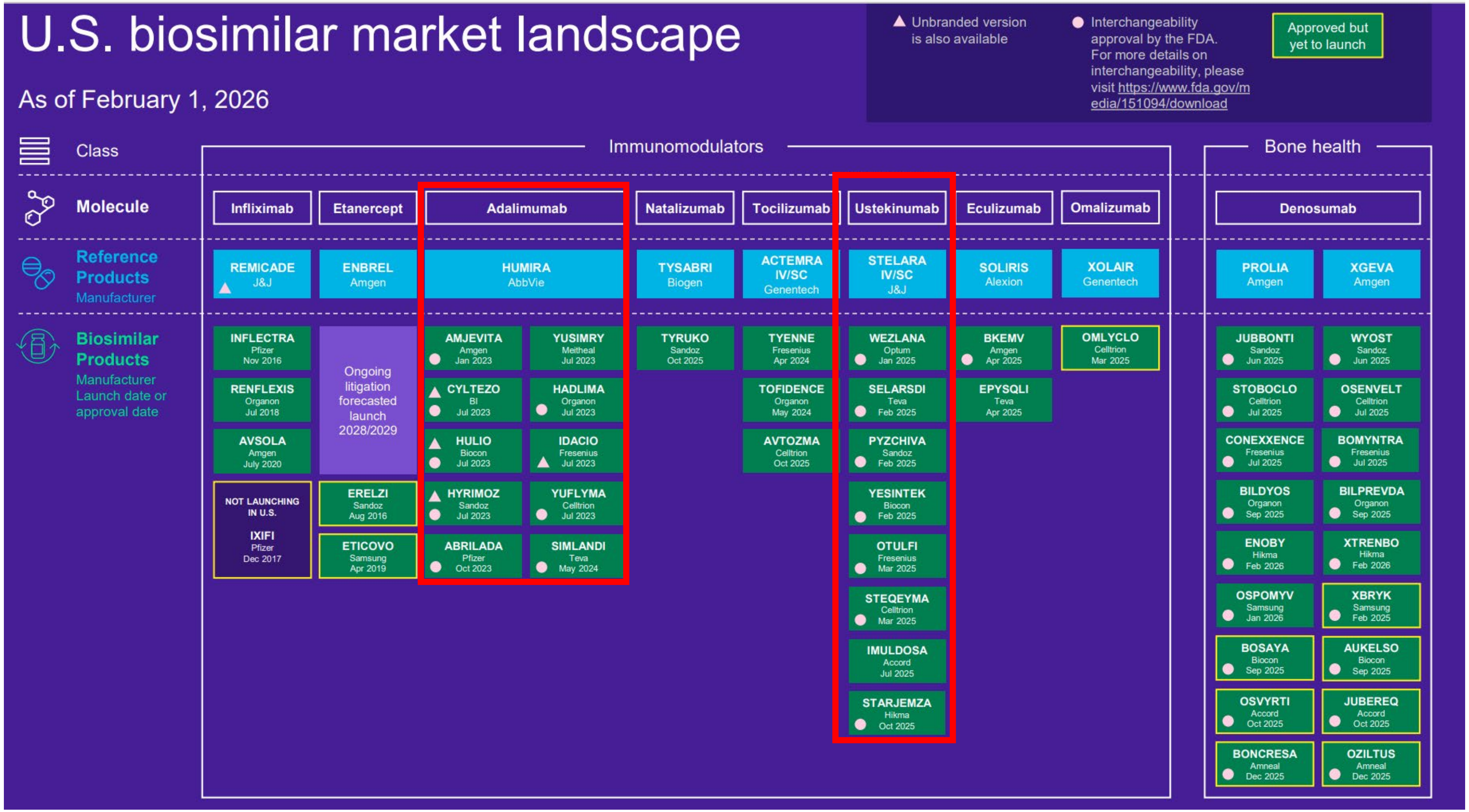
The Biosimilar Marketplace



Oncology Pipeline



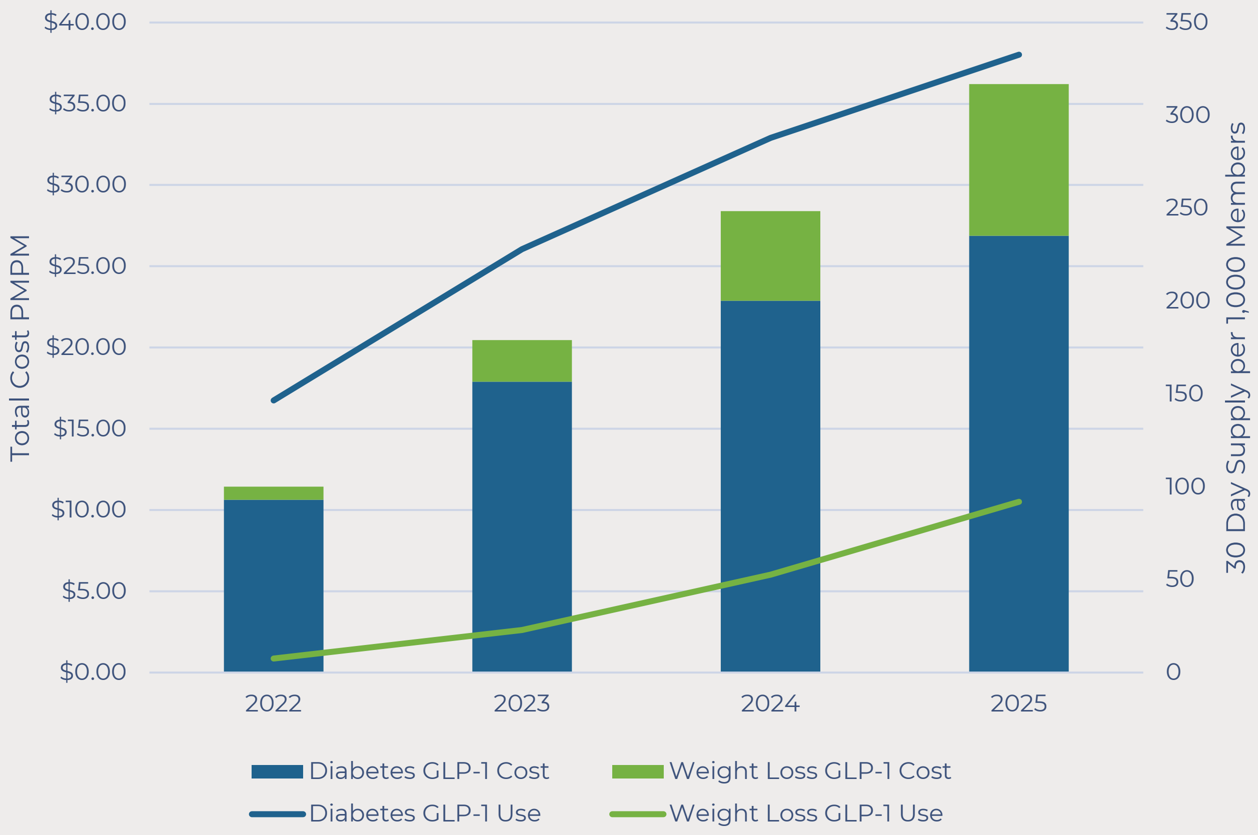
The Biosimilar Market Landscape



	Existing Biosimilars	Pipeline
Remicade	X	one
Enbrel	X	one
Actemra	X	one
Xolair	X	three
Humira	X	none
Stelara	X	none
Tysarbi	X	none
Soliris	X	none
Cimzia		one
Cosentyx		two
Simponi		two
Enytvio		two
Orencia		one

GLP-1

GLP-1 USE TREND BY APPROVAL CATEGORY



- GLP-1 2025 usage
  - 20% of pharmacy spend (5% for weight loss)
  - 4% of members
    - 12% of high risk
    - 17% of very high risk

GLP-1 utilization continues to rise — PMPM spending nearly doubled each year since 2021.

Employer coverage trends:

- >50% cover GLP-1s for diabetes only
- 30%+ are evaluating coverage for obesity due to high costs
- 20%+ have implemented tighter prior authorization or higher BMI restrictions for coverage

GLP-1 Changes Are Coming in 2027!

HEALTH AND SCIENCE

Novo Nordisk to slash GLP-1 list prices by up to 50% in U.S. to cut costs for insured patients

PUBLISHED TUE, FEB 24 2026•8:54 AM EST | UPDATED TUE, FEB 24 2026•11:49 AM EST

Novo Nordisk and Eli Lilly shares both fall after Novo's price-cut plan for Ozempic and Wegovy

The Danish drugmaker plans to significantly lower the list price of three GLP-1 drugs

By Steve Goldstein Follow Jaimy Lee Follow

- A robust pipeline with new clinical pathways and expanded indications confirms the financial burdens will continue
- Flurry of third-party vendor solutions flooding the market leaving employers overwhelmed

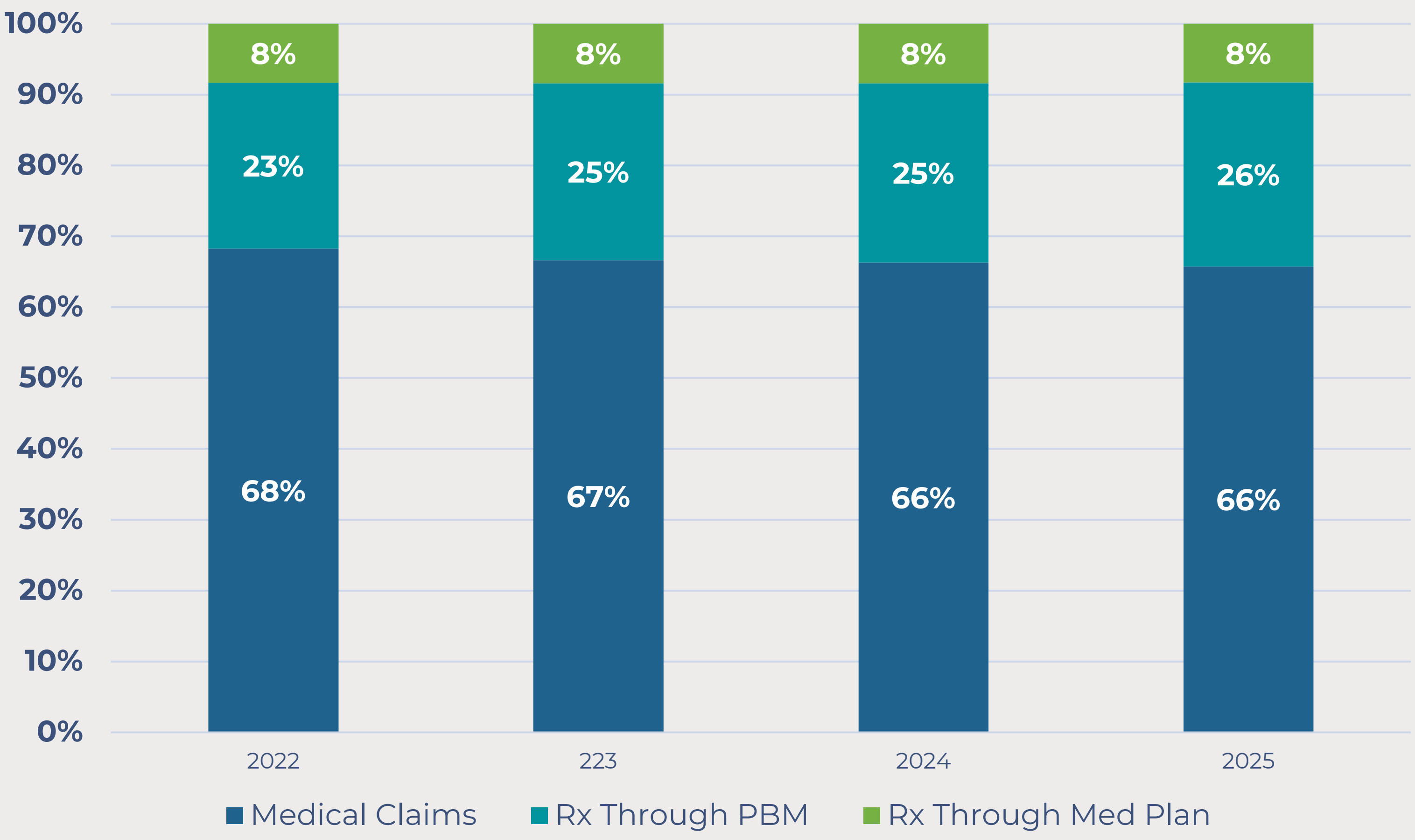
FDA approves Lilly's Foundayo™ (orforglipron), the only GLP-1 pill for weight loss that can be taken any time of day without food or water restrictions

April 1, 2026

Ripple Effect:

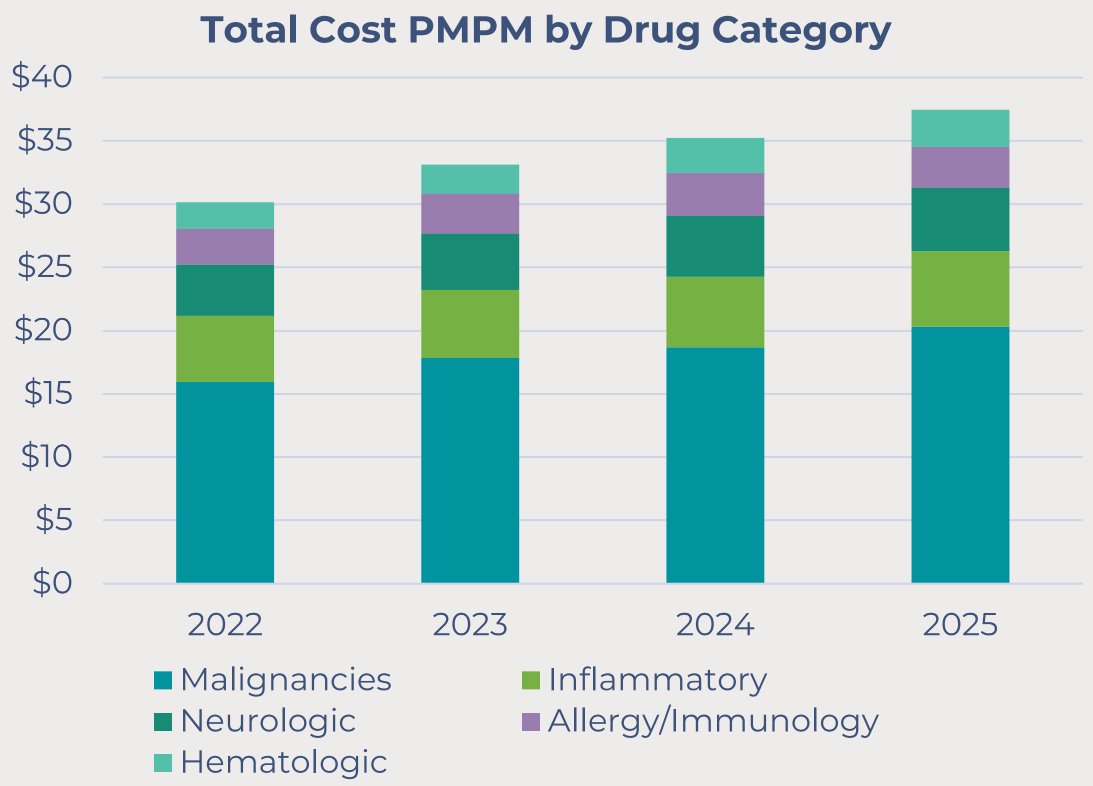
- GLP-1 rebate values are estimated to be 40%-50% of list prices, propping up channel rebate guarantees
- Anticipated lower list prices in 2027 will result in lower rebate earnings
- Lower rebate earnings will force PBMs to apply rebate credits or guarantee adjustmer
- Alera Rx is continuing to assess associated impacts to rebate earnings

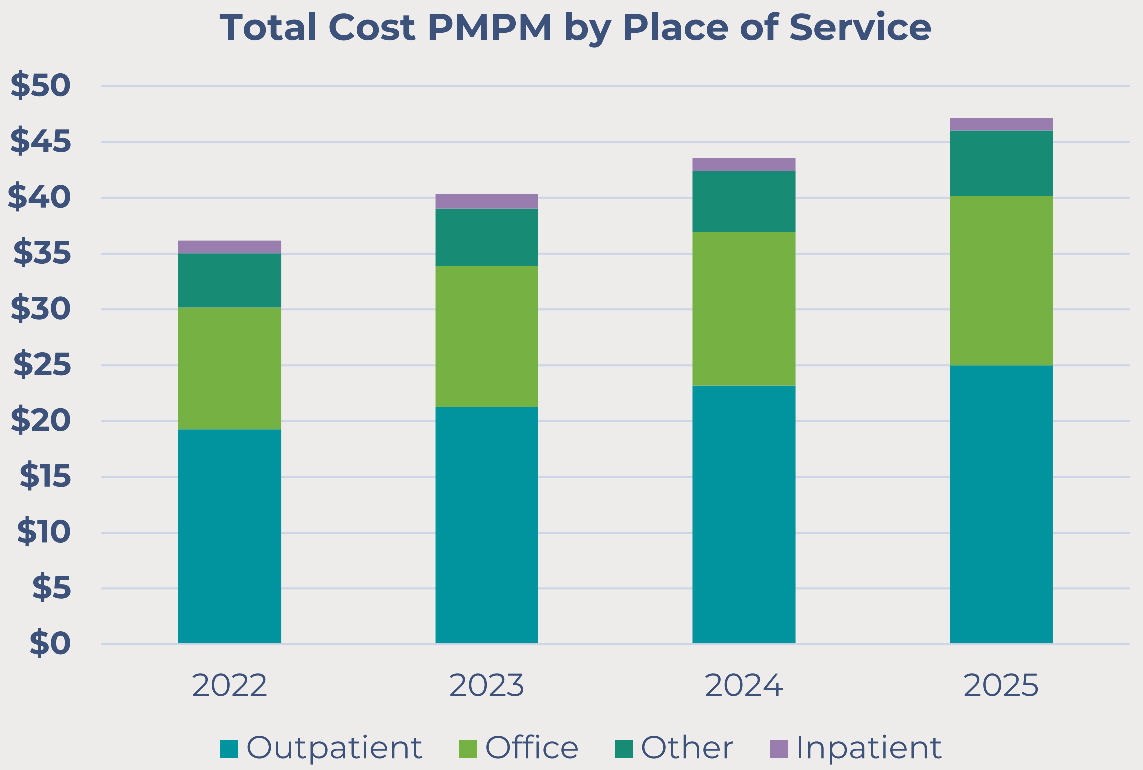
J code Impact on Spend



- **Soliris $400k-$600k annually**
- **Keytruda $150-$200k annually**
- **Remicade $25k-$45k annually**

J-code Trends





J-code blocks can be effective when managed properly so member experience is not impacted. Not all vendors are created equally in this space.

PBM Comparison

Top 15 PBM by Total Cost in 2025

- % NADAC is calculated for non-generic medications
- Example Calculation
  - Non-Generic Spend $100,000
  - Under NADAC price would have been $98,000
  - Estimated Rebates $49,000

Carrier	Total Cost	% NADAC	2024 % of Estimated Rebates
OPTUMRX	$92,089,665	107%	82%
RXBenefits	$83,455,350	102%	92%
ANTHEM	$78,648,507	96%	86%
CAREMARK	$76,190,382	91%	121%
NAVITUS	$59,054,841	97%	116%
UHC	$46,752,083	106%	84%
EXPRESS SCRIPTS	$39,668,302	109%	88%
AETNA	$38,438,115	113%	47%
CIGNA	$36,505,127	115%	56%
BCBSTX	$35,617,018	102%	82%
CAPITAL RX	$20,206,579	104%	84%
BCBSAL	$18,453,492	110%	78%
MAXOR PLUS	$16,050,343	112%	72%

Top 5 PBM Trends 2026

<u>2025 Stats:</u>

Three PBM's still control approximately 80% of the market
- CVS Caremark
- Optum/United Healthcare
- Express Scripts/Evernorth

Regulatory Changes

Specialty / Biosimilars

GLP-1s

Pricing

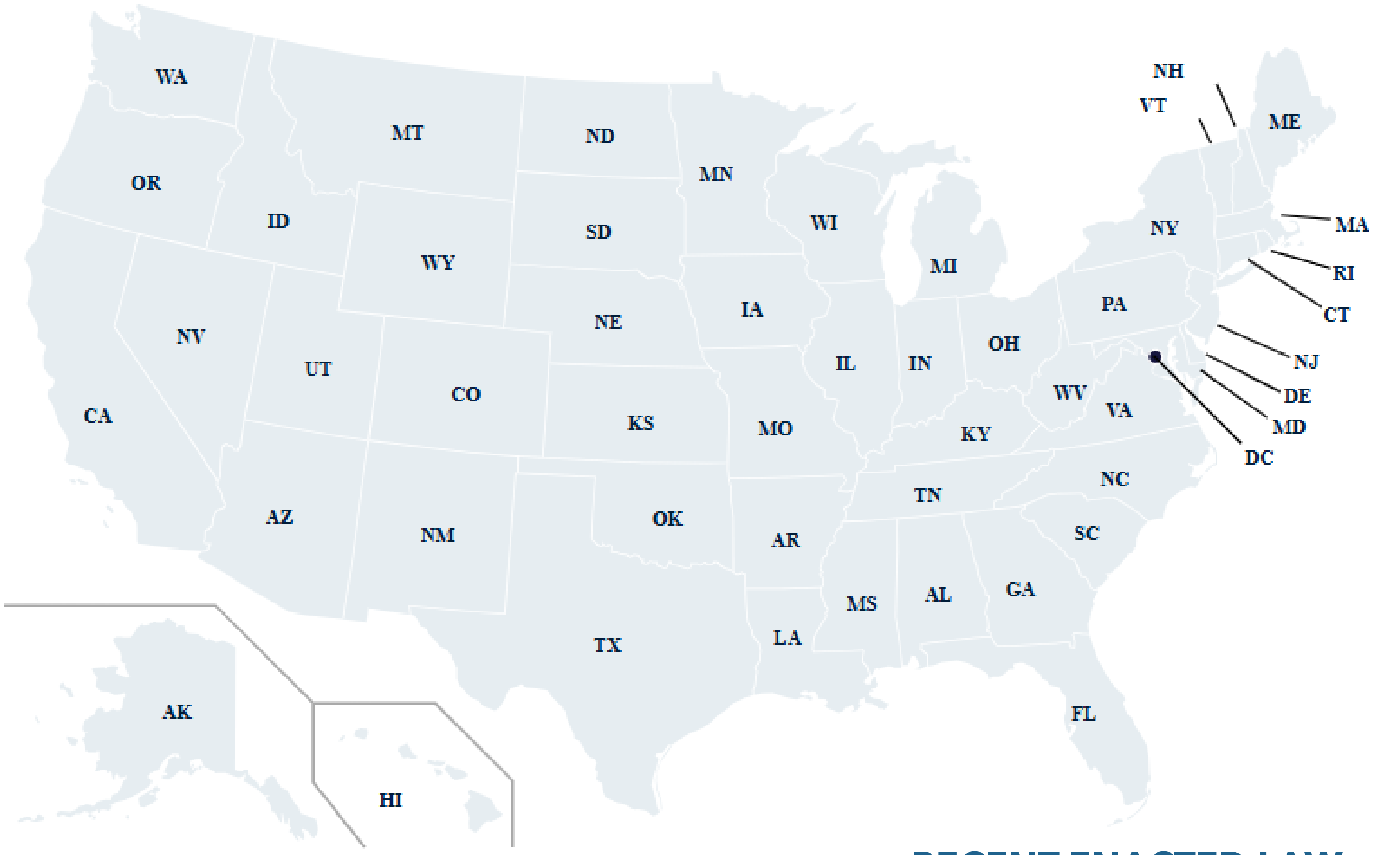
Rebate Compression

- **In 2025 the FDA approved 46 "novel" drugs**
- **Manufacturers raised prices** on over 350 branded medications in January 2026
- **Inflation Reduction Act** medication list continues to expand in 2026 and beyond- price reductions lead to rebate credits
- **Mark Cuban Cost Plus** like programs adoption is slow
- **New pricing models** introduced by Big Three, e.g. CVS's "Cost plus" model wreak havoc on HDHPs

Regulatory Changes: State Actions

Issue Areas

340b | Affiliate Pharmacies/Anti-Steering
Audit | Any Willing Pharmacy | Biosimilars
Copay Accumulator | Copay Cap | Clawback
Coverage Mandates | Disclosure/Transparency
ERISA | Fees | Forced Pharmacy Closure
Frozen Formulary | Gag Order | Gold Carding
Generic Substitution/Therapeutic Interchange
Licensure/Registration | MAC | Mail-Order
Network Adequacy | PBM Compensation/Delinking
PBM Duty Of Care | PBM Studies
Pharmacy Accreditation | Pharmacy Reimbursement
POS Rebates | PSAO | Prompt Pay
Rebates | Specialty | Spread Pricing
Utilization Management | White Bagging



WWW.PCMANET.ORG/STATE-ISSUE-MAP/

RECENT ENACTED LAW

STATES/TERRITORIES: 44

STATUES/BILLS: 343

Understanding the PBM Landscape

Specialty Drugs

- 2025 Specialty Drug Spend trend averaged 13.3%
- Expanded indications for multiple medications
- Reclassification of specialty drugs to non-specialty (impact on rebate guarantees)
- Changes in manufacturer assistance/copay programs
- Slow PBM adoption of Humira & Stelara biosimilars

– Inconsistent use of Low WAC Biosimilars

– Shift to 2nd-3rd line agents in the autoimmune space due to poor UM management (Skyrizi, Rinvoq, etc.)

- High volume of LDD and Orphan drugs in pipeline Pressure on manufacturers to lower prices (Ibrance WAC reduction announcement)

Traditional Drugs

- 2025 Traditional Drug Spend trend averaged 4-5.5%
- Historically low-cost generic drugs were the cornerstone of chronic condition management.
- Clinical guidelines prefer newer high-cost branded agents as first line therapy.
- Relaxed PBM utilization management guardrails (“automation”)
- Inflation Reduction Act lowering the cost of brand drugs, impacting rebate earning.
- GLP-1 price reductions effective 1/1/27 will have large impacts on rebate guarantees.
- Expanded indications for GLP-1 and newer novel therapies will drive unit cost

The Shift in Rebates: Buyer Beware

Impacts to Monitor:

- Legislation impacts: Disincentivizes rebates
- Reduce network discount guarantees with increased rebate guarantees.
- Rebate credit application resulting in rebate guarantee offsets/lower rebate payments.
- Formularies favoring drugs with the highest rebates, not the lowest net cost.
- PBMs rebranding margins as new "service fees" (e.g., formulary management fees, data access charges).
- As rebates become less central, expect more network management fees, white bagging, specialty pharmacy markup.

Key Predictions for the Next 12-36 Months

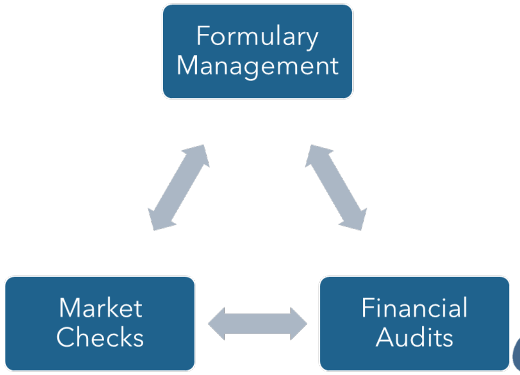
AN EVERCHANGING LANDSCAPE

Trend	What to Expect
Lower Risk Tolerance	PBMs less willing to take risks with price guarantees and financial terms.
Rebate Compression	Downward pressure on rebates due to biosimilar adoption, most favored nation pricing, etc.
Brand Drug Discount Compression & Higher Dispense Fees	Cost plus pricing models will place pressure on brand drug discounts and increased dispense fees.
New Revenue Channels	PBMs will offset lost rebate income with new fees.
Formulary Rigidity	Resistance to prefer lower-cost options without rebates, even where clinically appropriate.
Fulfillment Steering	More aggressive redirection to vertically integrated pharmacies.
Cost Containment Program Shrinkage	Pressure from drug manufacturers & traditional PBMs, will reduce program savings.

Effective Pharmacy Benefit Management (PBM) Oversight

Managing Three Key Levers Now

- **Formulary strategy** to guide evidence-based and cost-effective medication use
  - Align formulary design with **evidence-based prescribing**
  - Promote **generics and biosimilars**
  - Optimize **therapeutic interchange opportunities**
  - Manage **specialty drug utilization**
- **Market checks and benchmarking** to ensure competitive pricing and rebate structures
  - Discounts and rebate guarantees
  - Administrative fees
  - Specialty pharmacy pricing
- **Audits and compliance monitoring** to validate contract performance and financial accuracy
  - Audit focus areas
  - Rebate pass-through accuracy
  - Claims adjudication accuracy
  - Contract performance guarantees
  - Specialty drug pricing compliance
  - Discounts and rebate



Key Considerations for Employers/Prospects

How to Prepare for the Long-Term

Strategically plan your next renewal (don't get locked into a bad deal)

- Evaluate your current PBM partner-What value do they bring?
  - Understanding fees and "new" PBM sources of revenue
  - Is your PBM contract "built for the future"?
- Ensure employers understand shrinking rebate revenue
  - Are they prepared to budget appropriately
- Ensure plan set up aligns/complies with federal and state requirements
  - Establish checks and balances to ensure accuracy

Continuous Performance Monitoring

- Confirm formulary strategy is based on evidence-based guidelines and cost-effective medication use
- Engage a trusted partner to evaluate clinical protocols/guardrails are in place and are adhered to Ensure new to market medications are managed appropriately

Questions?

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